

# ANNUAL REPORT

**beginning of financial year:** 10.09.2020

**end of the financial year:** 31.12.2021

**business name:** The J. Molner Company OÜ

**register code:** 16049586

**street, building, apartment, farm:** Akadeemia tee 21/5

**city:** Tallinn

**county:** Harju maakond

**postal code:** 12618

**telephone:** +372 6150576, +372 53600346

**e-mail address:** jason@jmolner.com

**web address:** www.jmolner.com

## Table of contents

<b>Management report</b>	<b>3</b>
<b>The annual accounts</b>	<b>4</b>
<b>Statement of financial position</b>	<b>4</b>
<b>Income statement</b>	<b>5</b>
<b>Notes</b>	<b>6</b>
<b>Note 1 Accounting policies</b>	<b>6</b>
<b>Note 2 Cash and cash equivalents</b>	<b>8</b>
<b>Note 3 Receivables and prepayments</b>	<b>9</b>
<b>Note 4 Inventories</b>	<b>9</b>
<b>Note 5 Shares of subsidiaries</b>	<b>9</b>
<b>Note 6 Property, plant and equipment</b>	<b>10</b>
<b>Note 7 Intangible assets</b>	<b>10</b>
<b>Note 8 Loan commitments</b>	<b>11</b>
<b>Note 9 Payables and prepayments</b>	<b>11</b>
<b>Note 10 Employee payables</b>	<b>11</b>
<b>Note 11 Labor expense</b>	<b>12</b>
<b>Note 12 Related parties</b>	<b>12</b>
<b>Note 13 Continuity of operations</b>	<b>13</b>
<b>Signatures</b>	<b>14</b>
<b>Sworn auditor's report</b>	<b>15</b>

## Management report

The J.Molner Company OÜ was founded in 2020 in Tallinn. The length of the first financial year was 15 months, from October 1, 2020 to October 31, 2020. December 2021. The main activity of the company is research and development in the field of biotechnology.

Activities are divided into two main directions:

- development of analytical chemistry and methods for third parties;
- developing its own line of generic drugs.

The turnover was 505,260 euros. Since in the first financial year we were working on the development of our own line of genetic medicines, the entire turnover came from providing the service to third parties. 2,079 euros were spent on research and development.

Since the beginning of 2022, four generic drugs have been developed. The planned investment in research and development is 500,000 euros, a long-term loan has been taken for this purpose. One of these products is planned to reach the market in the first quarter of 2023.

- The company's business is not seasonal.
- The company's activities do not have significant environmental and social impacts.
- The contracts are concluded in euros, and therefore the risk of exchange rate changes is minimal.
- Interest rates did not change significantly during the financial year and during the period of preparation of the annual report.

## The annual accounts

### Statement of financial position

(In Euros)

	31.12.2021	10.09.2020	Note
Assets			
Current assets			
Cash and cash equivalents	242 806	0	2
Receivables and prepayments	63 855	0	3
Inventories	11 293	0	4
<b>Total current assets</b>	<b>317 954</b>	<b>0</b>	
Non-current assets			
Investments in subsidiaries and associates	262	0	5
Property, plant and equipment	100 607	0	6
Intangible assets	6 974	0	7
<b>Total non-current assets</b>	<b>107 843</b>	<b>0</b>	
<b>Total assets</b>	<b>425 797</b>	<b>0</b>	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	251 077	0	8
Payables and prepayments	141 869	0	9
<b>Total current liabilities</b>	<b>392 946</b>	<b>0</b>	
Non-current liabilities			
Loan liabilities	358 104	0	8
<b>Total non-current liabilities</b>	<b>358 104</b>	<b>0</b>	
<b>Total liabilities</b>	<b>751 050</b>	<b>0</b>	
Equity			
Issued capital	2 500	2 500	
Unpaid capital	0	-2 500	
Annual period profit (loss)	-327 753	0	
<b>Total equity</b>	<b>-325 253</b>	<b>0</b>	
<b>Total liabilities and equity</b>	<b>425 797</b>	<b>0</b>	

## Income statement

(In Euros)

	10.09.2020 - 31.12.2021	Note
Revenue	505 260	
Other income	17 511	
Raw materials and consumables used	-135 248	
Other operating expense	-137 717	
Employee expense	-539 282	11
Depreciation and impairment loss (reversal)	-13 804	
Other expense	-3 866	
<b>Operating profit (loss)</b>	<b>-307 146</b>	
Interest expenses	-16 369	
Other financial income and expense	-4 238	
<b>Profit (loss) before tax</b>	<b>-327 753</b>	
<b>Annual period profit (loss)</b>	<b>-327 753</b>	

## Notes

### Note 1 Accounting policies

#### General information

The annual accounts of J.Molner Company OÜ for the financial year 2020-2021 have been prepared in accordance with the Estonian financial reporting standard. The Estonian financial reporting standard is established by the Accounting Act of the Republic of Estonia, which is supplemented by the guidelines issued by the Accounting Standards Board.

This is an abbreviated annual report of a small business.

The annual accounts have been prepared in Euros.

The principal accounting policies adopted are set out below.

#### Financial assets

The company has the following financial assets: cash, accounts receivables and other receivables. Financial assets are initially recognised at cost, this being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset. All regular purchases and sales of financial assets in market value are recognised on the transaction date. Following initial recognition, financial assets are measured based on their type either at fair value, at acquisition cost or at amortised cost.

Financial assets are derecognised, when the company loses the right to receive cash flows from the financial asset or it transfers the financial asset, the cash flows from the financial assets and the majority of risks and rewards to other parties.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet and in the cash flow statement include cash in bank accounts (except overdraft).

#### Foreign currency transactions and assets and liabilities denominated in a foreign currency

The company's functional currency is Euro, all other currencies are deemed foreign currencies. Transactions denominated in foreign currencies are recorded on the basis of the foreign currency exchange rates of the European Central Bank officially valid on the transaction date. Monetary assets and liabilities (receivables paid in cash and loans) denominated in foreign currency are translated at balance sheet date into Euros based on the official foreign exchange rates of the European Central Bank. Gains and losses on foreign currency revaluations are recognised in the income statement in the corresponding accounting period. Non-monetary assets and liabilities denominated in foreign currencies, which are not carried at fair value (eg. prepayments, property, plant and equipment and intangible assets), are not revalued at balance sheet date, but instead are recorded with the exchange rate of the European Central Bank that was valid on the transaction date.

#### Shares of subsidiaries and associates

Shares or parts of subsidiaries and affiliates are recorded at acquisition cost. The acquisition cost is considered to be paid upon acquisition the amount of money or the fair value of the other consideration to be transferred and expenses directly related to the acquisition.

The subsidiary company has not been consolidated, because the consolidated figures, excluding transactions between themselves, are not greater than those of a small indicators of the balance sheet volume and net turnover of the consolidation group, to which 20% is added.

#### Receivables and prepayments

Accounts receivables are receivables arising from ordinary business transactions of the company. Accounts receivables are recorded using the amortised cost method (i.e. nominal value less impairment loss).

Collectability of the accounts receivables is considered separately by each customer. Accounts receivables, which partly or fully are not expected to be collected, are expensed and reported in the income statement as "Other operating expense". Receivables, collection of which is not feasible nor economically justified, are considered to be non-collectible and written-off from the balance sheet.

Receipt of doubtful receivables previously written down are recognised as a decrease in the expense of doubtful receivables.

#### Inventories

Inventories are initially recognised at cost which comprises costs of purchase, production costs and other costs incurred in bringing the inventories to their present location and condition.

Inventories are expensed using the FIFO method.

Inventories are measured in the balance sheet at the lower of cost or net realisable value. Net realisable value is the estimated selling price of a annual report product in the ordinary course of business less the estimated costs of completion and those necessary to make the sale.

#### **Plant, property and equipment and intangible assets**

Property, plant and equipment are assets used in the company's own business activities with a useful life exceeding one year and the cost of at least 1 350 Euros.

A property, plant and equipment is initially recorded at cost which comprises the purchase price and other costs directly attributable to the acquisition that are necessary for bringing the asset to its operating condition and location. A property, plant and equipment is carried in the balance sheet at acquisition cost, less accumulated depreciation and any accumulated impairment losses.

If the major components of an item of property, plant and equipment have significantly different useful lives, these components shall be recognised initially as separate items of property, plant and equipment and separate depreciation rates shall be assigned to them depending on their useful lives.

An intangible asset is initially recorded at cost which comprises the purchase price and other costs directly attributable to the acquisition. An intangible asset is carried in the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses.

Pharmaceutical products in development are recorded as unfinished projects. Once products in development are approved for sale, the amounts will be allocated to product rights and will be amortised. Unfinished projects include also product acquisition costs representing product rights obtained from third parties possessing regulatory approvals in respective markets, however, the production of which has not yet started. Product acquisition costs are reclassified as intangible assets in use and will be amortised once products are commercialised.

**Minimal acquisition cost** 1350

#### **Useful life by assets group (years)**

<b>Assets group name</b>	<b>Useful life</b>
Machinery and equipment	5-10
Other property, plant and equipment	2-5
Concessions, patents, licences, trademarks	10

Company performs an impairment test at each balance sheet date on those assets where there is any indication of potential impairment.

An impairment test is performed to determine the recoverable amount of an asset, which is the higher of the two indicators – fair value of an asset (less costs to sell) and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from the disposal at the end of its useful life.

When an impairment test is not feasible for an individual asset because the cash flows being generated by the asset are indistinguishable from the cash flows of the rest of the entity, an impairment test shall be performed for the cash-generating unit to which the asset belongs.

Assets are written down to their recoverable amount if the recoverable amount of the asset is lower than its carrying amount. The impairment loss is recognised on an accrual basis as an expense in the income statement under “ Depreciation and impairment loss”.

Products in development are subject to the annual impairment testing. These valuations reflect, among other things, the impact of changes to the development programs, the projected development and regulatory time frames and the current competitive environment.

Recording of property, plant and equipment and intangible assets is finished in case of disposal of the asset or in case the economic benefits are no longer expected from use or sale of the asset.

The straight-line method is used for depreciating property, plant and equipment. The depreciation rates are assigned to each item of property, plant and equipment or major component separately, based on the useful life of the specific item.

The straight-line method is used for amortising intangible assets. The amortisation rates are assigned to each item of intangible asset, based on the useful life of the specific item.

#### Leases

Lease transactions, where all material risks and rewards from the ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating leases.

Operating lease payments are recorded as expenses based on straight-line method over the entire lease period.

#### Financial liabilities

Financial liabilities (trade payables, received loans, accrued expenses) are initially measured at cost, which is the fair value of consideration received. Initial cost of financial liabilities include all direct transaction costs. Subsequently the financial liabilities are recorded at amortised cost.

The amortised cost of short-term liabilities, as general, is equal to their nominal value. Therefore they are recognised in the amount required to settle the liability. For calculating the amortised cost of long-term financial liabilities the effective interest rate method is used.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

A financial liability is classified as long-term in the balance sheet if it is due more than 12 months after the balance sheet date. All other liabilities are classified as short-term.

#### Revenue recognition

Revenue from the sale of goods is recognised when all significant risks related to ownership of goods are transferred to the buyer, the sales revenue and transaction costs can be reliably measured and the receipt of payment from the transaction is probable. Revenue from services is recognised in the period the services are rendered, assuming that the receipt of payment from the transaction is probable and the sales revenue and the expenses related to providing the services can be reliably measured.

#### Taxation

According to the Income Tax Act, Estonian companies are not subject to pay income tax on the profit. Income tax is paid on distribution of dividends, fringe benefits, gifts, donations, receptions costs, expenses not related to business activities and transfer pricing adjustments. The tax rate is 20/80 of the taxable amount.

Since income tax is paid on dividends rather than profit, there are no temporary differences between the tax bases and carrying values of assets and liabilities that may give rise to deferred income tax assets and liabilities.

The maximum income tax liability which would be created upon the payment of all retained earnings as dividends is provided in the notes to the annual accounts.

#### Events after reporting date

The following are considered as related parties in the preparation of the annual accounts for The J.Molner Company OÜ:

- owner ;
- other group companies;
- members of management board;
- companies under control or significant influence of aforementioned individuals or their close relatives.

## Note 2 Cash and cash equivalents

(In Euros)

	31.12.2021	10.09.2020
Cash and cash equivalents	242 806	0
<b>Total cash and cash equivalents</b>	<b>242 806</b>	<b>0</b>

## Note 3 Receivables and prepayments

(In Euros)

	31.12.2021	Within 12 months	Note
Accounts receivable	15 003	15 003	
Accounts receivables	15 003	15 003	
Tax prepayments and receivables	9 137	9 137	
Prepayments	12 462	12 462	
Deferred expenses	12 462	12 462	
<b>Total receivables and prepayments</b>	<b>63 855</b>	<b>63 855</b>	

## Note 4 Inventories

(In Euros)

	31.12.2021	10.09.2020
<b>Raw materials</b>	<b>11 293</b>	<b>0</b>
Raw materials	11 293	0
<b>Total Inventories</b>	<b>11 293</b>	<b>0</b>

## Note 5 Shares of subsidiaries

(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	Name of subsidiary	Country of incorporation	Principal activity	Ownership interest (%)	
				10.09.2020	31.12.2021
BC1282945	The J. Molner Company Inc	Canada		0	100

The subsidiary was established in the last financial year.

## Note 6 Property, plant and equipment

(In Euros)

	Total	
	Other machinery and equipment	
<b>10.09.2020</b>		
Carried at cost	0	0
Accumulated depreciation	0	0
<b>Residual cost</b>	0	0
Acquisitions and additions	114 153	114 153
Other acquisitions and additions	114 153	114 153
Depreciation	-13 546	-13 546
<b>31.12.2021</b>		
Carried at cost	114 153	114 153
Accumulated depreciation	-13 546	-13 546
<b>Residual cost</b>	100 607	100 607

## Note 7 Intangible assets

(In Euros)

			Total
	Computer software	Unfinished projects and prepayments	
<b>10.09.2020</b>			
Carried at cost	0	0	0
Accumulated depreciation	0	0	0
<b>Residual cost</b>	0	0	0
Acquisitions and additions	5 153	2 079	7 232
Depreciation	-258	0	-258
<b>31.12.2021</b>			
Carried at cost	5 153	2 079	7 232
Accumulated depreciation	-258	0	-258
<b>Residual cost</b>	4 895	2 079	6 974

## Note 8 Loan commitments

(In Euros)

	31.12.2021	Allocation by remaining maturity			Interest rate	Base currencies	Due date	Note
		Within 12 months	1 - 5 years	Over 5 years				
Current loans								
	89 003	89 003			5%	EUR	30.03.2021	12
	162 074	162 074			5%	USD	30.03.2021	12
<b>Current loans total</b>	251 077	251 077						
Non-current loans								
<b>Non-current loans total</b>	358 104		358 104					
<b>Loan commitments total</b>	609 181	251 077	358 104					

## Note 9 Payables and prepayments

(In Euros)

	31.12.2021	Within 12 months	Note
Trade payables	30 777	30 777	
Employee payables	36 313	36 313	10
Tax payables	33 823	33 823	
Other payables	38 881	38 881	
Other accrued expenses	38 881	38 881	
Prepayments received	2 075	2 075	
Other received prepayments	2 075	2 075	
<b>Total payables and prepayments</b>	<b>141 869</b>	<b>141 869</b>	

## Note 10 Employee payables

(In Euros)

	31.12.2021	Note
Remuneration liability	23 947	9
Vacation pay liability	12 366	9
<b>Total employee payables</b>	<b>36 313</b>	

## Note 11 Labor expense

(In Euros)

	10.09.2020 - 31.12.2021	10.09.2020 - 10.09.2020
Wage and salary expense	402 713	0
Social security taxes	136 569	0
<b>Total labor expense</b>	<b>539 282</b>	<b>0</b>
Average number of employees in full time equivalent units	13	0
Average number of employees by types of employment:		
Person employed under employment contract	13	0

## Note 12 Related parties

(In Euros)

### Related party balances according to groups

SHORT TERM	31.12.2021	10.09.2020	Note
<b>Receivables and prepayments</b>			
Subsidiaries	27 253	0	3
<b>Total receivables and prepayments</b>	<b>27 253</b>	<b>0</b>	
<b>Loan commitments</b>			
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	251 077	0	8
<b>Total loan commitments</b>	<b>251 077</b>	<b>0</b>	
<b>Payables and prepayments</b>			
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	30 196	0	
<b>Total payables and prepayments</b>	<b>30 196</b>	<b>0</b>	

LOAN COMMITMENTS	10.09.2020	Loans received	Loans received repayments	31.12.2021	Interest accrued for period	Note
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	251 077	0	251 077	10 327	
<b>Total loan commitments</b>	<b>0</b>	<b>251 077</b>	<b>0</b>	<b>251 077</b>	<b>10 327</b>	

SOLD	10.09.2020 - 31.12.2021	10.09.2020 - 10.09.2020
	Services	Services
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	244 479	0
<b>Total sold</b>	<b>244 479</b>	<b>0</b>

Remuneration and other significant benefits calculated for members of management and highest supervisory body	10.09.2020 - 31.12.2021	10.09.2020 - 10.09.2020
Remuneration	6 627	0

## Note 13 Continuity of operations

As of 31.12.2021, the Company's net assets are negative in the amount of 325,253 euros and do not meet the requirements of the Commercial Code. The company's short-term liabilities exceed the total amount of current assets by 74,991 euros. These circumstances may cast significant doubt on the company's ability to continue as a going concern, as a result of which the company may not be able to realize its assets and meet its liabilities in the course of normal business operations. According to the management, the company continues to operate despite the presence of significant doubt.

It is planned to bring the company's net assets into compliance with the requirements of the Commercial Code in the following periods with the following action plan:

- Increasing the turnover of the company
- Optimizing company costs
- Expansion of the company's activities