



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

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

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED
BY THE EU
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2015

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INFORMATION ON THE PARENT COMPANY

COMPANY NAME: LATVIJAS JŪRAS MEDICĪNAS 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 1,40 EUR
ISIN code: LV0000100741
1 200 registered shares listed in the register of the Board

MAJOR SHAREHOLDERS:

Ilze Birka 17.50%
Mārtiņš Birks 17.50%
Ilze Aizsilniece 11.45%
Guna Švarcberga 10.36%
Jānis Birks 10.17%
Adomas Navickas 6.35%

NAMES AND POSITIONS OF THE COUNCIL MEMBERS

From April 28, 2010 till the financial statements signing day

Martins Birks - Chairman of the Council
Viesturs Siliņš - Member of the Council
Ineta Gadzjus - Member of the Council
Jevgēņijs Kalējs - Member of the Council
Uldis Osis - Member of the Council

NAMES AND POSITIONS OF THE BOARD MEMBERS

From August 18, 2009 till the 30 April 2014

Jānis Birks - Chairman of the Board
Marta Aizsilniece - Member of the Board
Andris Vīgants - Member of the Board

From 1 May 2014 till the financial statements signing day

Jānis Birks - Chairman of the Board
Vita Švarcberga - Member of the Board
Juris Imaks - Member of the Board

INFORMATION ON THE PARENT COMPANY (CONTINUED)

SUBSIDIARY COMPANIES:

"Juras medicīna" Ltd. - 100.00%
Registration Number: 40003171237
28 December 1993
Vecmilgravja Street 5, Linija 28, Rīga, LV 1015

"Neirožu Klīnika" Ltd. - 50.40%
Registration Number: 40003461335
16 February 2004
Dzintaru prospekts 48, Jūrmala, LV 2015

REPORTING YEAR: 1 January 2014 - 31 December 2014

AUDITORS NAME AND ADDRESS:

PricewaterhouseCoopers SIA
Licence No.5
Kr. Valdemāra iela 21-21
Rīga, LV-1010
Latvia

Certified auditor in charge:
Lolita Čapkeviča
Certificate No.120

REPORT OF THE MANAGEMENT

Type of activity

JSC Latvijas Juras medicinas centrs (LJMC or the Company) is a certified, high level and accessible to all private medical institution that consists of: Sarkandaugava outpatient health care centre in Patversmes Street 23, Riga, Central hospital in Patversmes street 23, Riga, Vecmīlgrāvis hospital and Ziemeļu diagnostic centre in Vecmīlgrāvja 5. līnija 26, Riga, Vecmīlgrāvis primary health care centre in Melīdas Street 10, Riga. In 2014 average number of LJMC employees was 360. LJMC shares are quoted in NASDAQ Riga stock exchange on the secondary market. Full information about the parent company is provided: www.ljmc.lv. Neurožu klinika provides psychotherapeutic medical care in a clinic situated in Jurmala.

Starting from 5 September 2013 JSC Latvijas Juras medicinas centrs is included in the LR Health inspection approved list of medical institutions, that provide medical tourism services, meaning that LJMC provides medical tourism services as trusted partners, 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 subjugated to control.

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 in 2013. This certificate is valid till March 14, 2016. LJMC continues the work to introduce ISO quality standards in their other structural units. LJMC have concluded cooperation agreements with all health insurance companies in Latvia.

Activity in the reporting year and future development

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

The realization of the investment project made it possible to place LJMC family doctor practices in the same place, thus a modern family LJMC doctor practice centre was created, it is located in the northern region of Riga, in Vecmīlgrāvis. Since the creation of the new LJMC family doctor practice centre, the amount of new patients has increased by 25%. In Sarkandaugava in Patversmes Street 23, where inpatient care was historically offered, a new ambulatory health centre was created. Restructuring from inpatient to ambulatory services has already increased the efficiency of LJMC in the reporting year, and it will continue to improve the efficiency in the future, by maximizing the use of the centre's resources and increasing the quality of patient care.

In 2014 a contract was signed with the National Health Service regarding provision of state paid medical services within the magnitude of the budget of 2014. In April 2014 LJMC won a the rights to provide medical care to the patients of SJSC “Paula Stradiņa Klīniskās universitātes slimnīca” with a term of 1 year.

REPORT OF THE MANAGEMENT (CONTINUED)

One of LJMC development directions in 2014 was attracting foreign patients (so called medical tourism). LJMC combines excellent doctors in Latvia, as well as knowledgeable medical staff, therefore the quality of the medical examinations is also high and competitive outside of Latvia. It is demonstrated by the increasing number of foreign patients, as well as the fact that LJMC has been included in the official medical tourism service provider register kept by the LR Health inspection. In 2014 LJMC continues to attract medical tourists from the EU, by improving its paid service package. To attract new foreign and local patients, LJMC made investments in 2014 with the goal to implement innovative solutions in the medical service field, to improve staff qualifications in patient service by continuing to implement national policies on hospital redirection to ambulatory care, with investments in Vecmīlgrāvis hospital. In August 2014 a construction work contract was signed with LLC "Selva būve" for the renovation of Vecmīlgrāvis hospital first floor group.

The Company, by using its pre-emption rights, bought 9 632 shares, or 5.08% of LLC "Neirožu klīnika" share capital from State Social Insurance Agency, for the amount totalling 13,677 EUR. After the deal LJMC owns 50.4% of LLC "Neirožu klīnika" share capital.

Financial performance

In 2014 the Group has operated according to the approved budget plan of 2014. The Group's profit before tax in 2014 is EUR 1,189,118. The high profit figure was facilitated by the gain recognised in the business combination as the fair value of the net assets of the subsidiary Neirožu klīnika significantly exceeded the purchase consideration paid.

The Group continues to deploy an intensive investment policy, directed to increase the Group's competitiveness and profitability in the future. In 2014 the investments have been made for the amount of EUR 460 thousand.

Risk management

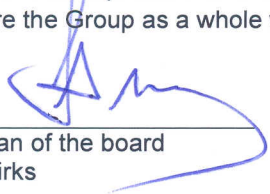
The Group continues to deploy activities to reduce the potential financial risk on the financial position of the Group companies, through use of control and analytical measures.

Financial assets exposed to credit risk consist mainly of cash, trade receivables and other debtors. To ensure credit risk management the Group carries out regular customer control procedures and measures for recovering debts, thus ensuring timely identification and resolution of problems.

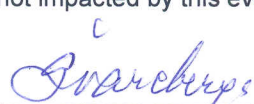
The Group follows a prudent liquidity risk management, ensuring appropriate resources are made available for settlement of obligations within their terms. The Group companies do not use borrowed funds.

Events after the balance sheet date

There have not been such events after the balance sheet date which would have a significant impact on the financial position of the Group as at 31 December 2015. In January 2015, the Group's subsidiary SIA Juras Medicina was liquidated and all its net assets were transferred to the Group's parent company LJMC, therefore the Group as a whole was not impacted by this event.



Chairman of the board
Jānis Birks



Member of the board
Vita Švarčberga



Member of the board
Juris Imaks

Rīga, 8 April 2015

STATEMENT OF MANagements' RESPONSIBILITY

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

The consolidated financial statements on pages 16 to 35 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Company as of 31 December 2014 and the results of its operations and cash flows for the year ended 31 December 2014.

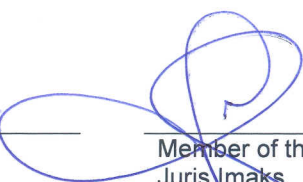
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board of Directors in the preparation of the financial statements.

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

On behalf of the Board of Directors,


Chairman of the board
Jānis Birks


Member of the board
Vita Švarcberga


Member of the board
Juris Imaks

Riga, 8 April 2015



Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "Latvijas Jūras Medicīnas Centrs"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JSC "Latvijas Jūras Medicīnas Centrs" and its subsidiaries ("the Group") set out on pages 10 to 35 of the accompanying consolidated annual report, which comprise the consolidated balance sheet as of 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the 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 consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have read the Report of the Board of Directors for 2014 set out on pages 5 to 6 of the accompanying consolidated annual report for 2014 and did not identify material inconsistencies between the financial information contained in the Report of the Board of Directors and that contained in the consolidated financial statements for 2014.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

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

Ilandra Lejiņa
Member of the Board

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

Lolita Čapkeviča
Certified auditor in charge
Certificate No. 120

Riga, Latvia
8 April 2015

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

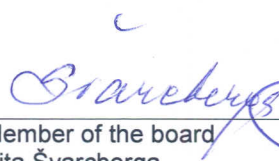
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER 2014**

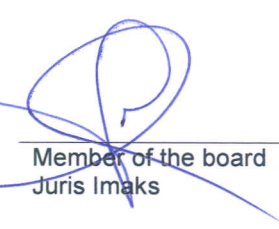
	Note	2014 EUR	2013 EUR restated
Revenue	4	5,485,449	5,081,473
Cost of sales	5	(4,971,357)	(4,974,968)
Gross profit		514,092	106,505
Administrative expenses	6	(476,405)	(460,668)
Other operating income	7	1,173,614	177,445
Other operating expenses		(29,172)	(2,180)
Operating profit / (loss)		1,182,129	(178,898)
Finance income, net		3,093	-
Share of profit/ (loss) of investments accounted for using the equity method	8	3,896	(8,856)
Profit / (loss) before income tax		1,189,118	(187,754)
Income tax expense	9	26,308	15,390
Profit / (loss) for the year		1,215,426	(172,364)
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		1,215,426	(172,364)
Profit / (loss) attributable to:			
- Owners of the parent		1,218,662	(172,364)
- Non-controlling interest	27	(3,236)	-
Basic earnings per share:		1,52	(0,22)

The notes on pages 15 to 35 are an integral part of these financial statements.

On behalf of the board of directors


Chairman of the board
Jānis Birks


Member of the board
Vita Švarcberga


Member of the board
Juris Imaks

8 April, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31.12.2014. EUR	31.12.2013. EUR restated	31.12.2013. EUR original
ASSETS				
Non-current assets				
Property, plant and equipment	10	7,780,511	5,255,813	3,319,825
Intangible assets	10	8,314	19,707	19,707
Investments in associates	11	-	183,676	183,676
Total non-current assets		7,788,825	5,459,196	3,523,208
Current assets				
Inventories	12	104,295	84,688	84,688
Trade receivables	13	230,758	164,235	164,235
Current income tax receivable		-	5,105	5,105
Other receivables		48,877	14,643	14,643
Cash and cash equivalents	14	1,524,805	1,132,437	1,132,437
Total current assets		1,908,735	1,401,108	1,401,108
TOTAL ASSETS		9,697,560	6,860,304	4,924,316

The notes on pages 15 to 35 are an integral part of these financial statements.

On behalf of the board of directors

 Chairman of the board Jānis Birks	 Member of the board Vita Švarčberga	 Member of the board Juris Imaks
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31.12.2014 EUR	31.12.2013 EUR restated	31.12.2013 EUR original
EQUITY AND LIABILITIES				
Equity attributable to owners of parent				
Share capital	15	1,120,000	1,138,297	1,138,297
Revaluation reserve		2,379,400	2,379,400	790,653
Other reserves		63,819	45,522	45,522
Retained earnings		3,038,976	1,820,314	1,836,539
		6,602,195	5,383,533	3,811,011
Non-controlling interests	27	1,148,913	-	-
Total shareholders' equity		7,751,108	5,383,533	3,811,011
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	16	805,353	474,722	111,229
Deferred income	17	464,929	501,577	501,577
		1,270,282	976,299	612,806
Current liabilities				
Trade and other payables	18	625,087	452,921	452,948
Deferred income	17	51,083	47,551	47,551
		676,170	500,472	500,499
Total liabilities		1,946,452	1,476,771	1,113,305
TOTAL EQUITY AND LIABILITIES		9,697,560	6,860,304	4,924,316

The notes on pages 15 to 35 are an integral part of these financial statements.

On behalf of the board of directors

Chairman of the board
Jānis Birks

Member of the board
Vita Švarcberga

Member of the board
Juris Imaks

8 April 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Attributable to the owners of the parent					Non- control- ling interest	Total
		Share capital	Other reserves	Revaluation reserves	Retained earnings	Total		
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2012, as initially reported		1,138,297	45,522	929,364	1,992,678	4,105,861	1,865	4,107,726
Restatement	25	-	-	1,450,036	-	1,450,036	-	1,450,036
Balance as at 31 December 2012, as restated		1,138,297	45,522	2,379,400	1,992,678	5,555,891	1,865	5,557,762
Acquisition of non-controlling interest		-	-	-	-	-	(1,865)	(1,865)
Total comprehensive loss for the year, restated		-	-	-	(172,364)	(172,364)	-	(172,364)
Balance as at 31 December 2013, as restated		1,138,297	45,522	2,379,400	1,820,314	5,383,533	-	5,383,533
Conversion of the share capital into EUR	15	(18,297)	18,297	-	-	-	-	-
Acquisition of subsidiary	27	-	-	-	-	-	1,152,149	1,152,149
Total comprehensive profit/(loss) for the year		-	-	-	1,218,662	1,218,662	(3,236)	1,215,426
Balance as at 31 December 2014		1,120,000	63,819	2,379,400	3,038,976	6,602,195	1,148,913	7,751,108

The notes on pages 15 to 35 are an integral part of these financial statements,

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 EUR	2013 EUR restated
Cash flows from operating activities			
Profit/(loss) before taxation		1,189,118	(187,754)
<u>Adjustments for:</u>			
fixed asset depreciation	10	457,314	516,575
write-down of intangible assets	10	14,146	13,315
(profit)/loss from investment in associate	8	(3,896)	8,856
net (gain)/loss on acquisition of a subsidiary shares	7	(969,476)	635
gain from disposal of fixed assets		-	(3,695)
interest income, net		(3,093)	-
		684,113	347,932
<u>Adjustments for:</u>			
trade debtors' increase		(68,470)	(59,931)
inventories (increase) / decrease		(17,842)	12,803
trade and other creditors' increase / (decrease)		(47,918)	(36,322)
Cash generated from operations		549,883	264,482
Net cash generated from operations		549,883	264,482
Cash flows from investing activities			
Acquisition of shares in subsidiary from non-controlling interest		-	(2,500)
Acquisition of plant, property and equipment		(331,369)	(167,532)
Proceeds from sale of plant, property and equipment		-	6,355
Net cash flows used in investing activities		(331,369)	(163,677)
Cash flows from financing activities			
Acquisition of shares in subsidiary, net of cash taken over	26	173,854	-
Net cash flows generated from investing activities		173,369	-
Net increase / (decrease) in cash and cash equivalents		392,368	100,805
Cash and cash equivalents at the beginning of the reporting year	14	1,132,437	1,031,632
Cash and cash equivalents at the end of reporting year	14	1,524,805	1,132,437

The notes on pages 15 to 35 are an integral part of these financial statements,

NOTES TO THE FINANCIAL STATEMENTS

1 INCORPORATION AND ACTIVITIES

"Latvijas Juras Medicinas Centrs" (LJMC) 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 subsidiaries – "Juras medicina" Ltd and "Neirožu klīnika" Ltd. (the Group). Since 21 May 2007 the shares of the Company are quoted on NASDAQ Riga Stock Exchange. The registered office of the Group's Parent Company is 23 Patversmes Street, Riga, LV-1005, Latvia.

The Group's companies are involved in provision of health care services. LJMC is a certified, high level and all available private medical institution and provides both hospital services as well as ambulance services. Neirožu klinika provides psychotherapeutic medical care in a clinic situated in Jurmala. At the end of 2014 the Group employed 393 persons (2013: 355).

These consolidated financial statements have been approved by the Board of Directors on March 27, 2015. The shareholders of the Parent Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU). Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are presented in this note as they may have impact on financial statements of the Company in the following periods if endorsed.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment as disclosed in the Accounting policies Note (e) below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those.

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

Given that there had not been significant changes during the last two years and given that the previous revaluation took place in 2007, the Company's management concluded that the results of revaluation carried out at the end of 2014 were also indicative of the fair value of those assets at the end of 2013 and 2012, subject to depreciation adjustment. As a result, retrospective restatement was carried out in respect of the comparative figures in these financial statements in order to report such comparative balances of land and buildings, as if the revaluation took place by 31 December 2012. Impact of the retrospective restatement on the comparative financial information is described in Note 25 to these financial statements.

Besides the retrospective adjustment described above, accounting policies used by the Group are consistent with those used in the previous reporting period. Minor reclassification between profit and loss account positions and balance sheet positions has been made in the current year without adjusting current year's profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The following new and amended IFRS and interpretations come into force in 2014 and apply to the Company's operations, but have no impact on these financial statements apart from certain new disclosure requirements:

IFRS 10 "Consolidated financial statements" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

IAS 28 (revised in 2011) "Associates and joint ventures" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

IFRS 12 "Disclosures of interests in other entities" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

The following new and amended IFRS and interpretations come into force in 2014, but do not apply to the Company's operations and have no impact on these financial statements:

IFRS 11 "Joint arrangements" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

Amendments to IFRS 10, 11 and 12 on transition guidance (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

IAS 27 (revised in 2011) "Separate financial statements" (effective for annual periods beginning on or after 1 January 2013, endorsed by EU for annual periods beginning on or after 1 January 2014);

Amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities (effective for annual periods beginning on or after 1 January 2014);

Amendments to IAS 32 "Financial instruments: Presentation" on offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);

Amendments to IAS 36 "Impairment of assets" on recoverable amount disclosures (effective for annual periods beginning on or after 1 January 2014);

Amendments to IAS 39 "Financial instruments: Recognition and measurement" on novation of derivatives and hedge accounting (effective for annual periods beginning on or after 1 January 2014);

IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

A number of new standards and interpretations have been published and come into force on financial periods beginning on or after 1 January 2015, and do not relate to the Company's operations or are not endorsed by the European Union:

Amendments to IAS 19 "Employee benefits plans" regarding defined benefit plans (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU);

Annual improvements 2012 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU). These amendments include changes that affect 7 standards:

- IFRS 2 "Share-based payment"
- IFRS 3 "Business Combinations"
- IFRS 8 "Operating segments"
- IFRS 13 "Fair value measurement"
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"
- Consequential amendments to IFRS 9 "Financial instruments"
- IAS 37 "Provisions, contingent liabilities and contingent assets", and
- IAS 39 "Financial instruments – Recognition and measurement"

Annual improvements 2013 (effective for annual periods beginning on or after 1 July 2014, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 1 "First time adoption"
- IFRS 3 "Business combinations"
- IFRS 13 "Fair value measurement" and
- IAS 40 "Investment property"

Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" on depreciation and amortization (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IAS 27 "Separate financial statements" on the equity method (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016, not yet endorsed in the EU);

Annual improvements 2014 (effective for annual periods beginning on or after 1 July 2016, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 5 "Non-current assets held for sale and discontinued operations"
- IFRS 7 "Financial instruments: Disclosures" with consequential amendments to IFRS 1
- IAS 19 "Employee benefits"
- IAS 34 "Interim financial reporting"

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU).

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

(b) Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

(c) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in acquiree on an acquisition-by-acquisition basis, at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. If the case of a bargain purchase, the gain resulting from excess of the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed over the fair value of the consideration transferred is recognised in profit or loss on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

Functional and presentation currency

On 1 January 2014, the Republic of Latvia joined the euro area and adopted the euro as its official currency, replacing the Latvian lat. Consequently, the functional and reporting currency of the Group since 1 January 2014 is euro. The Group has translated the balances on their accounts as of 31 December 2013 by applying the conversion rate of EUR 1.0 = LVL 0.702804, determined by the Bank of Latvia.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. All transactions denominated in foreign currencies are recorded in euro at foreign exchange reference rates, which are both set and published by the European Central Bank (till 31 December 2013 recorded in lats at rates of exchange set forth by the Bank of Latvia), at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro at foreign exchange reference rates, which are both set and published by the European Central Bank (till 31 December 2013 recorded in lats at rates of exchange set forth by the Bank of Latvia), prevailing at the end of the reporting period. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the profit and loss account as profit from transactions with financial instruments.

The principal rates of exchange (foreign currency quoted per unit of EUR) set forth by the European Central Bank and used in the preparation of the Group's financial statements at 0.702804. As at 31.12.2014. the Group was not exposed to significant forex revaluations.

(e) Property, plant and equipment

Property, plant & equipment are recorded at historical cost or revalued amount net of accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets. The following fixed asset groups are revalued regularly but not less frequently than every five years:

- Buildings;
- Land.

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

All other property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:
Years

Buildings	35-40
Machinery and equipment	3
Other fixed assets	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are charged to the profit and loss account during the period in which they are incurred. When revalued assets are sold, the amounts included in Revaluation reserve are transferred to retained earnings.

(f) Intangible assets

Intangible assets primarily consist of software licences. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their useful lives. Generally intangible assets are amortised over a period of 5 years.

(g) Impairment of non-financial assets

All Group's non-financial assets have a finite useful life (except land). Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

The Group classifies all its financial assets as Loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than 12 months after the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the profit or loss. If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the profit or loss.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks and deposits held at call with banks with original term less than 90 days and other short-term highly liquid investments, which can be easily converted to cash and are not subject of significant change in value.

(l) Share capital and recognition of dividends payable

Ordinary shares are classified as equity. Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

(m) Deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the temporary differences will reverse.

The principal temporary differences arise from different property, plant and equipment depreciation rates, revaluation of property, plant and equipment, as well for unused annual leave and other accruals and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(m) Deferred income tax (continued)

provisions. Deferred income tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Increase in deferred income tax liability that results from revaluation of property, plant and equipment is charged to other comprehensive income as deduction from respective increase in the Revaluation reserve. Decrease in deferred income tax liability that results from depreciation of revalued property, plant and equipment is charged to the income statement.

(n) Current income tax

Income tax is assessed for the period in accordance with Latvian tax legislation. The tax rate stated by Latvian tax legislation is 15 percent.

(o) Accrued unused annual leave expenses

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

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(r) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Healthcare services

Revenues from medical services, either hospital or ambulance services, are recognised as services are rendered, at the rates set for each type of service, irrespective of who is the payer for the service. Services which are paid for by the State Healthcare Service (NVD) are priced at the rates stipulated by this state authority.

Other services

All sales of services are recognised in the accounting period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(s) Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

(t) Related parties

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

(u) Grants and deferred income

EC funding related to property, plant and equipment is recognized as deferred income and is credited to the profit and loss account systematically over the expected lives of the related assets.

(v) Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

IFRS requires that in preparing the financial statements, management of the Group makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement and thus having significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are revaluation of property, plant and equipment, determination of frequency of revaluations, the management assumptions and estimates in determination of useful lives of property, plant and equipment, recoverable amount of accounts receivable and inventories, post-employment benefits and other employee benefits as described in respective notes.

Revaluation of fixed assets and assessment of the remaining useful lives of the buildings

The management determines fair value of land and buildings based on valuations performed by independent certified valuator. The Group's internal policy is to perform the revaluations when there are indications that the fair value of the land and buildings has changed significantly as compared to its carrying value, but at least once per 5 years. As of 31 December 2012 and 2013 the fair value of land and buildings was significantly different from their book value. During 2014, the management corrected the error and retrospectively carried out a revaluation of its land and buildings as of 31 December 2012. Group's land and buildings were revalued by independent certified appraiser SIA Latio (certificate No. 19). The market value was determined by a combination of Income and Market approach results. The values as of 31 December 2012 were determined by obtaining valuation of the properties as at 31 December 2014 and rolling them backwards to 31 December 2012. The management also revised the remaining useful lives of the buildings as at 2014 year end, and determined them to be 35 – 40 years. The revised depreciation charge was used retrospectively when making retrospective revaluation adjustments as described above as this was the only basis to ensure comparability of net book values of land and buildings at the 2014 year-end and prior year-end. The effects of retrospective restatements are set out in Note 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(v) Critical accounting estimates and judgements (continued)

Determination of the fair value of the net identifiable assets of the subsidiary in a business combination

When evaluating the fair value of net assets of the acquired subsidiary, fair value adjustment was applied to the land and buildings, with a corresponding entry to deferred tax liability. The fair value assessment was performed by certified valuator SIA Latio, using the market approach (comparative transactions). The market price of the whole property was based on the market price of the land plot, based on the assumed most profitable use of the property.

3 FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Management Board is responsible for setting up risk management guidelines and risk monitor. The Company has identified the major risk factors and developed policies and mechanisms to control these factors. The major risks are defined as:

(a) 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. The company's management has assessed each type of market risks and made possible measures to mitigate negative reaction in the market.

b) Credit risk - The inability of insurance companies, fellow hospitals and patients to pay for the services in time and in full amount. Most of the services are cash settled prior to providing service or funded by the state and insurance companies, therefore there is very low credit risk.

(c) 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.

(c) Liquidity risk – possibility of being 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. The entity has no outstanding debts and holds sufficient cash resources to settle the liabilities when they fall due.

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.

3.2. Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3. Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The objective of the fair value measurement, even in inactive markets, is to arrive at the price at which an orderly transaction would take place between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

In order to arrive at the fair value of a financial instrument different methods are used: quoted prices, valuation techniques incorporating observable data and valuation techniques based on internal models. These valuation methods are divided according with the fair value hierarchy in Level 1, Level 2 and Level 3.

The level in the fair value hierarchy within which the fair value of a financial instrument is categorized shall be determined on the basis of the lowest level input that is significant to the fair value in its entirety.

The classification of financial instruments in the fair value hierarchy is a two-step process:

1. Classifying each input used to determine the fair value into one of the three levels;
2. Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirety.

Quoted market prices - Level 1

Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques using observable inputs - Level 2

Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).

Valuation technique using significant unobservable inputs - Level 3

A valuation technique that incorporates significant inputs that are not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Assets and liabilities for which fair value is disclosed

The carrying amount of liquid and short-term financial instruments (with maturity below 3 months), for example, cash and cash equivalents, short-term trade payables and trade receivables corresponds to their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.3. Fair value estimation (continued)

Assets measured at fair value

Group's land and buildings are stated at revalued amount, determined by a combination of Income and Market approach results, based on the definition of the assets' market value formulated in the International valuation standards. As a result, it may be concluded that both observable and unobservable market data is being used in valuation which corresponds to the 3rd level valuation technique.

4. NET SALES

	2014 EUR	2013 EUR
Medical ambulance services	3,757,011	3,294,993
Medical hospital services	936,787	909,783
Insurance payments	384,894	321,414
VS ZDC ambulance services	251,750	278,847
Inpatient Care	122,762	153,771
Stomatology services	8,472	52,833
Family doctors	-	31,868
Residents training	16,682	20,859
Services - minimum fixed part	6,564	13,144
Other income	527	3,961
TOTAL	5,485,449	5,081,473

5. COST OF SERVICES PROVIDED

Salaries and wages	2,284,631	2,232,465
Fixed assets depreciation	457,823	529,884
Medical goods	646,635	636,675
State social insurance contributions	524,755	524,391
Public utilities	234,478	249,382
Expensed VAT	276,034	245,431
Repair expenses	160,774	153,499
Current assets write-off	60,976	61,077
Security expenses	22,018	40,014
Medical researches	53,128	38,583
Provisions for vacations	15,336	38,536
Catering expenses	34,835	31,639
IT maintenance costs	33,835	34,137
Household supplies	39,903	26,007
Real estate tax	13,872	18,048
Advertising	29,836	6,511
Office expenses	12,477	11,315
Insurance expenses	5,819	5,949
Transport expense	12,922	9,182
Other costs	52,117	82,243
TOTAL	4,972,205	4,974,968

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. ADMINISTRATIVE EXPENSES

Salaries and wages	342,487	342,969
State social insurance contributions	82,241	81,173
Communication expenses	13,052	11,807
Audit expenses	12,188	7,114
Office expenses	5,216	6,759
Bank expenses	9,241	6,010
Legal services	2,811	2,001
Other administrative expenses	6,169	2,835
TOTAL	476,405	460,668

7. OTHER OPERATING INCOME

	2014 EUR	2013 EUR
Excess of the consideration over the acquired net assets of subsidiary	969,476	-
Rental income	152,761	95,823
ERDF income amortisation	38,406	47,551
Other income	12,971	34,071
TOTAL	1,173,614	177,455

8. SHARE OF PROFIT/(LOSS) OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

SIA "Neirožu klīnika"	3,896	(8,856)
TOTAL	3,896	(8,856)

9. INCOME TAX EXPENSE

	2014 EUR	2013 EUR restated
Current income tax charge	-	-
Deferred income tax credit	(26,308)	(15,390)
TOTAL	(26,308)	(15,390)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable 15% tax rate to profits of the consolidated entities as follows:

Profit / (loss) before tax	1,188,270	(187,754)
Theoretically calculated income tax at rate 15%	178,241	(28,163)
Tax effect of:		
Non-taxable gain recognised on business combination	(145,421)	-
Tax non-deductible expenses, net	(4,056)	7,838
Change in unrecognised deferred tax assets	(55,072)	4,935
Tax credit	(26,308)	(15,390)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Intangible assets	Land and buildings	Machinery & equipment	Other fixed assets	Assets under construction	Advance payments for fixed assets	TOTAL
	EUR	EUR restated	EUR	EUR	EUR	EUR	EUR restated
Cost or revalued amount							
31.12.2012 restated	64,610	4,485,461	3,792,708	500,251	156,571	4,727	9,004,328
Additions	11,347	27,279	87,115	46,124		(4,727)	167,138
Disposals	(3,917)	(1,851)	(196,925)	(42,811)	-	-	(245,504)
31.12.2013 restated	72,040	4,510,889	3,682,898	503,560	156,571	-	8,925,962
Acquisition of subsidiary	703	2,500,000	-	23,924	-	-	2,524,627
Additions	2,050	-	82,350	5,707	370,035	-	460,142
Disposals	(3,724)	-	(163,886)	(46,851)	-	-	(214,461)
31.12.2014	71,069	7,010,889	3,601,362	486,344	526,606	-	11,696,270
Depreciation							
31.12.2012 restated	42,935	194,904	2,679,758	445,962	-	-	3,363,559
Charge for year 2013 restated	13,315	113,567	370,311	32,535	-	-	529,728
Disposals	(3,917)	(1,851)	(196,884)	(40,193)	-	-	(242,845)
31.12.2013 restated	52,333	306,620	2,853,185	438,304	-	-	3,650,442
Charge for year 2014	14,146	118,259	308,662	30,393	-	-	471,460
Disposals	(3,724)	-	-	(46,847)	-	-	(214,457)
31.12.2014.	62,755	424,879	2,997,961	421,850	-	-	3,907,445
Net book value 31.12.2014.	8,314	6,586,010	603,401	64,494	526,606	-	7,788,825
Net book value 31.12.2013 restated	19,707	4,204,269	829,713	65,260	156,571	-	5,275,520
Net book value 31.12.2012 restated	21,675	4,290,557	1,112,950	54,285	156,571	4,727	5,640,769

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2014 cadastral value for Group's land was EUR 781,771 (31.12.2013: EUR 629,141. As at 31 December 2014 cadastral value for Group's buildings was EUR 1,790,243 (31.12.2013 EUR 1,464,677).

The group uses revaluation policy to measure its land and buildings. As of 31 December 2012 and 2013 the fair value of land and buildings was significantly different from their book value. During 2014, the management corrected the error and retrospectively carried out a revaluation of its land and buildings as of 31 December 2012. Group's land and buildings were revalued by independent certified appraiser SIA Latio (certificate No. 19). The market value was determined by a combination of Income and Market approach results. The values as of 31 December 2012 were determined by obtaining valuation of the properties as at 31 December 2014 and rolling them backwards to 31 December 2012. The effects of retrospective restatements are set out in Note 25.

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

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

11. INVESTMENTS IN ASSOCIATES

	2014	2013
	EUR	EUR
At 1 January	183,676	192,532
Share of profit / (loss) (Note 5)	3,896	(8,856)
Disposal due to inclusion in consolidation	(179,780)	-
At 31 December	-	183,676

In October 2014 LJMC purchased 9,632 shares (5.08% from share capital) of then associate SIA "Neirožu klīnika" and obtained the control over this entity (50.4% from share capital). Starting from October, 2014 SIA "Neirožu klīnika" is included in the consolidation of the Group.

12. INVENTORIES

	31.12.2014	31.12.2013
	EUR	EUR
Pharmaceuticals	104,183	84,580
Other materials	112	108
Total	104,295	84,688

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TRADE RECEIVABLES

	31.12.2014 EUR	31.12.2013 EUR
National Health Department	115,806	70,691
P. Stradiņa klīniskā universitātes slimnīca	42,862	24,996
Insurance companies	35,570	33,287
Other institutions, companies and persons	45,596	43,221
Provisions for doubtful debts	(9,077)	(7,960)
TOTAL	230,758	164,235

14. CASH AND CASH EQUIVALENTS

Cash in banks	1,519,327	1,128,052
Cash on hand	5,479	4,385
TOTAL	1,524,805	1,132,437

15. SHARE CAPITAL

Shareholders	31.12.2014		31.12.2013	
	Number of shares	%	Number of shares	%
Ilze Birka	140 000	17,50%	140 000	17,50%
Mārtiņš Birks	140 000	17,50%	140 000	17,50%
Ilze Aizsilniece	91 600	11,45%	91 600	11,45%
Guna Švarcberga	82 880	10,36%	82 880	10,36%
Jānis Birks	81 338	10,17%	69 280	8,66%
Adomas Navickas	50 825	6,35%	50 825	6,35%
Other shareholders (shares less than 5%)	213 357	26,67%	225 415	28,18%
Total	800 000	100,00%	800 000	100,00%

In 2014, the Group's parent company's share capital was denominated into EUR based on applicable law, and the par value was set at EUR 1,40 per share. As at 31 December 2013 the par value was LVL 1,00 (EUR 1,42 based on Bank of Latvia exchange rate 1 EUR/0.702804LVL). As a result, the share capital was decreased by EUR 18,297, and this difference was transferred to other reserves.

16. DEFERRED TAX LIABILITIES

	31.12.2014 EUR	31.12.2013 EUR restated
Deferred income tax liability has been calculated as follows:		
Deferred income tax liabilities, gross:		
Tax effect of temporary difference between financial statement depreciation and depreciation for tax purposes	825,506	490,879
Deferred tax assets, gross:		
Tax effect of accruals for vacations	(20,153)	(16,157)
Deferred tax liabilities, net	805,353	474,722

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED TAX LIABILITIES (CONTINUED)

Movement and components of deferred tax

	2014 EUR	2013 EUR restated
Deferred tax liabilities at the beginning of the financial year		
	474,722	490,112
Deferred tax credited to the income statement (Note 6)	(26,308)	(15,390)
Acquired in a business combination (Note 26)	356,939	-
Deferred tax liabilities at the end of the financial year	805,353	474,722

Unutilised tax losses carried forward as at 31.12.2013 were EUR 371,721, and they were fully utilised in 2014. No tax asset was recognised in prior years for these tax losses as there was no sufficient probability that taxable profit would be available against which the temporary differences could be utilized.

17. DEFERRED INCOME

	31.12.2014 EUR	31.12.2013 EUR
Grant provided by ERDF for project reimbursement:		
Non-current part	51,083	47,551
Long – term part	464,929	501,577
TOTAL	501,421	549,128

18. TRADE AND OTHER PAYABLES

Trade payables	217,320	87,764
Taxes payable	125,800	113,987
Salaries payable	143,716	136,098
Accruals for unused vacations	134,355	107,896
Advances paid	2,214	5,783
Other creditors	1,682	1,420
TOTAL	625,087	452,948

19. CONTINGENCIES

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

20. CAPITAL COMMITMENTS

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

21. TRANSACTIONS WITH RELATED PARTIES

Except for the remuneration to key management as disclosed in Note 23 below, the Group has not entered into other related party transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. REMUNERATION OF THE CERTIFIED AUDIT COMPANY

	2014	2013
	EUR	EUR
Audit of financial statements	9 900	7 114
Other audit-related services	2 287	2 000
	12 187	9 114

23. REMUNERATION OF THE KEY MANAGERIAL EMPLOYEES

Members of the board

· salaries	78 100	67 236
· state compulsory social insurance contributions	17 896	14 962

Members of the council

· salaries	27 319	27 319
· state compulsory social insurance contributions	5 993	6 093

Other administrative personnel

· salaries	227 403	247 205
· state compulsory social insurance contributions	52 931	58 213
	402 646	421 028

24. AVERAGE NUMBER OF EMPLOYEES

2014	2013
393	355

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. RETROSPECTIVE RESTATEMENT AND IMPACT ON THE COMPARATIVES

As described in accounting policy section (a) „Basis of preparation” and the explanation in Note 10, the Group uses a revaluation policy to measure its land and buildings and carried out real estate revaluation and concluded that the fair value of real estate subject to revaluation significantly exceeded its book value at the time of the revaluation, as well as at the end and beginning of the last reporting year. Taking into account that there have been no significant changes in Latvian Republic real estate market during the last two years in respect to such property types, the Group’s management concluded that the results of valuation performed in 2014 are also attributable to the previous reporting. As of 31 December 2012 and 2013 the fair value of land and buildings was significantly different from their book value. During 2014, the management corrected the error and retrospectively carried out a revaluation of its land and buildings as of 31 December 2012. It was achieved by obtaining valuation of the properties as at 31 December 2014 and rolling it backwards by adjusting the depreciation charge for the each period affected. The effects of retrospective restatements are set out in the table shown below.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. BUSINESS COMBINATION

In October 2014 LJMC purchased additional 9,632 shares of SIA "Neirožu klīnika" (5.08% from the share capital) and obtained the majority (50.4% from the share capital).

Details of the business combination are as follows:

	EUR
Purchase consideration paid in 2014 for acquiring 5,08% of the shares	(13,667)
Fair value of previously held 45,32% of the shares	(187,589)
Total purchase consideration	<u>(201,256)</u>
Proportionate share of the fair value on the net assets acquired	1,170,732
Excess of the consideration over the acquired net assets recognised as a gain in the profit or loss.	<u>969,476</u>

The control over subsidiary was obtained as a result of purchase of additional shares in a privatisation deal, where the price for the share was not referenced to the fair value of the net assets of the acquiree. As a result, the gain of EUR 969,476 was recognised on acquisition as explained above.

The following net assets were acquired:

	Fair value EUR
Property, plant and equipment	2,524,627
Other current assets	213,385
Deferred tax liability	(356,939)
Current liabilities	(58,194)
Net assets, total	<u>2,322,879</u>
Group's share (50,4%) of the net assets	<u>1,170,732</u>

Acquisition cash flows related to 2014:

	EUR
Purchase consideration paid in 2014 for acquiring 5,08% of the shares	(13,667)
Cash and bank balances taken over in business combination	187,531
Net cash inflow on business combination	<u>173,854</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. BUSINESS COMBINATION (CONTINUED)

The main financial information of subsidiary SIA Neirožu klīnika as of 31 December 2014 or for the period from the acquisition date till 31 December 2014 is included in the consolidated financial statements as follows (at fair value):

	EUR
Non-current assets	2,520,012
Current assets	196,059
Non-current liabilities	357,787
Current liabilities	41,929
Net sales	96,838
Net loss and total comprehensive loss	(6,254)

Net sales of the acquired subsidiary for the year ended 31.12.2014 are EUR 455,045 and net profit is EUR 2,070.

27. NON-CONTROLLING INTEREST

Movement of non-controlling interest in subsidiary SIA Neirožu klinika is as follows:

	2014
	EUR
At the acquisition date	1,152,149
Proportionate share of post-acquisition loss of SIA Neirožu klīnika	(3,236)
At the balance sheet date	1,148,913

Non-controlling interest owns 49,6% of the ordinary voting shares in SIA Neirožu klinika.

28. SUBSEQUENT EVENTS

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Group as at 31 December 2014.