

PBN Medicals Denmark A/S

Lautruphøj 5, 1.
2750 Ballerup
CVR No. 67071417

Annual report 2019

The Annual General Meeting adopted the
annual report on 06.07.2020

Anders Hagstrøm

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019	8
Balance sheet at 31.12.2019	9
Statement of changes in equity for 2019	11
Notes	12
Accounting policies	13

Entity details

Entity

PBN Medicals Denmark A/S

Lautruphøj 5, 1.

2750 Ballerup

CVR No.: 67071417

Registered office: Ballerup

Financial year: 01.01.2019 - 31.12.2019

Board of Directors

George Alexander Leondis, Chairman

Mark Tucker Frost

Sharon Cynthia McNally

Executive Board

Sharon Cynthia McNally

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of PBN Medicals Denmark A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Ballerup, 06.07.2020

Executive Board

Sharon Cynthia McNally

Board of Directors

George Alexander Leondis
Chairman

Mark Tucker Frost

Sharon Cynthia McNally

Independent auditor's report

To the shareholders of PBN Medicals Denmark A/S

Opinion

We have audited the financial statements of PBN Medicals Denmark A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 these 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 scepticism 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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 Entity'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 conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Ballerup, 06.07.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jens Sejer Pedersen

State Authorised Public Accountant
Identification No (MNE) mne14986

Management commentary

Primary activities

The company's activities comprise ownership of a patent for which royalties are paid based on sales.

Development in activities and finances

The income statement of the Company for 2019 shows a profit of T.DKK 6.878 and at 31 December 2019 the balance sheet of the Company shows a equity of T.DKK 7.607.

The management considers the net result for the year to be satisfactory.

Management expects a net result in 2020 at the same level as 2019.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		8,569,000	7,011,513
Other financial income	1	263,238	1,325,910
Other financial expenses	2	(9,193)	(17,285)
Profit/loss before tax		8,823,045	8,320,138
Tax on profit/loss for the year	3	(1,944,654)	(1,830,430)
Profit/loss for the year		6,878,391	6,489,708
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		7,000,000	10,000,000
Retained earnings		(121,609)	(3,510,292)
Proposed distribution of profit and loss		6,878,391	6,489,708

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Receivables from group enterprises		9,707,078	10,679,192
Other receivables		3,797	62,203
Receivables		9,710,875	10,741,395
Cash		73,342	2,011,080
Current assets		9,784,217	12,752,475
Assets		9,784,217	12,752,475

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		600,000	600,000
Retained earnings		7,436	129,045
Proposed dividend		7,000,000	10,000,000
Equity		7,607,436	10,729,045
Trade payables		85,000	130,000
Payables to group enterprises		150,681	63,000
Income tax payable		1,941,100	1,830,430
Current liabilities other than provisions		2,176,781	2,023,430
Liabilities other than provisions		2,176,781	2,023,430
Equity and liabilities		9,784,217	12,752,475
Contingent liabilities	4		
Related parties with controlling interest	5		
Group relations	6		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	600,000	129,045	10,000,000	10,729,045
Ordinary dividend paid	0	0	(10,000,000)	(10,000,000)
Profit/loss for the year	0	(121,609)	7,000,000	6,878,391
Equity end of year	600,000	7,436	7,000,000	7,607,436

Notes

1 Other financial income

	2019	2018
	DKK	DKK
Financial income from group enterprises	0	102,428
Exchange rate adjustments	263,238	1,223,482
	263,238	1,325,910

2 Other financial expenses

	2019	2018
	DKK	DKK
Other financial expenses	9,193	17,285
	9,193	17,285

3 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Current tax	1,944,654	1,830,430
	1,944,654	1,830,430

4 Contingent liabilities

The Entity participates in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

5 Related parties with controlling interest

Manan Medical Products Inc., 241 West Palatine Road, Wheeling, IL 60090, USA, owns all shares in the company and thus has a controlling influence on this.

6 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Shandong Weigao Group Medical Polymer Co. Ltd., No. 18 Xingshan Road, High-tech Industrial Development Zone, 264209 Weihai, Shandong Province, China.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Gross profit comprise revenue and other external expenses.

Revenue

Revenue comprise royalties and is based on sale of licensed products and is recognized in accordance with contract terms when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the company.

Revenue is recognized net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including office expenses, etc.

Other financial income

Other financial income comprises of other interest income and exchange rate adjustments, and are recognized in the income statement at the amounts relating to the financial year.

Other financial expenses

Other financial expenses are recognized in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognized as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax receivable or payable is recognized in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.