

GLENMARK PHARMACEUTICALS CANADA INC.

Financial Statements

March 31, 2018

Audited

Independent Auditor's Report

To the Shareholders of **Glenmark Pharmaceuticals Canada Inc.**

I have audited the accompanying financial statements of Glenmark Pharmaceuticals Canada Inc., which comprise the balance sheet as at March 31, 2018 and the Statements of Income, deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Glenmark Pharmaceuticals Canada Inc. as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Burnaby, BC
May 04, 2018


D. ARORA & CO.
Chartered Professional Accountant
CPA

GLENMARK PHARMACEUTICALS CANADA INC.

Balance Sheet

March 31, 2018

Audited

	Note	2018 \$ CAD	2017 \$ CAD
Assets			
Current Assets			
Cash		1,307,479	293,216
Accounts receivable	5.	382,175	137,275
Inventory	4.	918,117	1,238,677
Other current assets	7.	261,665	88,298
Total Current Assets		2,869,436	1,757,466
Intangibles assets- work in progress		80,000	-
Future tax recoverable	6.	195,246	222,024
Total Assets		3,144,682	1,979,490
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	8.	1,619,820	884,853
Total Current Liabilities		1,619,820	884,853
Equity			
Share capital	9.	2,110,600	1,710,600
Deficit		(585,738)	(615,963)
Total Equity		1,524,862	1,094,637
Total Liabilities and Equity		3,144,682	1,979,490

Approved on Behalf of the Board:




The accompanying notes are an integral part of these financial statements.

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Income

For the Year Ended March 31, 2018

Audited

	Note	2018 \$ CAD	2017 \$ CAD
Income			
Income from operations	12.	2,079,956	358,150
Cost of materials	14.	1,554,949	262,973
Employee benefit expenses		690,404	434,238
Other operating expenses	15.	1,329,548	828,484
		3,574,901	1,525,695
Operating profit/ (loss)		(1,494,945)	(1,167,545)
Non-operating income and expenses			
Other income(expenses)	13.	1,551,948	1,135,241
Profit (Loss) before income taxes		57,003	(32,304)
Future income taxes recovery		26,778	(8,518)
Net profit (loss)		30,225	(23,786)



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The accompanying notes are an integral part of these financial statements.

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Cash Flows

For the Year Ended March 31, 2018

Audited

	2018 \$ CAD	2017 \$ CAD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit (loss)	30,225	(23,786)
(Increase) decrease in receivables	(244,900)	(137,275)
(Increase) decrease in inventories	320,560	(1,238,677)
(Increase) decrease in prepaid expense and other assets	(146,589)	(96,816)
Increase (decrease) in accounts payable and accrued expenses	734,967	512,238
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	694,263	(984,316)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire Licenses	(80,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	400,000	800,000
OTHER ACTIVITIES:		
Net cash increase (decreases) in cash and cash equivalents	1,014,263	(184,316)
Cash and cash equivalents at beginning of period	293,216	477,532
Cash and cash equivalents at end of period	1,307,479	293,216



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GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2018

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1. Nature of operations and disclaimer

a. Nature of operations

Glenmark Pharmaceuticals Canada Inc., (the Company) was incorporated under the New Brunswick Business Corporations Act. The company is a wholly owned subsidiary of Glenmark Holding S.A., (The Holding Company) Switzerland. The company is primarily engaged in the business of distribution, marketing and sale of generic pharmaceutical products in Canada.

b. Basis of preparation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE) and reflects management's best estimates and judgment based on information currently available.

2. Significant Accounting Policies

a. Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing management involvement with the goods, the amount of revenue can be measured reliably, recovery of the consideration is probable and the associated costs and possible return of goods can be estimated reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, discounts and allowances. Revenue include shipping and handling costs billed to the customer recorded as reduction from revenue.

b. Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have financial impact on future periods. Significant areas of estimation include allowance for doubtful accounts, net realizable values of inventories, accrued liabilities, employee future benefits, and disclosure of contingencies.

c. Cash and cash equivalents

Cash and cash equivalents includes company's liquid current account bank balances in citi bank and TD bank

d. Financial instruments

The company does not hold any financial instruments.



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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2. Significant Accounting Policies

e. Related party transactions

Parties are considered related to the company if the company has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be other entities or individuals. Related party transactions are unsecured, noninterest bearing and without terms of repayment. Related party transactions occurred during the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed by the related parties

f. Income taxes

The company follows future taxes method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future income tax consequences attributable to differences between financial statement's carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The assessment of probability of future taxable income in which deferred asset can be utilized is based on the company's forecast adjusted for any nontaxable income and expenses and any limits to the use of unused tax loss or credit.

A future tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that is probable that future taxable profits will be available for set off.

3. Intangible assets work in progress

The company is planning to acquire a licence to commercialize and distribute topiramate tablets 25mg, 100mg and 200mg in the Territory. for \$160,000 to be payable in 2 installments of \$80,000 each in Feb 2018 and April 2018.

4. Inventories

The closing inventory consists value of \$ 918,117 as of March 31, 2018. (prior year \$ 1,238,677)

5. Accounts receivable

	2018	2017
	\$ CAD	\$ CAD
Accounts receivable	1,369,995	411,283
Provision for allowances and discounts	(936,483)	(252,894)
Provision for distribution fee	(27,225)	(13,522)
Provision for cash discount	(24,112)	(7,592)
Total	382,175	137,275



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GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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6. Future tax assets

Future Tax Assets has been calculated based on statutory Canadian federal and provincial income tax rates. Corporate tax returns are subject to audit and reassessment by the Canada Revenue Agency. The results of any assessments will be accounted for in the year in which they are determined:

	2018 \$ CAD	2017 \$ CAD
Profit (loss) for the year	57,004	(32,304)
Provision for income tax recovery based on combined statutory income tax rate	(26,778)	8,518
Future tax recoverable	195,246	222,024

The company has following noncapital losses as on March 31, 2018, that can be used to set off future taxable income. These noncapital losses will expire 20 years from the respective tax years in which they are incurred

	Loss \$ CAD
2015	216,944
2016	531,736
2017	32,304
Total	780,984

7. Other current assets

Total other current assets consist of:

	2018 \$ CAD	2017 \$ CAD
Rent deposit	9,230	-
HST/GST refundable	252,435	73,394
Prepaid expenses	-	14,904
Total	261,665	88,298



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8. Accounts payable and accrued liabilities

Accounts payable consist of the following:

	2018 \$ CAD	2017 \$ CAD
Glenmark Pharmaceuticals Limited. India	823,850	363,656
Glenmark Pharmaceuticals Inc. USA	573,229	463,897
Provision for expenses	119,145	35,230
Other accounts payable	103,596	22,070
Total	1,619,820	884,853

9. Share capital

Authorized:

One class of common shares, without nominal or par value, unlimited as to number

Issued and outstanding shares

	2018 \$ CAD	2017 \$ CAD
Equity share capital, fully paid up	2,110,600	1,710,600

10. Related party transactions

Related party transactions consist of purchases and expenses from related companies:

- Glenmark Pharmaceuticals Ltd India, affiliate company ,under common control, incorporated in India
- Glenmark Pharmaceuticals Inc.,USA , affiliate company,under common control, incorporated in USA.

Amounts due to related parties are unsecured, noninterest bearing and are due on demand.

	2018 \$ CAD	2017 \$ CAD
Glenmark Pharmaceuticals Inc. USA	\$ 573,229	\$ 463,897
Glenmark Pharmaceuticals Limited, India	\$ 823,850	\$ 363,656
Total	\$ 1,397,079	\$ 827,553



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11. Contingencies

The company has no outstanding claims or counterclaims pending for the period ending March 31, 2018.

12. Income from operations

	2018	2017
	\$ CAD	\$ CAD
Gross sales	4,512,710	852,979
Allowances and discounts	(2,432,754)	(494,829)
Total	2,079,956	358,150

13. Other income (expenses)/Economic dependence

During the year, Glenmark Pharmaceuticals Canada Inc. (GPCI) charged its affiliate, Glenmark Pharmaceuticals Limited (GPL) India which is the ANDS/MA Holder, a sum of CAD \$ 1,548,393 (Prior year: CAD \$ 1,178,440) for the reimbursement of losses for distribution of goods in Canadian Market.

	2018	2017
	\$ CAD	\$ CAD
Reimbursement from GPL India	1,548,393	1,178,440
Foreign exchange gain / (loss)	3,555	(43,199)
Total	1,551,948	1,135,241

14. Cost of materials

Consists of the following:

	2018	2017
	\$ CAD	\$ CAD
Opening stock	1,238,677	-
Purchase during the year	1,230,429	1,498,897
Closing stock	(918,117)	(1,238,677)
other direct cost	3,960	2,753
Total	1,554,949	262,973



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GLENMARK PHARMACEUTICALS CANADA INC.

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15. Other expenses

Consists of the following:

	2018	2017
	\$ CAD	\$ CAD
Professional fees.	396,450	350,993
Regulatory expenses	359,625	35,438
Sales commission	240,000	222,600
Legal fees	115,825	53,678
Sales & marketing research	73,512	-
Office premises rent	42,258	58,797
Travelling expenses	36,335	47,724
General expenses	30,149	35,534
Conference expenses	11,807	-
Auditor's remuneration	9,000	8,500
Bank charges	5,361	8,694
Telephone expenses	5,100	3,314
Office supplies	2,521	2,007
Advertisement and publicity	1,300	-
Postage and courier charges	305	1,205
Total	1,329,548	828,484

16. Comparative financial statements

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.



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