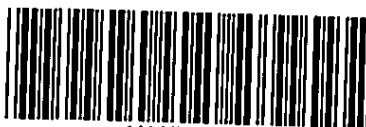


MATHYS ORTHOPAEDICS LIMITED

(Company number 05089968)

**DIRECTOR'S REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

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MATHYS ORTHOPAEDICS LIMITED

DIRECTOR'S REPORT

The director presents his report and accounts for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity is that of supplying implants and surgical instruments for artificial joint replacement

DIRECTOR


The director during the period was H Mathys

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

By order of the board

H Mathys
Director

Registered office
100 New Bridge Street
London
EC4V 6JA



MATHYS ORTHOPAEDICS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

		2006 £	2005 £
TURNOVER	1	286,192	152,593
Cost of sales		(155,877)	(92,317)
GROSS PROFIT		<u>130,315</u>	<u>60,276</u>
Administrative expenses		(688,289)	(592,412)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	2	<u>(557,974)</u>	<u>(532,136)</u>
Interest payable		(70,888)	(36,127)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(628,862)</u>	<u>(568,263)</u>
Tax on loss on ordinary activities		116,622	105,870
RETAINED LOSS FOR THE FINANCIAL YEAR	8	<u><u>(512,240)</u></u>	<u><u>(462,393)</u></u>

The company has no recognised gains and losses other than the profit or loss for the period

MATHYS ORTHOPAEDICS LIMITED
BALANCE SHEET AT 31 DECEMBER 2006

	<u>Notes</u>	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible assets	3		247,483		131,282
CURRENT ASSETS					
Stock	4	463,384		342,030	
Debtors	5	348,119		226,833	
Cash at bank and in hand		25,358		118,026	
		<u>836,861</u>		<u>686,889</u>	
CREDITORS amounts falling due within one year	6	<u>(893,249)</u>		<u>(1,314,836)</u>	
NET CURRENT LIABILITIES			(56,388)		(627,947)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>191,095</u>		<u>(496,665)</u>
NET LIABILITIES			<u>191,095</u>		<u>(496,665)</u>
CAPITAL AND RESERVES					
Called up share capital	7		700,000		200,000
Profit and loss account			(508,905)		(696,665)
TOTAL SHAREHOLDER FUNDS	8		<u>191,095</u>		<u>(496,665)</u>

For the financial year ended 31 December 2006, the company was entitled to exemption from audit under section 249A(1) Companies Act 1985, and no notice has been deposited under section 249B(2). The director acknowledges his responsibilities for ensuring that the company keeps accounting records which comply with section 221 and preparing accounts which give a true and fair view of the state of affairs of the company as at the year end and of its profit and loss account for the financial year in accordance with the requirements of section 226 and which otherwise comply with the requirements of the Companies Act 1985, so far as applicable to the company.

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Signed on behalf of the board of directors

H Mathys
Director

Approved by the board of directors on

MATHYS ORTHOPAEDICS LIMITED
NOTES TO THE ACCOUNTS 31 DECEMBER 2006

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention

(b) Fixed assets

Fixed assets are capitalised for ongoing use within the company, where the individual cost of the asset exceeds £100

Depreciation is provided on fixed assets to spread the cost over the estimated useful lives of the relevant assets at the following rates

Office equipment	- 33% straight line
Surgical instruments	- 20% straight line

(c) Leasing and hire purchase

All operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the agreement

(d) Deferred taxation

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws

(e) Foreign exchange

Assets and liabilities denominated in foreign currencies are converted to sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are converted at the rate ruling at the end of the day on which the transaction occurred. Exchange differences are dealt with in the profit and loss account

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£	£
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	53,733	32,924
Director's remuneration including pension contributions	<u>-</u>	<u>-</u>

MATHYS ORTHOPAEDICS LIMITED

NOTES TO THE ACCOUNTS 31 DECEMBER 2006 (continued)

3 TANGIBLE ASSETS

	<u>Surgical instruments</u>	<u>Office equipment</u>	<u>Total</u>
	£	£	£
Cost			
At beginning of period	142,582	32,718	175,300
Additions	167,879	2,055	169,934
At end of period	310,461	34,773	345,234
Depreciation			
At beginning of period	30,874	13,144	44,018
Charge for the period	42,343	11,390	53,733
At end of period	73,217	24,534	97,751
Net book amount			
At end of period	237,244	10,239	247,483
At beginning of period	111,708	19,574	131,282

4 STOCK

	2006	2005
	£	£
Stocks of product and instruments	414,125	321,373
Stock landing costs	49,259	20,657
	<u>463,384</u>	<u>342,030</u>

5 DEBTORS

	2006	2005
	£	£
Trade debtors	36,153	30,412
Deferred tax asset	277,445	160,823
VAT	15,460	15,325
Other debtors	173	2,257
Prepayments and accrued income	18,888	18,016
	<u>348,119</u>	<u>226,833</u>

6 CREDITORS: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	109,086	186,348
Amounts owed to group undertakings	752,000	1,110,000
Other creditors	13,612	-
Other taxation and social security	10,762	11,012
Accruals and deferred income	7,789	7,476
	<u>893,249</u>	<u>1,314,836</u>

MATHYS ORTHOPAEDICS LIMITED

NOTES TO THE ACCOUNTS 31 DECEMBER 2006 (continued)

7 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted called up and fully paid 700,000 ordinary shares of £1 each	<u>700,000</u>	<u>200,000</u>

During the year 500,000 ordinary shares of £1 each were allotted, issued and fully paid for cash at par

8 RECONCILIATION OF SHAREHOLDERS FUNDS

	2006 £	2005 £
Loss for year	(512,240)	(462,393)
New share capital subscribed	500,000	-
Other capital introduced	700,000	-
Net additions to shareholders' funds	<u>687,760</u>	<u>(462,393)</u>
Opening shareholders funds at 1 January 2006	(496,665)	(34,272)
Closing shareholders funds at 31 December 2006	<u>191,095</u>	<u>(496,665)</u>

9 COMMITMENTS

Commitments under operating leases at the balance sheet date for the following 12 months were as follows

	£	2006 £	£	2005 £
	Motor Vehicles	Other leases	Motor Vehicles	Other leases
Leases expiring in less than 1 year	15,077	-	-	-
Leases expiring in 2 - 5 years	16,346	15,000	38,328	15,000
Total	<u>31,423</u>	<u>15,000</u>	<u>38,328</u>	<u>15,000</u>

Pension commitments

The company operates a defined contribution pension scheme in behalf of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The annual commitment under this scheme is for contributions of £28,327 (2005 £20,895).

MATHYS ORTHOPAEDICS LIMITED

NOTES TO THE ACCOUNTS 31 DECEMBER 2006 (continued)

10 CONTROLLING PARTY

The company's controlling party is Mathys AG Bettlach. The ultimate controlling party is Hugo Mathys, director, by virtue of his shareholding in Mathys AG Bettlach.

11 RELATED PARTY TRANSACTIONS

During the year the company made £225,163 (2005: £154,874) worth of purchases from Mathys AG Bettlach, its parent company. At the year end the company owed £97,423 in respect of those purchases. The company received a further loan of £1,000,000 (2005: £600,000) from the parent company during the period, of which £752,000 is outstanding as at 31 December 2006.