

## **INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of JSC Latvijas Juras Medicinas Centrs**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of JSC Latvijas Juras Medicinas Centrs set out on pages 8 to 22 of the accompanying annual report, which comprise the consolidated statement of financial position as of 31 December 2013 and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 consolidated 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 consolidated 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 and fair presentation of the consolidated financial statements 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

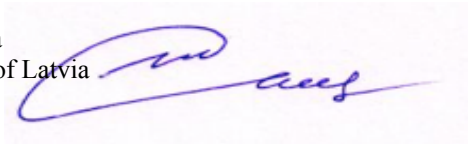
In our opinion, the consolidated financial statements give a true and fair view of the financial position of JSC Latvijas Juras Medicinas Centrs as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the International Financial Reporting Standards adopted by the European Union.

### **Report on Other Legal and Regulatory Requirements**

We have read the management report for 2013 set out on pages 5 to 6 of the accompanying consolidated annual report and did not identify material inconsistencies between the financial information contained in the management report and that contained in the consolidated financial statements for 2013.

System audit Ltd.  
Audit company licence No. 53

Irina Saksaganska  
Certified auditor of Latvia  
Certificate Nr. 41  
Board Member



Riga, Latvia

March 20, 2014.



**LATVIJAS JŪRAS MEDICĪNAS CENTRS JSC**

**CONSOLIDATED REPORT FOR THE YEAR 2013**

**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 17.50%  
Martins Birks 17.50%  
Ilze Aizsilniece 11.45%  
Guna Shvarcberga 10.36%  
Janis Birks 8.66%  
Adomas Navickas 6.35%

**REPORTING PERIOD:** January 1, 2013 - December 31, 2013

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

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

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**Council of the Group** Number of shares  
owned at

31/12/2013

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

<b>Position</b>	<b>Name</b>	
Chairman of the Council	Martins Birks	140,000
Member of the Council	Viesturs 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

Chairman of the Board	Janis Birks	69,317
Member of the Board	Marta Aizsilniece	1,624
Member of the Board	Andris Vigants	700

### **Type of activity**

JSC Latvian maritime medicine centre (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 2013 average number of LJMC employees is 355.

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 Joint-stock company Latvijas Jūras medicīnas centrs „Ziemeļu diagnostikas centrs” received a quality certificate ISO 9001:2008 in functional diagnostics and radiology from DNV 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 1.6 million LVL. 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%.

One of the goals of Building renovation project was to create a new ambulatory health care centre in Sarkandaugava Patversmes 23, earlier provided inpatient health care services. Redirection of inpatient health care service to ambulatory health care service improves the future effectiveness, maximizes LJMC resources and provides better medical care to patients.

In May 2013 LJMC won a tender regarding the right to provide medical care with Paul Stradins Clinical University Hospital patients for 1 years.

As one of 2014 development directions LJMC focuses on attracting foreign patients. LJMC combines excellent doctors in Latvia and a knowledgeable medical staff, so the quality of the medical study is deep and competitive both in and out of Latvia. It resulted in increasing number of foreign patients, as well as including LJMC in the official medical tourism service provider register kept by the LR Health inspection. LJMC in 2013 mainly attracted medical tourists from EU. To attract more new foreign and local patients, LJMC in 2014 has set the investment objectives: implementation of innovative solutions in the medical service, staff training in patient care, continue state policy on the hospital redirection, providing investment in Vecmīlgrāvis hospital.

### **Financial performance**

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 medicīnas centrs” (hereinafter referred to as LJMC) and its subsidiary company “Juras medicīna” Ltd. (hereinafter referred to as JM).

The share of the parent company constitutes the dominant part of the group’s assets, turnover and profits.

Corporate Governance Report for the year 2013 is published as a separate document.

2013 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.

2013 LJMC has worked according to the budget: revenue plan has been fulfilled for 98.8% and expenditure is met by 101.5%.

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**MANAGEMENT REPORT**

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LJMC financial indicators for the last 3 years:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net sales (milj. LVL)	3.57	3.79	3.52
Investment in long-term asset (milj. LVL)	0.12	0.49	1.13
Assets at the end of the year (milj. LVL)	3.50	3.74	3.94
Profit after taxes (LVL)	-224,421	-68,181	-82,094
EBITDA (LVL)	240,455	425,529	335,657
Liquidity (CR)	3.6	2.98	2.01
Credit rate (DR)	0.18	0.18	0.2
Return on equity (ROE), %	-7,6%	-1,9%	-2,9%
Profit after taxes on share(LVL)	-0.28	-0.09	-0.10
LJMC dividends on share (LVL)	0	0	0
LJMCshare market price at the end of the year(LVL)	1,5	1,9	1,25

LJMC consolidated audited report for the year 2013 shows that loss before taxes was LVL 235 237. Ltd "Juras Medicina" loss after taxes was LVL 10 538. The loss was planned because the company sells intensive investment policy to focus on the company's competitiveness and profitability in the future. In 2014 LJMC planned investment is expected to amount to EUR 430 000.

**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.

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.

**Proposal of the Management Board to cover losses**

The Management Board proposes LJMC 2013 loss to be covered by the previous year the accumulated profit.

Chairman of the Management Board  
Jānis Birks

Member of the Management Board  
Marta Aizsilniece

Member of the Management Board  
Andris Vigants

Riga, 20 March, 2014.

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

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Consolidated financial statements are prepared to the best of our knowledge, in accordance with International Financial Reporting Standards adopted by the European Union. These financial statements give a true and fair view of the financial position of the Group and of its financial performance for the period ended 31 December 2013 in all essential aspects. In preparing those financial statements, management:

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

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

Chairman of the Board

Janis Birks

Member of the Board

Marta Aizsilniece

Member of the Board

Andris Vigants

Riga, 20 March, 2014.



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

	December 31, 2013	December 31, 2012	Notes
<b>ASSETS</b>	<b>LVL</b>	<b>LVL</b>	
<b>Long-term investments:</b>			
<b>Intangible assets:</b>			
Other intangible (fixed) assets	13,850	15,233	2
<b>Total intangible assets</b>	<b>13,850</b>	<b>15,233</b>	
<b>Fixed assets</b>			
Land and buildings	1,594,162	1,758,202	
Technological equipment and machines	583,124	782,185	
Other fixed assets and fixtures	45,862	37,874	
Fixed assets add-ons (EU funds)	110,039	110,039	
Advance payments for fixed assets	-	3,322	
<b>Total fixed assets</b>	<b>2,333,187</b>	<b>2,691,622</b>	2
<b>Long-term financial assets</b>			
Investment in associates	129,088	135,312	3
<b>Total financial assets:</b>	<b>129,088</b>	<b>135,312</b>	
<b>Total long-term investments:</b>	<b>2,476,125</b>	<b>2,842,167</b>	
<b>Current assets:</b>			
<b>Inventories</b>			
Raw materials	59,649	68,647	4
<b>Total Inventories</b>	<b>59,649</b>	<b>68,647</b>	
<b>Debtors:</b>			
Trade receivables	115,425	77,594	5
Other receivables	11,162	6,677	6
Deffered expenditure	2,587	2,783	7
<b>Total debtors</b>	<b>129,174</b>	<b>87,054</b>	
<b>Cash funds</b>	<b>795,881</b>	<b>725,035</b>	8
<b>Total current assets</b>	<b>984,704</b>	<b>880,736</b>	
<b>TOTAL ASSETS</b>	<b>3,460,829</b>	<b>3,722,903</b>	

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

	December 31, 2013	December 31, 2012	Notes
<b>LIABILITIES</b>	<b>LVL</b>	<b>LVL</b>	
<b>Equity capital:</b>			
Share capital	800,000	800,000	<b>9</b>
Reserves:			
c) reserves provided by the Articles of Association	31,993	31,993	
d) fixed asset's revaluation reserve	555,674	653,160	<b>23</b>
<b>Retained earnings:</b>			
Undistributed profit	1,290,727	1,400,458	
<b>Total shareholders' equity</b>	<b>2,678,394</b>	<b>2,885,611</b>	
<b>Non-controlling interest</b>	-	1,311	
<b>Total equity capital</b>	<b>2,678,394</b>	<b>2,886,922</b>	
<b>Provisions for liabilities and charges:</b>			
Provisions for vacations	75,830	48,671	
Deferred tax provisions	78,172	106,192	<b>22</b>
<b>Total provisions</b>	<b>154,002</b>	<b>154,863</b>	
<b>Non-current liabilities:</b>			
Deferred income	352,510	385,929	<b>10</b>
<b>Total non-current liabilities</b>	<b>352,510</b>	<b>385,929</b>	
<b>Current liabilities:</b>			
Advance payments	4,064	12,840	<b>11</b>
Trade Payables	61,681	63,091	<b>12</b>
Deferred income	33,419	33,419	<b>10</b>
Taxes and social security payments	80,112	85,224	<b>13</b>
Other payables	96,647	100,615	<b>14</b>
<b>Total current liabilities</b>	<b>275,923</b>	<b>295,189</b>	
<b>Total liabilities</b>	<b>628,433</b>	<b>681,118</b>	
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>3,460,829</b>	<b>3,722,903</b>	

**LATVIJAS JURAS MEDICINAS CENTRS JSC**  
**COMPREHENSIVE INCOME STATEMENT**  
**FOR THE YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012**

	2013, 12 month period	2012, 12 month period	Notes
	LVL	LVL	
Net sales	3,571,280	3,789,337	<b>15</b>
Cost of goods sold	(3,599,711)	(3,609,475)	<b>16</b>
<b>Gross profit or loss</b>	<b>(28,431)</b>	<b>179,862</b>	
Administrative expenses	(323,759)	(336,870)	<b>17</b>
Other operating income	124,709	105,301	<b>18</b>
Other operating expenses	(1,532)	(4,552)	<b>19</b>
Income from investment in associate	(6,224)	131	<b>20</b>
Interest income and similar income	-	27	<b>21</b>
<b>Profit (loss) before taxes</b>	<b>(235,237)</b>	<b>(56,101)</b>	
Corporate income tax	10,816	(12,080)	<b>22</b>
<b>NET PROFIT OR LOSS</b>	<b>(224,421)</b>	<b>(68,181)</b>	
<b>Other comprehensive income for the year, net of tax</b>	<b>(1,311)</b>	<b>-</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(225,732)</b>	<b>(68,181)</b>	
Profit attributable to			
Owners of LJMC	(225,732)	(68,135)	
Non-controlling interest	-	(46)	
	<b>(225,732)</b>	<b>(68,181)</b>	
Total comprehensive income attributable to			
Owners of LJMC	-	-	
Non-controlling interest	-	-	
	-	-	
<b>EBITDA</b>	<b>249,956</b>	<b>413,449</b>	
<b>Number of shares</b>	<b>800,000</b>	<b>800,000</b>	
<b>Earnings per Share (EPS)</b>	<b>(0.28)</b>	<b>(0.09)</b>	

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

	Share capital	Reserves provided by the Articles of Association	Properties revaluation reserve	Undistributed profit	Non-controlling interest	Total
	LVL	LVL	LVL	LVL	LVL	LVL
<b>At 31 December 2011</b>	<b>800,000</b>	<b>31,993</b>	<b>750,642</b>	<b>1,353,908</b>	<b>1,357</b>	<b>2,937,900</b>
Depreciation of revaluation surplus	-	-	(114,685)	114,685	-	-
Deffered tax on revaluation surplus	-	-	17,203	-	-	17,203
Profit on purchase of shares from associates	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(68,135)	(46)	(68,181)
<b>At 31 December 2012</b>	<b>800,000</b>	<b>31,993</b>	<b>653,160</b>	<b>1,400,458</b>	<b>1,311</b>	<b>2,886,922</b>
Depreciation of revaluation surplus	-	-	(114,690)	114,690	-	-
Deffered tax on revaluation surplus	-	-	17,204	-	-	17,204
Total comprehensive income for the year	-	-	-	(224,421)	(1,311)	(225,732)
<b>At 31 December 2013</b>	<b>800,000</b>	<b>31,993</b>	<b>555,674</b>	<b>1,290,727</b>	<b>-</b>	<b>2,678,394</b>

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

	2013, 12 month period	2012, 12 month period	NOTES
	LVL	LVL	
<b>Cash flows from operating activities</b>			
<b>Net income before tax</b>	<b>(235,237)</b>	<b>(56,101)</b>	
Adjustments:			
a) depreciation of fixed assets	466,334	477,100	2
b) depreciation of intangibles	9,358	4,530	2
c) loss (gain) on sale of fixed assets	(2,597)	409	18,19
d) provisions	27,159	(35,519)	
e) ERAF income recognized in profit or loss	(33,419)	20,392	18
f) net loss on acquisition of a subsidiary shares	446	-	
g) interest income	-	(27)	20
h) (gain) /loss from investments in associates	6,224	(131)	19
<b>2. Changes in operating current assets and liabilities</b>	<b>238,268</b>	<b>410,653</b>	
Corrections			
a) receivables	(42,120)	78,609	
b) inventory	8,998	(1,511)	
c) current liabilities	(19,266)	(286,298)	
<b>3. Gross operating cash flow</b>	<b>185,880</b>	<b>201,453</b>	
4. Paid interest	-	-	
5. Paid corporate income tax	-	(3,570)	12
<b>6. Net cash used in operating activities</b>	<b>185,880</b>	<b>197,883</b>	
<b>II. Cash flow used in investment activities</b>			
1. Net cash outflow on acquisition of a subsidiary	(1,757)	-	
2. Purchase of fixed assets	(117,743)	(492,864)	2
3. Income from sale of fixed assets	4,466	373	
4. Received dividends from the associate	-	7,746	
5. Received interest	-	27	20
<b>6. Net cash from investment activities</b>	<b>(115,034)</b>	<b>(484,718)</b>	
<b>III. Cash flows used in financing activities</b>			
1. Saņemti EU fondi	-	157,350	
2. Settlement of loans	-	-	
3. Paid dividends	-	-	
<b>4. Net cash from financing activities</b>	<b>-</b>	<b>157,350</b>	
<b>IV. Net increase (decrease) in cash</b>	<b>70,846</b>	<b>(129,485)</b>	
<b>V. Cash at the beginning of the period</b>	<b>725,035</b>	<b>854,520</b>	
<b>VI. Cash at the end of the period</b>	<b>795,881</b>	<b>725,035</b>	

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

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**GENERAL INFORMATION**

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

The Group's main activity is health care services.

**1. ACCOUNTING PRINCIPLES**

**Basis of consolidation**

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

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

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

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

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

**Foreign currency**

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

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

	<b>December 31, 2013</b>	<b>December 31, 2012</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 YEARS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012**

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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 of profit or loss and other comprehensive income the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Government grants related to assets, including non-monetary grants, are accounted for at fair value, presented as deferred income in the statement of financial position, which are recognised as income from the different exercises on a systematic and rational, over the life of the related assets.

#### **Property revaluation surplus**

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

#### **Taxation**

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

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

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**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.



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

As on 31 December 2013 and 31 December 2012

fixed assets are composed as follows:

LVL	Intangible assets	Land & buildings	Machinery and equipment	Other fixed assets	Fixed assets add-ons (EU funds)	Unfinished building objects	Advance payments for fixed assets	Total
<b>Historical cost</b>								
<b>At 31 December 2011</b>	<b>26,377</b>	<b>2,606,458</b>	<b>2,523,307</b>	<b>337,389</b>	<b>411,569</b>	<b>6,033</b>	<b>110,039</b>	<b>6,021,172</b>
Additions	19,031	49,045	173,570	28,217	225,712	(2,711)	-	492,864
Transfers	-	637,281	-	-	(637,281)	-	-	-
Disposals	-	-	(31,347)	(13,193)	-	-	-	(44,540)
<b>At 31 December 2012</b>	<b>45,408</b>	<b>3,292,784</b>	<b>2,665,530</b>	<b>352,413</b>	<b>-</b>	<b>3,322</b>	<b>110,039</b>	<b>6,469,496</b>
Additions	7,975	19,172	61,224	32,694	-	(3,322)	-	117,743
Transfers	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Disposals or change in classification	(2,753)	(1,301)	(138,400)	(30,088)	-	-	-	(172,542)
<b>At 31 December 2013</b>	<b>50,630</b>	<b>3,310,655</b>	<b>2,588,354</b>	<b>355,019</b>	<b>-</b>	<b>-</b>	<b>110,039</b>	<b>6,414,697</b>
<b>Accumulated depreciation</b>								
<b>At 31 December 2011</b>	<b>25,645</b>	<b>1,365,848</b>	<b>1,635,072</b>	<b>298,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,324,769</b>
Charge for the year	4,530	54,049	279,620	28,746	-	-	-	366,945
Charge for the period for revaluated fixed assets	-	114,685	-	-	-	-	-	114,685
Disposals	-	-	(31,347)	(12,411)	-	-	-	(43,758)
<b>At 31 December 2012</b>	<b>30,175</b>	<b>1,534,582</b>	<b>1,883,345</b>	<b>314,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,762,641</b>
Charge for the year	9,358	68,519	260,256	22,866	-	-	-	360,999
Charge for the period for revaluated fixed assets	-	114,693	-	-	-	-	-	114,693
Disposals or change in classification	(2,753)	(1,301)	(138,371)	(28,248)	-	-	-	(170,673)
<b>At 31 December 2013</b>	<b>36,780</b>	<b>1,716,493</b>	<b>2,005,230</b>	<b>309,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,067,660</b>
<b>Net book value</b>								
<b>At 31 December 2011</b>	<b>732</b>	<b>1,240,610</b>	<b>888,235</b>	<b>39,185</b>	<b>411,569</b>	<b>6,033</b>	<b>110,039</b>	<b>2,696,403</b>
<b>At 31 December 2012</b>	<b>15,233</b>	<b>1,758,202</b>	<b>782,185</b>	<b>37,874</b>	<b>-</b>	<b>3,322</b>	<b>110,039</b>	<b>2,706,855</b>
<b>At 31 December 2013</b>	<b>13,850</b>	<b>1,594,162</b>	<b>583,124</b>	<b>45,862</b>	<b>-</b>	<b>-</b>	<b>110,039</b>	<b>2,347,037</b>

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**3. INVESTMENT IN ASSOCIATES**

	Capital share (%)	Amount of investment	Capital share (%)	Amount of investment
	2013		2012	
	LVL		LVL	
<b>Participating interests in associated enterprises</b>				
Participation in "Neirozu klinika" Ltd.	45.32	129,088	45.32	135,312
<b>Total participating interests in associated enterprises</b>		<u>129,088</u>		<u>135,312</u>

**4. RAW MATERIALS**

	2013	2012
	LVL	LVL
Pharmaceutical	59,443	68,121
Advance payments to supplier of goods	130	275
Other materials	76	251
<b>Total</b>	<u>59,649</u>	<u>68,647</u>

**5. TRADE RECEIVABLES**

	2013	2012
	LVL	LVL
Riga's health department	49,682	6,981
P.Stradiņa klīniskā universitātes slimnīca	17,567	17,475
Insurance BTA SE	7,340	20,606
Ergo Latvija AAS	3,152	2,384
Gjensidege Baltic	7,165	3,488
IF Latvija AAS	3,121	1,746
Latvian University	733	2,932
SEESAM Latvija	2,705	2,068
Latvian railway JSC	1,210	1,210
Olla M Ltd.	622	1,161
Balva AAS	559	724
Baltijas apdrošināšanas nams	464	1,134
Biogen Idec Ltd.	125	125
Balta AAS	1,638	478
Compensa Life Vienna Insurance group	3,857	973
Ministry of Interior – health and social department	610	848
Other customers	20,469	16,037
Bad debt provisions	(5,594)	(2,776)
<b>Total</b>	<u>115,425</u>	<u>77,594</u>

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**6. OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Taxes overpaid (note No.12)	3,592	3,592
VAT for unpaid invoices	-	2,042
Other receivables	7,570	1,043
<b>Total</b>	<b><u>11,162</u></b>	<b><u>6,677</u></b>

**7. DEFERRED EXPENDITURE**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Assurance	2,587	2,783
<b>Total</b>	<b><u>2,587</u></b>	<b><u>2,783</u></b>

**8. CASH FUNDS**

	<b>2013</b>	<b>2012</b>
Cash in banks	792,799	718,625
Cash on hands	3,082	6,410
<b>Total</b>	<b><u>795,881</u></b>	<b><u>725,035</u></b>

**9. SHARE CAPITAL**

	<b>2013</b>		<b>2012</b>	
	<b>Number of</b>	<b>Share %</b>	<b>Number of</b>	<b>Share %</b>
<b>Shareholders:</b>	<b>shares</b>		<b>shares</b>	
Ilze Birka	140,000	17.50%	140,000	17.50%
Martins Birks	140,000	17.50%	140,000	17.50%
Ilze Aizsilniece	91,565	11.45%	91,565	11.45%
Guna Shvarcberga	82,917	10.36%	82,917	10.36%
Janis Birks	69,317	8.66%	67,983	8.50%
Adomas Navickas	50,825	6.35%	39,508	4.94%
Other shareholders (shares less than 5%)	225,376	28.17%	238,027	29.75%
<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><u>800,000</u></b>		<b><u>800,000</u></b>	

**10. DEFERRED INCOME**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
ERDF project reimbursement:		
Short-term part	33,419	33,419
Long-term part	352,510	385,929
<b>Total</b>	<b><u>385,929</u></b>	<b><u>419,348</u></b>

**11. ADVANCE PAYMENTS**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
VEK advance payment for 2010	2,930	2,930
Other advances	1,134	9,910
<b>Total</b>	<b><u>4,064</u></b>	<b><u>12,840</u></b>

**12. TRADE PAYABLES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Medilink SIA	10,493	-
Latvenergo Rīgas elektrotikls	7,307	7,866
Sistēmu Audits SIA	6,050	4,232
Latvijas Gaze	3,483	-
Zitari SIA	1,855	2,556
Rīgas Ūdens	776	687
Academic histologic laboratory	226	107
Tradintek SIA	-	38,223
Other suppliers	31,491	9,420
<b>Total</b>	<b><u>61,681</u></b>	<b><u>63,091</u></b>

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**13. TAXES AND SOCIAL SECURITY PAYMENTS**

	<i>As of 31- 12-12</i>	<i>Calculated</i>	<i>Paid</i>	<i>Returned</i>	<i>As of 31- 12-13</i>
	LVL	LVL	LVL	LVL	LVL
Value added tax	903	22,582	(22,409)	73	1,149
Social insurance	53,631	618,252	(621,016)	-	50,867
Personal income tax	30,441	337,128	(340,159)	-	27,410
Corporate income tax	(3,588)	-	-	-	(3,588)
Unemployment duty	81	1,040	(1,041)	-	80
Natural resources tax	168	1,128	(690)	-	606
Uzņēmuma vieglo a/m trasp.nodoklis	-	180	(180)	-	-
Real estate tax	(4)	12,684	(12,684)	-	(4)
<b>Total, including</b>	<b>81,632</b>	<b>992,994</b>	<b>(998,179)</b>	<b>73</b>	<b>76,520</b>
due to the budget	85,224				80,112
overpayment	(3,592)				(3,592)

**14. OTHER PAYABLES**

	<b>2013</b>	<b>2012</b>
	LVL	LVL
Salaries	95,650	99,633
Trade union	122	642
Deposited salary	875	340
<b>Total</b>	<b>96,647</b>	<b>100,615</b>

**15. NET SALES**

	<b>2013</b>	<b>2012</b>
	LVL	LVL
Medical ambulant services	2,315,734	2,392,942
Medical hospital services	639,399	695,142
Insurance payments	225,891	211,859
VS ZDC ambulant services	195,975	160,918
Inpatient Care	108,071	197,189
Stomatology services	37,131	45,349
Family doctors	22,397	27,801
Residents training	14,660	26,081
Services - minimum fixed part	9,238	9,238
Other income	2,784	22,818
<b>Total</b>	<b>3,571,280</b>	<b>3,789,337</b>

**16. COST OF GOODS SOLD**

	<b>2013</b>	<b>2012</b>
	LVL	LVL
Salaries and wages	1,568,985	1,526,754
Fixed assets depreciation	475,688	481,630
Medical goods	447,458	476,031
Social tax	368,544	350,026
Public utilities	175,267	178,972
VAT - expenses	172,490	223,260
Repair expenses	107,880	136,695
Current assets write-off	42,925	59,595
Security expenses	28,122	23,802
Medical researches	27,116	28,150
Provisions for vacations	27,083	(35,487)
Feeding expenses	22,236	26,952
Computer maintenance, repair	19,614	18,035
Household goods	18,278	21,748
Real estate tax	12,684	4,181

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

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Advertising	4,576	12,545
Office expenses	7,952	6,639
Utilities	5,000	5,000
Insurance expenses	4,181	3,397
Transport expense	6,453	6,682
ERP system maintenance	4,378	3,434
Employees trainings	2,068	6,751
Allowances to employees	900	1,200
Unemployment duty	1,041	1,044
Gifts to employees	499	595
Accruals for doubtful debts	2,818	(1,904 )
Rent of equipment	400	-
Received discounts	(6,030 )	(10,292 )
Other operating expenses	51,105	54,040
<b>Total</b>	<b><u>3,599,711</u></b>	<b><u>3,609,475</u></b>

	<b>2013</b>	<b>2012</b>
Average number of employees	355	349

**17. ADMINISTRATIVE EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Salaries and wages	174,265	183,445
Social tax	41,038	43,135
Board remuneration	25,804	23,602
Board chairperson remuneration	21,771	21,869
Council members remuneration	13,440	13,440
Communication expenses	8,298	10,669
Council chairperson remuneration	5,760	5,760
Board members social tax	5,348	5,016
Chairperson of the Board social tax	5,245	5,268
Audit expenses	5,000	5,000
Office expenses	4,750	5,745
Bank expenses	4,224	4,081
Council members social tax	2,894	2,906
Legal services	1,406	1,570
Chairperson of the Council social tax	1,388	1,388
Presentation expenses	1,135	2,057
Other administrative expenses	1,993	1,919
<b>Total</b>	<b><u>323,759</u></b>	<b><u>336,870</u></b>

**18. OTHER OPERATING INCOME**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
Rent income	67,345	51,055
ERAF income: fixed assets depreciation	33,419	20,392
Hotel services – food	10,795	12,337
Utilities for tenants	4,270	9,937
Net gain from sale of fixed assets	2,597	-
Laundry income	706	861
Solarium income	360	477
Other income	5,217	10,242
<b>Total</b>	<b><u>124,709</u></b>	<b><u>105,301</u></b>

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**19. OTHER OPERATING EXPENSES**

	2013 LVL	2012 LVL
Penalties	163	359
Loss from fixed assets disposals	-	409
Other expenses	1,369	3,784
<b>Total</b>	<b><u>1,532</u></b>	<b><u>4,552</u></b>

**20. INCOME FROM INVESTMENT IN ASSOCIATE**

	2013 LVL	2012 LVL
Neurology clinic Ltd.	-6,224	131
<b>Total</b>	<b><u>-6,224</u></b>	<b><u>131</u></b>

**21. INTEREST INCOME AND SIMILAR INCOME**

	2013 LVL	2012 LVL
Interest income	-	27
<b>Total</b>	<b><u>-</u></b>	<b><u>27</u></b>

**22. CORPORATE INCOME TAX**

	2013 LVL	2012 LVL
Calculated Corporate income tax	-	-
Deferred Corporate income tax	10,816	-12,080
<b>Total</b>	<b><u>10,816</u></b>	<b><u>-12,080</u></b>

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

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

**Deffered tax**

Temporary difference between financial statement depreciation and depreciation for tax purposes	(482,287.00 )	(377,274 )
Temporary difference of fixed assets revaluation	(114,687.00 )	(379,345 )
Accruals for vacations	75,830.00	48,671
<b>Total temporary differences</b>	<b>(521,144.00 )</b>	<b>(707,948 )</b>
Tax rate applied	15%	15%
<b>Deferred tax liabilities</b>	<b>(78,172.00 )</b>	<b>(106,192 )</b>
<b>Recognized deferred tax liabilities</b>	<b><u>78,172</u></b>	<b><u>106,192</u></b>

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**Movement and components of deferred tax**

Deferred tax liabilities (asset) at the beginning of the financial year	106,192	111,315
Deferred tax charged to the income statement	(10,816 )	12,080
Changes in deferred tax recognised in properties revaluation reserves	<u>(17,204 )</u>	<u>(17,203 )</u>
<b>Deferred tax liabilities (asset) at the end of the financial year</b>	<b><u>78,172</u></b>	<b><u>106,192</u></b>

**23. PROPERTIES REVALUATION RESERVE**

	<b>2013</b>	<b>2012</b>
	<b>LVL</b>	<b>LVL</b>
<b>Balance at beginning of the year</b>	<b>653,160</b>	<b>750,642</b>
Depreciation on evaluation surplus	(114,690 )	(114,685 )
Deferred tax assets arising on revaluation	<u>17,204</u>	<u>17,203</u>
<b>Balance at end of the year</b>	<b><u>555,674</u></b>	<b><u>653,160</u></b>