Cardia International A/S

Hersegade 20, 4000 Roskilde, Denmark

CVR no. 35 81 25 63

Annual report

for the period 1 January 2016 - 31 March 2017

Approved at the annual general meeting of shareholders on 18 September 2017

Chairman:

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M.VERMIN

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Cardia International A/S for the financial year 1 January 2016 - 31 March 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2017 and of the results of the Company's operations for the financial year 1 January 2016 - 31 March 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Roskilde, 18 September 2017
Executive Board:

Jens Aabye Dam

Board of Directors:

Mike William Vermin Chairman	Jens Aabye Dam	Joachim Snebang Vanggaard Jensen

Independent auditor's report

To the shareholders of Cardia International A/S

Opinion

We have audited the financial statements of Cardia International A/S for the financial year 1 January 2016 - 31 March 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2017 and of the results of the Company's operations for the financial year 1 January 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 18 September 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Andersen
State Authorised Public Accountant

Management's review

Company details

Name	Cardia International A/S
Address, Postal code, City	Hersegade 20, 4000 Roskilde, Denmark
CVR no.	35 81 25 63
Established	26 March 2014
Registered office	Roskilde
Financial year	1 January 2016 - 31 March 2017
Board of Directors	Mike William Vermin, Chairman Jens Aabye Dam Joachim Snebang Vanggaard Jensen
Executive Board	Jens Aabye Dam
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Handelsbanken

Management's review

Management commentary

Business review

Cardia International A/S is manufacturing and selling the defibrillator CardiAid.

Financial review

The income statement for 2016/17 shows a loss of DKK 4,578,417 against DKK -1,749,975 last year, and the balance sheet at 31 March 2017 shows equity of DKK 3,390,784.

The financial year 2016/17 has been a year with ups and downs. In general, the rules for accreditation of medical products approvals are rapidly changing. As a result, we have seen a negative impact into obtaining such approvals for various countries. This has delayed our sales growth significantly. In order to be compliant with new regulations, we have had to make large investments into our company becoming ISO 13485 certified. Together with our new shareholder Skanray Healthcare, we have been able to make necessary steps and this ongoing process is expected to be successfully completed by Q4 2017.

Also, our decision to start using the experience and knowledge of our parent company in India as a second source manufacturing plant will make us more robust and will give us the required capacity for further growth. This, together with a strengthening of our sales team and at the same time implementing operational cost reductions allows us to be confident that we can show significant growth in turnover and profitability in the financial year 2017/18.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Company expects to realise a significant growth and expects a positive profit.

Financial statements for the period 1 January 2016 - 31 March 2017

Income statement

Note	DKK	2016/17 15 months	2015 12 months
	Gross margin	2,425,126	1,770,523
2	Staff costs	-5,343,532	-3,194,249
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-898,306	-611,788
	Profit/loss before net financials	-3,816,712	-2,035,514
	Financial expenses	-232,650	-202,567
	Profit/loss before tax	-4,049,362	-2,238,081
4	Tax for the year	-529,055	488,106
	Profit/loss for the year	-4,578,417	-1,749,975

	Recommended appropriation of profit/loss		
	Other reserves	619,064	0
	Retained earnings/accumulated loss	-5,197,481	-1,749,975
		-4,578,417	-1,749,975

Financial statements for the period 1 January 2016 - 31 March 2017

Balance sheet

Note	DKK	2016/17	2015
	ASSETS		
	Fixed assets		
5	**Intangible assets**		
	Completed development projects	812,815	475,793
	Acquired intangible assets	93,606	144,957
	Goodwill	699,613	1,136,872
	Development projects in progress and prepayments for intangible assets	149,000	0
		1,755,034	1,757,622
6	**Property, plant and equipment**		
	Other fixtures and fittings, tools and equipment	925,677	1,119,565
		925,677	1,119,565
	Investments		
	Investments in group entities	74,379	0
		74,379	0
	Total fixed assets	2,755,090	2,877,187
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	139,596	532,244
	Finished goods and goods for resale	928,471	563,329
		1,068,067	1,095,573
	Receivables		
	Trade receivables	436,727	583,368
7	Deferred tax assets	0	529,055
	Other receivables	158,235	68,221
	Prepayments	119,596	5,791
		714,558	1,186,435
	Cash	3,549,497	184,234
	Total non-fixed assets	5,332,122	2,466,242
	TOTAL ASSETS	8,087,212	5,343,429

Financial statements for the period 1 January 2016 - 31 March 2017

Balance sheet

Note	DKK	2016/17	2015
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	671,145	500,000
	Reserve for development costs	619,064	0
	Retained earnings	2,100,575	19,201
	Total equity	3,390,784	519,201
	Liabilities		
9	**Non-current liabilities other than provisions**		
	Bank debt	0	1,195,000
	Other payables	1,583,989	1,115,835
		1,583,989	2,310,835
	Current liabilities		
9	Current portion of long-term liabilities	1,197,504	580,000
	Bank debt	156,872	85,411
	Prepayments received from customers	72,297	171,217
	Trade payables	1,336,331	1,551,120
	Payables to group entities	115,671	0
	Other payables	233,764	125,645
		3,112,439	2,513,393
	Total liabilities other than provisions	4,696,428	4,824,228
	TOTAL EQUITY AND LIABILITIES	8,087,212	5,343,429

1 Accounting policies
10 Contractual obligations and contingencies, etc.
11 Collateral
12 Related parties

Financial statements for the period 1 January 2016 - 31 March 2017

Statement of changes in equity

DKK	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2016	500,000	0	19,201	519,201
Capital increase	171,145	0	7,278,855	7,450,000
Transfer through appropriation of loss	0	619,064	-5,197,481	-4,578,417
Equity at 31 March 2017	671,145	619,064	2,100,575	3,390,784

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

1 Accounting policies

The annual report of Cardia International A/S for 2016/17 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Reclassifications have been made to the financial statements and the comparative figures.

Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies the following changes in the recognition and measurement:

1. In future, residual values of property, plant and equipment will be subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made with future effect only as a change in accounting estimates with no impact on equity.
2. An amount corresponding to development costs recognised will, in future, be tied up in a special reserve under equity called "Reserve for development costs". The amount is tied up in a special reserve, which cannot be used to distribute dividend or cover losses. If the development costs recognised are sold or in some other way no longer form part of the Company's operations, the reserve will be dissolved or reduced by a transfer directly to distributable reserves under equity. If the recognised development costs are written down, part of the reserve for development costs must be reversed. The reversed portion corresponds to the write-down of the development costs. If a write-down of the development costs is subsequently reversed, the reserve for development costs must be re-established. The reserve for development costs is also reduced by amortisation charges. In doing so, the equity reserve will not exceed the amount recognised in the balance sheet as development costs.

Apart from the above changes in accounting policy and new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

1 Accounting policies (continued)

Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	3-5 years
Goodwill	5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-7 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

The residual value of other fixtures and fittings, tools and equipment is 20%.

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

1 Accounting policies (continued)

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

Other intangible assets include development projects and other acquired intangible rights, including software licences. Development projects in progress are measured at cost.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises cash balances and bank balances.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value.

Payables to credit institutions

Mortgage debt is recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, mortgage debt is measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

	DKK	2016/17 15 months	2015 12 months
2	**Staff costs**		
	Wages/salaries	5,316,579	3,177,597
	Other social security costs	22,393	12,601
	Other staff costs	4,560	4,051
		5,343,532	3,194,249
	Average number of full-time employees	3	3
3	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	687,269	444,101
	Depreciation of property, plant and equipment	211,037	167,687
		898,306	611,788
4	**Tax for the year**		
	Deferred tax adjustments in the year	529,055	-488,106
		529,055	-488,106

5 **Intangible assets**

DKK	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2016	532,168	205,407	1,749,038	2,486,613
Additions on merger/ corporate acquisition	535,681	0	0	684,681
Cost at 31 March 2017	1,067,849	205,407	1,749,038	3,171,294
Impairment losses and amortisation at 1 January 2016	56,375	60,450	612,166	728,991
Amortisation in the year	198,659	51,351	437,259	687,269
Impairment losses and amortisation at 31 March 2017	255,034	111,801	1,049,425	1,416,260
Carrying amount at 31 March 2017	812,815	93,606	699,613	1,755,034

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

6 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	1,404,882
Additions in the year	17,149
Cost at 31 March 2017	1,422,031
Impairment losses and depreciation at 1 January 2016	285,317
Depreciation in the year	211,037
Impairment losses and depreciation at 31 March 2017	496,354
Carrying amount at 31 March 2017	925,677

7 Deferred tax assets

The Company has a deferred tax asset of DKK 1,414 thousand. The deferred tax asset is not recognised in the financial statements as it is uncertain if the tax losses can be utilised within the foreseeable future.

DKK	2016/17	2015
8 Share capital		
Analysis of the share capital:		
671,145 shares of DKK 1.00 nominal value each	671,145	500,000
	671,145	500,000

Analysis of changes in the share capital over the past 3 years:

DKK	2016/17	2015	2014
Opening balance	500,000	500,000	500,000
Capital increase	171,145	0	0
	671,145	500,000	500,000

9 Non-current liabilities other than provisions

DKK	Total debt at 31/3 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	1,197,504	1,197,504	0	0
Other payables	1,583,989	0	1,583,989	0
	2,781,493	1,197,504	1,583,989	0

Financial statements for the period 1 January 2016 - 31 March 2017

Notes to the financial statements

10 Contractual obligations and contingencies, etc.

Other financial obligations

Cardia International A/S has no other financial liabilities at 31 March 2017.

11 Collateral

As security for the Company's debt to the bank, the Company has placed assets or other as security at a total value of DKK 2,500,000. The total carrying amount of the assets that have been put up as security is DKK 4,108,980.

The following assets are included in the security:

- Acquired intangible assets
- Goodwill
- Other fixtures and fittings, tools and equipment
- Raw materials and consumables
- Finished goods and goods for resale
- Trade receivables

12 Related parties

Cardia International A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Skanray Healthcare Global Private Ltd.	GALAXY, Plot No. - 30, 1st Main Road, 3rd Phase, Bengaluru Karnataka 560078, India	Shareholder

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Jens Dam Holding ApS	Hersegade 20, Roskilde, Denmark
JV Equity ApS	Bangsbovej 32, Vanløse, Denmark
Cardia Invest BV	Van der Burchstraat 40, Hoofddorp, The Netherlands