

AS "Protezēšanas un ortopēdijas centrs"

*Financial statements for period from 1 January 2007
to 30 June 2007.*

Rīga

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Stock Company "Protezēšanas un ortopēdijas centrs"

Information about the company

Company name	Protezēšanas un ortopēdijas centrs (hereinafter referred to as POC)
Legal status	Stock company
Registration	Nr 40003012251 07.10.1996., Riga
Legal address	62, Pernavas Street, Riga, Latvia, LV 1009
Reporting period	January 1, 2007 – June 30, 2007
Auditor	Natalia Zaiceva SIA „UHY Orients N”(23.07.2007.name "Orients N " is changed Licence Nr 28 83/85 – 12, Čaka Street, Riga, LV 1011
Major shareholders	Mārcis Krūmiņš 34,06% Ainārs Baumanis 30,68% Ēriks Kumerdanks 18,92% State Social Insurance agency 10%
Core business	The Company's main activity is health care services as Out-patient Medical Services: Day Time Rehabilitation Department, Department of Technical Orthopaedics, Physiotherapy Department, Physical Therapy Department, Ergotherapy Department. Sale of Health Care Equipment and Technical Aids for disabled persons.

Council and board

Supervisory Board	Ēriks Kumerdanks (Chairman), Inese Eihvalde, Ainārs Baumanis, Liene Krūmiņa, Valdis Ieviņš
Management Board	Mārcis Krūmiņš (Chairman), Andris Jerkins (Board Member), Nina Dobrāja (Board Member)

Management report

Main activities

POC continues to realize agreements with State Agency „Tehnisko palīgīdzekļu centrs” for producing custom-made technical aids as:

- external prostheses of limbs,
- orthoses (splints, hernia aids, corsets, insoles etc.),
- orthopaedic footwear (shoes),

POC received 178678 LVL (254236 Euro).

POC as representative of some foreign companies delivers ready-made orthopaedic footwear, aids for personal care and personal mobility (aids for toileting, aids for bathing and showering, walking aids – sticks, crutches, frames, tables, wheelchairs etc.) accordingly to agreements with State Agency „Tehnisko palīgīdzekļu centrs”. POC received 10446 LVL (14863 Euro).

Payment for producing custom-made technical aids from other persons were 3959 LVL (5633 Euro).

Payment from Health compulsory insurance state agency for medical rehabilitation in out patient day time rehabilitation department were 21406 LVL (30458 Euro).

Payment from individual patients mainly with orthopaedic problems for treatment (specialists consulting and medical procedures) were 10236 LVL (14565 Euro).

Retail sales of Health Care Equipment and Technical Aids for disabled persons in shop were 44352 LVL (63107 Euro). Wholesale (payment from State Agency „Tehnisko palīgīdzekļu centrs” is excluded) were 22889 LVL (32568 Euro).

Lease of walking aids – sticks, crutches, frames, wheelchairs etc. Were 1671 LVL (2377 Euro).

Premises rent during reporting period were 28915 LVL (41142 Euro).

Payment from Rīga Stradiņš University for lecture and training rooms were 676 LVL (962 Euro).

Important Events in 2007

POC continues to realize agreements:

- with State Agency „Tehnisko palīgīdzekļu centrs” for producing and delivering technical aids;
- with Health compulsory insurance state agency for medical rehabilitation.

Circumstances and events after June 30, 2007.

On June 29, 2007 Financial and Capital Market Commission has made the decision to allow Ainars Baumanis, the authorized person of shareholders of JSC “Protezēšanas un ortopēdijas centrs” who on extraordinary general meeting of shareholders of June 11, 2007 voted for delisting of shares from regulated market to convey the mandatory share buyout offer. the mandatory share buyout offer began on July 9, by publishing information in the official newspaper “Latvijas Vēstnesis”.

Report on management's responsibility

The management is responsible for preparing financial statements, using Company's accounting data for the reporting period, which reflect the Company's financial position at the end of the reporting period, as well as preparing profit and loss statement and cash flow statement for the reporting period from January 1, 2007 to June 30, 2007.

In the preparation of the financial statements, which are included on page 1 to 21 for the period from January 1, 2007 to June 30, 2007, the management has used consistent accounting policies and made reasonable calculations. Based on precautionary principles. The management also confirms that the legislation of the Republic of Latvia is adhered to and the financial statements are under the going concern principle.

The management is responsible for correct accounting data, necessary actions to protect the Company's assets and avoidance of frauds and other disruption.

Riga, August 29, 2007

On behalf of management,

Chairman of the Board

Mārcis Krūmiņš

Board member

Andris Jerkins

Board member

Ņina Dobrāja

Notes to financial statements

Accounting policy

General principles

The annual report has been prepared in compliance with LR laws "On accounting" and "on enterprises' annual reports" as well as in compliance with accounting principles in the Republic of Latvia.

The expenses in the profit and loss statement are classified by turnover method. The cash flow statement is prepared according to the indirect method.

Present financial report has been prepared with reference to uninterrupted operation of company that an active realization and repayment liability is preceding in an ordinary way.

The annual report period is 6 months.

Revaluation of foreign currency in lats

All the company accounting is carried out into lats.

All monetary assets in foreign currency were revaluated in lats in the end of the year of account pursuant to the currency exchange rate officially established by the Bank of Latvia on 30 June.

Cash, debtors and creditors in currency at the end of the year was converted in Ls in accordance to the Bank of Latvia currency rate at the last day of year of the account.

Net income or losses at the result of Exchange rate fluctuations was reflected in profit-loss statement.

Currency rate financial statements at June 30:

	30.06.2007.	30.06.2006.
EUR	0,7028	0,7028

Net turnover

Net turnover is a total sum of services rendered and sold within the year and services free from tax and granted discounts.

Fixed assets, intangible assets and low inventory

Fixed assets have been evaluated as per initial costs value, deducting accumulated depreciation. Depreciation has been calculated as per linear method. Calculation of depreciation of the fixed assets was commenced starting with the first date of the month next to commissioning and was finished on the first date of the month next to their exclusion from the fixed assets number.

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Company capitalizes permanent assets with value more L 50 and time of valid usage is more than 1 year. To calculate to rates and requirements under article 13 of LR law "On enterprises income tax."

Low inventory booked at the purchase prices and costs was 100% written off after commissioning.

Inventory

Raw materiāls, materiāls and goods subject to sale were booked at the purchase price and were accounted as per FIFO methods.

Debtors

Debtors debts in balance sheet have been shown at the net value. Debtors ` actual sum complies with contracts and other accounting basic documents. There has been made reconciliations of debtors `debts as at 30 June 2007.

Reserves for unused vacations

Vocation cost reserves was calculated considering vocation days and average earnings for all workers.

Deferred taxation

Deferred taxation was referable to all short-term distinctions, which appear as a result of making accountancy of earnings and expenses according to tax laws. Deferred taxation is liability, which was calculated using tax rates. The main short-term distinctions appear from distinctions of fixed assets and nonmaterial wealth depreciation norms in taxed and financial bookkeeping calculation. Deferred taxation assets item was included in financial reports only when regain of assets ir real.

Retraining

In comparative readings for year 2006 in necessary cases individual post classification is changed in order to meet post classification for year 2007.

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STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED 30.06.2007 AND 2006. 30.06.

	Pielikumi	2007 year 6 months LVL	2006 year 6 months LVL
Net sales	1	288293	279976
Sold productions producing expenses	2	273799	264809
Gross profit		14494	15167
Selling expenses	3	3195	2244
Administrative expenses	4	38984	30876
Other operating income	5	31631	26286
Other operating expenses	6	5794	7429
Profit or loss from operations		-1848	904
Interest income and similar income	7	574	242
Interest expense and similar expenses	8	52	0
Profit before extraordinary items and taxes		-1326	1146
Profit or loss before taxes		-1326	1146
Other taxes	9	0	609
NET PROFIT OR LOSS		-1326	537

	Pielikumi	2007 year 6 months EUR	2006 year 6 months EUR
Net sales	1	410204	398370
Sold productions producing expenses	2	389581	376789
Gross profit		20623	21581
Selling expenses	3	4546	3193
Administrative expenses	4	55469	43933
Other operating income	5	45007	37402
Other operating expenses	6	8244	10571
Profit or loss from operations		-2629	1286
Interest income and similar income	7	817	344
Interest expense and similar expenses	8	74	0
Profit before extraordinary items and taxes		-1887	1631
Profit or loss before taxes		-1887	1631
Other taxes	9	0	867
NET PROFIT OR LOSS		-1887	764

30.06.2007. EPS-0,002 LS(0,003 EUR)

30.06.2006. EPS- 0,0006 Ls(0,0009 EUR)

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		BALANCE SHEETS				
AS Of 30 june 2007 and 30 june 2006						
ASSETS		Notes	30.06.07. LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
Non - current assets						
I Intangible assets						
	Cost of research and development of the enterprise			1432	0	2038
	Patents and licenses		513	202	730	287
Total Intangible assets		10	513	1634	730	2325
II Fixed assets						
	Land, buildings and constructions		300375	323215	427395	459894
	Equipment and machinery		24246	26490	34499	37692
	Other fixed assets		17551	21261	24973	30252
	Constructions in progress		328	328	467	468
	Advance payments for goods					
Total fixed assets		11	342500	371294	487334	528304
Total non- current assets			343013	372928	488064	530629
Current assets						
I Inventory						
	Raw materials	12	119695	117572	170311	167290
	Unfinished goods		201	358	286	509
	Finished goods and goods for sale	13	82640	74654	117586	106223
	Advance payments for fixed assets		4358	1867	6201	2657
Total inventory						
II Debtors						
	Customers and orderers	14	8889	53120	12648	75583
	Other debtors		6955	1486	9896	2114
	Expenses of next periods		538	342	766	487
Total debtors			16382	54948	23309	78184
Cash		15	137151	97989	195148	139426
Total current assets			360427	347388	512841	494289
TOTAL ASSETS			703440	720316	1000905	1024917

LIABILITIES & SHAREHOLDERS EQUITY		Notes	30.06.07. LVL	30.06.06. LVL	30.06.07. EUR	30.06.06. EUR
I SHAREHOLDERS EQUITY						
	Share capital	16	830 583	830 583	1 181 813	1 181 813
	Reserves:					
	d) other reserves		14 274	14 274	20 310	20 310
	Total reserves:		14 274	14 274	20 310	20 310
	Accumulated(losses) earnings:					
	a) prior year accumulated losses		-192 918	-170 339	-274 498	-242 371
	b) current year profit or loss		-41326	537	-1887	764
	Total accumulated earnings		-	-	-	-
Total shareholders equity			650614	675054	925740	960515
III LIABILITIES						

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1. Short-term liabilities					
Advances from customers		10948	2969	15578	4225
Trade accounts payable		11180	6257	15908	8903
Taxes and social security liabilities	17	9709	11170	13815	15893
Other current liabilities	18	9251	13759	13163	19577
Accrued liabilities	19	11738	11107	16702	15804
Total short-term liabilities		52826	45262	75165	64402
Total liabilities		52826	45262	75165	64402
TOTAL LIABILITIES & SHAREHOLDERS EQUITY		703440	720316	1000905	1024917

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STATEMENTS OF CASH FLOWS

	2007 year 6 months	2006 year 6 months	2007 year 6 months	2006 year 6 months
	LVL	LVL	EUR	EUR
Operating activities				
1. Profit before taxes	-1326	537	-1887	764
<u>Adjustments:</u>				
depreciation of fixed assets	20928	22362	29778	31818
depreciation of intangible assets	124	59	176	84
provision formation	631			
profit or loss of currency difference	570	583	811	830
interest income	434	242	618	344
Interest expenses	-52	0	-74	0
2. Profit or loss before changes in operating assets and liabilities	21309	23783	30320	33840
<u>Adjustments:</u>				
increase / decrease in receivables	38566	-46994	54874	-66866
increase / decrease in inventory	-12443	-29879	-17705	-42514
increase / decrease in liabilities	-6933	-4398	-9865	-6258
3. Net cash from operating activities	40499	-57488	57625	-81798
Investing activities				
Purchase of fixed assets	-1828	-1442	-2601	-2052
Proceeds from sale of fixed assets				
Accrued income	491	2565	698	3650
Net cash used in investing activities	-1337	1123	-1902	1598
Financing activities				
Net cash provided by financing activities	0	0	0	0
Net decrease/increase in cash	39162	-56365	55722	-80200
Cash at the beginning of the year	97989	154354	139426	219626
Cash at the end of the period	137151	97989	195148	139426

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STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY IN 6 months of 2006 and 2007.

	Share capital LVL	Other reserves LVL	Accumulated losses(profit) LVL	Total LVL
As at 01.01.2006.	830 583	14 274	-170 339	674 518
Profit or loss for the period			537	<u>537</u>
As at 30.06.2006.	830 583	14 274	-169802	675055
Profit or loss for the period			-23115	<u>-23115</u>
As at 01.01.2007.	830 583	14 274	-192 917	651 940
Profit or loss for the period			-1326	<u>-1326</u>
As at 30.06.2007.	830 583	14 274	194243	650614

	Share capital EUR	Other reserves EUR	Accumulated losses (profit) EUR	Total EUR
As at 01.01.2006.	1 181 813	20 310	-242 371	959 753
Profit or loss for the period			764	<u>764</u>
As at 30.06.2006.	1 181 813	20 310	-241606	960517
Profit or loss for the period			-32890	<u>-32890</u>
As at 01.01.2007.	1 181 813	20 310	-274 496	927 627
Profit or loss for the period			-1887	<u>-1887</u>
As at 30.06.2007.	1 181 813	20 310	-276383	925740

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Notes to financial statements

1. Net sales

	30.06.07.	30.06.06.	30.06.07	30.06.06
	Ls	Ls	EUR	EUR
Proceeds from manufacture	184350	204712	262306	291279
Proceeds from social rehabilitation	3462	2681	4926	3815
Proceeds from purchased goods	70630	52696	100497	74980
Proceeds from day stationary	21406	12281	30458	17474
Proceeds from medical service	6774	6256	9639	8901
Proceeds from rent	1671	1350	2378	1921
Total	288293	279976	410204	398370

2. Sold productions producing expenses

	30.06.07.	30.06.06.	30.06.07	30.06.06
	Ls	Ls	EUR	EUR
Good purchased for resale	45608	32146	64894	45740
Direct labour and social security payment	134273	120547	191053	171523
Amortisations and depreciations	18809	22421	26763	31902
Raw materials	51505	63123	73285	89816
Heating, electricity, water and sewage	12361	13862	17588	19724
Outwards works	2150	2227	3059	3169
Ordinary repairs	1975	7000	2810	9960
Inventory recention	2242	161	3190	229
Variations in stocks	-1802	1823	-2564	2594
Transport	6120	360	8708	512
Provide courses	215	608	306	865
Other expenses	343	531	488	756
Total	273799	264809	389581	376789

3. Selling expenses

	30.06.07.	30.06.06.	30.06.07	30.06.06
	Ls	Ls	EUR	EUR
Direct labour and social security payment	2802	2165	3987	3081
Other	393	79	559	112
Total	3195	2244	4546	3193

4. Administrative expenses

	30.06.07 .	30.06.06.	30.06.07	30.06.06
	Ls	Ls	EUR	EUR
Administrative salaries and social security	20915	16634	29759	23668
Office expenses	6521	2806	9279	3993
Communication expenses	2241	3227	3189	4592
Annual report expenses	0	800	0	1138
Bank charges	630	553	896	787

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Financial services	1800	4000	2561	5691
Transport	691	633	983	901
Representation	245	283	349	403
Business trips	4953	1485	7047	2113
Others	988	455	1406	647
Total	38984	30876	55469	43933

5. Other operating income

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
Proceeds from lease agreement	28915	16455	41142	23413
Proceeds from currency exchange rate fluctuation	949	668	1350	950
Proceeds from student	676	955	962	1359
Proceeds from other business projects	0	2040	0	2903
Other proceeds	1091	3202	1552	4556
Total	31631	26286	45007	37402

6. Other operating expenses

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
heating, electricity, water, sewage to lease	2407	0	3425	0
Insurance payment	721	2175	1026	3095
Cash benefits	1440	840	2049	1195
Social security	250	300	356	427
Other business projects expenses	203	2669	289	3798
Loss from fixed assets sale	753	20	1071	28
Other	753	20	1071	28
Current assets write off	20	282	28	401
Other	0	1143	0	1626
Total	5794	7429	8244	10571

7. Interest income and similar income

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
Interest income from cost in bank	83	94	118	134
Interest income from depositsatz	491	148	699	211
Total	574	242	817	345

8. Interest expense and similar expenses

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06. EUR
Penalties	52	0	74	0
Total	52	0	74	0

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9. Other taxes	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
Real estate taxes	0	609	0	867
Total	0	609	0	867

Notes to financial statement

10. Intangible assets

	Advance payments for intangible assets	Patents, licences, trademarks and other rights	Other intangible assets	Total Intangible assets
Historical cost	LVL	LVL	LVL	LVL
as at 1 January 2007.	8 260	781	2 728	11 769
Additions for the period		215		215
Depreciation for the period				0
As at 30 June 2007	8 260	996	2 728	11 984
Accumulated depreciation				0
As at 1 January 2007	8 260	359	2 728	11 347
Calculated		124		124
Depreciation for the period				0
As at 30 June 2007	8 260	483	2 728	11 471
Net carrying amount				0
As at 1 January 2007	0	422	0	422
As at 30 June 2007	0	513	0	513

	Advance payments for intangible assets	Patents, licences, trademarks and other rights	Other intangible assets	Total Intangible assets
Historical cost	EUR	EUR	EUR	EUR
as at 1 January 2007.	11 753	1 111	3 882	16 746
Additions for the period		407		407
Depreciation for the period				0
As at 30 June 2007	11 753	1 417	3 882	17 052
Accumulated depreciation				
As at 1 January 2007	11 753	511	3 882	16 145
Calculated	0	176		176
Depreciation for the period				0
As at 30 June 2007	11 753	687	3 882	16 322
Net carrying amount				
As at 1 January 2007	0	600	0	600
As at 30 June 2007	0	730	0	730

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11.Fixed assets

	Buildings	Equipment and machinery	Other fixed assets	Constructi ons in progress	Advance payment for fixed assets	Total	
Historial cost	LVL	LVL	LVL	LVL	LVL	LVL	
01.01.2007.	456 800	128 145	176 502	328	0	761 775	
Additions			1421			1421	
Depreciat.		2 273	1347			3620	
As at 30 june 2007.	456 800	125 872	176 576	328	0	759 576	
Accumulated depreciat.							
As at 1 Jan.2007	145 005	100 149	156 653		0	401 807	
Calculated	11420	3750	3515			18685	
Depreciat.		2 273	1143			3416	
As at 30 june 2007.	156425	101626	159025	0	0	417076	
Net carrying amount							
As at 1 january 2007.	311 795	0	27 996	19 849	328	0	359 968
As at 30.june 2007.	300375	0	24246	17551	328	0	342500

	Buildings	Equipment and machinery	Other fixed assets	Constructi ons in progress	Advance payment for fixed assets	Total	
Historial cost	EUR	EUR	EUR	EUR	EUR	EUR	
01.01.2007.	649 968	182 334	251 140	467	0	1 083 908	
Additions		0	2022			2022	
Depreciat.		3 234	1917		0	5151	
As at 30 june 2007.	649 968	179 100	251 245	467	0	1 080779	
Accumulated depreciat.							
As at 1 Jan.2007	206 324	142 499	222 897	0		571 720	
Calculated	16249	5336	5001			26586	
Depreciat.		3 234	1626			4861	
As at 30 june 2007.	222573	144601	226272	0	0	593446	
Net carrying amount							
As at 1 january 2007.	443 644	0	39 835	28 243	467	0	512 188
As at 30.june 2007.	427395	0	34499	24973	467	0	487334

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12. Row materials

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
1.Materials	118510	115679	168625	164596
2.Low inventory	815	1622	1160	2308
3.Fuel	189	96	269	137
4. Medikaments	181	175	258	249
Total	119695	117572	170311	167290

13. Finished goods and goods for sale

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
1. Finished goods	11673	11390	16609	16207
2.Purchase goods	70967	63264	100977	90017
Total	82640	74654	117586	106223

14. Customers and orderers

	30.06.07. Ls	30.06.06. Ls	30.06.07 EUR	30.06.06 EUR
Customers and orderers	9744	54045	13864	76899
Provisions for questionable debtors	855	925	1217	1316
Net customers and orderers	8889	53120	12648	75583

14.a Changes of provisions

	Customers and orderers Ls	Customers and orderers EUR
Provisions 01.01.2007.	875	1 245
provisions decrease	20	280
provisions increase	0	
Provisions 30.06.2007.	855	1 217

15. CASH

	30.06.07 Ls	30.06.06 Ls	30.06.07 EUR	30.06.06 EUR
Cash in hand	1921	3381	2733	4811
Cash in bank	109931	69659	156418	99116
Demand /coll deposit	24606	24890	35011	35415
Other cash (VISA card)	693	59	986	84
Total	137151	97989	195148	139426

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16. Informations about chares

Stock capital	830 583LVL	1181813EUR
Value of one share	1LVL	1,42EUR

17. TAX LIABILITIES

	As at 01.01.2007	Calculated taxes at 2007.year	Paid taxes at 2007 year	As at 30.06.07.
	Ls	Ls	Ls	Ls
Social security payments	5 555	41102	39625	7031
Personal income tax	3 644	25622	24759	4506
VAT	1 646	25548	28999	-1804
estate property tax	20		64	-44
nature tax	17		17	0
Risk tax	20	122	123	19
Total	10 903	92394	93523	9709

17. TAX LIABILITIES

	As at 01.01.2007	Calculated taxes at 2007.year	Paid taxes at 2007 year	As at 30.06.2007.
	EUR	EUR	EUR	EUR
Social security payments	7 904	58483	56381	10004
Personal income tax	5 185	36457	35229	6411
VAT	2 342	36352	41262	-2567
estate property tax	28	0	91	-63
nature tax	24	0	24	0
Risk tax	28	174	175	27
Total	15 514	131465	133071	13815

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18. Other current liabilities

	30.06.07. Ls	30.06.06. Ls	30.06.07. EUR	30.06.06. EUR
wage	7469	12448	10627	17712
Deduction	17	16	24	23
Caution	1765	1295	2511	1843
Total	9251	13759	13163	19577

19. Accrued liabilities

	30.06.07. Ls	30.06.06. Ls	30.06.07. EUR	30.06.06. EUR
accrued liabilities for vacations	11738	11107	16702	15804
Total	11738	11107	16702	15804