

GLENMARK PHARMACEUTICALS CANADA INC.

Financial Statements

March 31, 2020
Audited

GLENMARK PHARMACEUTICALS CANADA INC.

March 31, 2020

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Independent Auditor's Report

To the Shareholders

GLENMARK PHARMACEUTICALS CANADA INC.

Opinion

I have audited the accompanying financial statements of Glenmark Pharmaceuticals Canada Inc. , which comprise the balance sheet as at March 31, 2020, and the Statements of Income, deficit and cash flows for the years then ended, and notes to financial statement, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Glenmark Pharmaceuticals Canada Inc. as at March 31, 2020 , and the result of its financial operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the 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.

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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audits.

Deepak Arora



D. ARORA AND CO CPA
Chartered Professional Accountant

Burnaby, BC
May 11, 2020

GLENMARK PHARMACEUTICALS CANADA INC.

Balance Sheet

March 31, 2020

Audited

| | Note | 2020 \$ CAD | 2019 \$ CAD |
|------------------------------------------|------|------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | | 513,055 | 554,155 |
| Accounts receivable | 7. | 2,590,367 | 664,191 |
| Inventory | 6. | 1,441,008 | 914,662 |
| Other current assets | 9. | 180,808 | 94,485 |
| Total Current Assets | | 4,725,238 | 2,227,493 |
| Non-Current assets | | | |
| Advance for assets | 5. | 80,000 | 80,000 |
| Future tax recoverable | 8. | 152,176 | 185,695 |
| Property, plant and equipment | 4. | 13,744 | 17,493 |
| Total assets | | 4,971,158 | 2,510,681 |
| Liabilities and equity | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 10. | 3,282,386 | 915,121 |
| Total liabilities | | 3,282,386 | 915,121 |
| Equity | | | |
| Share capital | 17. | 2,110,600 | 2,110,600 |
| Deficit | | (421,828) | (515,040) |
| Total Equity | | 1,688,772 | 1,595,560 |
| Total liabilities and Equity | | 4,971,158 | 2,510,681 |

Approved on Behalf of the Board:





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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Deficit

For the Year Ended March 31, 2020

Audited

| | 2020 \$ CAD | 2019 \$ CAD |
|------------------------|------------------|------------------|
| Deficit, beginning | (515,040) | (585,738) |
| Net income | 93,212 | 70,698 |
| Deficit, ending | (421,828) | (515,040) |



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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Income

For the Year Ended March 31, 2020

Audited

| | Note | 2020 \$ CAD | 2019 \$ CAD |
|------------------------------|------|--------------------|----------------|
| Sales | 13. | 4,090,576 | 2,435,642 |
| Cost of materials | 15. | 2,284,761 | 2,037,448 |
| Salaries & benefit expenses | | 920,335 | 797,504 |
| Other operating expenses | 16. | 1,962,337 | 1,539,160 |
| | | 5,167,433 | 4,374,112 |
| Loss from operations | | (1,076,857) | (1,938,470) |
| Other income | 14. | 1,203,588 | 2,018,719 |
| Income before taxes | | 126,731 | 80,249 |
| Future income taxes recovery | | 33,519 | 9,551 |
| Net Income | | 93,212 | 70,698 |



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, 2020

Audited

| | 2020 \$ CAD | 2019 \$ CAD |
|-----------------------------------------------|-------------------|-------------------|
| OPERATING ACTIVITIES: | | |
| Net income | \$ 93,212 | \$ 70,698 |
| Items not affecting cash | | |
| Depreciation | 3,749 | 1,253 |
| Changes in non-cash working capital | | |
| Accounts receivable | (1,926,176) | (282,016) |
| Inventory | (526,346) | 3,455 |
| Other current assets & future tax recoverable | (52,804) | 176,731 |
| Accounts payable and accrued liabilities | 2,367,265 | (704,699) |
| | (41,100) | (734,578) |
| INVESTING ACTIVITIES: | | |
| Purchase of property, plant & equipment | - | (18,746) |
| | - | (18,746) |
| FINANCING ACTIVITIES: | | |
| Net increase (decrease) in cash | (41,100) | (753,324) |
| Cash at beginning of year | 554,155 | 1,307,479 |
| Cash at end of year | \$ 513,055 | \$ 554,155 |



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

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

Audited

1. Nature of operations and basis of presentation

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 presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

2. Effect of Covid-19

The management has concluded that novel coronavirus does not affect company's ability to continue and will have no direct impact on operations, recognition and measurement of assets and other financial instruments. The management is continuously monitoring the development related to subsequent events and is of the opinion that the pandemic will have no material effect in foreseeable future however the extent to which COVID-19 might affect the company indirectly is uncertain.

3. Significant Accounting Policies

a. Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership are transferred to the buyer and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, discounts and allowances.

Provisions for professional allowances and discounts are estimated and provided for in the year of sales and recorded as reduction of revenue as per accrual method of accounting.

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, 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, estimated useful lives of property, plant and equipment, net realizable values of inventories, accrued liabilities, future income tax, disclosure of contingencies and provisions for allowances.

c. Property, plant and equipment

Property, plant and equipment is recorded at cost, or deemed cost, less accumulated depreciation. For financial reporting purposes, depreciation is determined on a straight-line basis using estimated useful lives of plant and equipment to 5 years. while accelerated depreciation methods are used for income tax purposes.

d. Inventory

Inventory is stated at the lower of cost or net realizable value. (determined on a first-in, first-out basis).



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

Audited

3. Significant Accounting Policies (Cont'd)

e. Accounts receivable

Accounts Receivable are uncollateralized customer obligations due under normal trade terms requiring payment within various days from the invoiced date based on agreement with customers. The Company does not accrue interest on past due accounts receivable. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews each account receivable balance that is past due and estimates the portion, if any, of the balance that will not be collected and records a general allowance to cover those amounts.

f. 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, non-interest 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

g. 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 non-taxable 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.

4. Property, plant and equipment

| | 2020 | | 2019 | |
|------------------------|--------|--------------------------|----------------|----------------|
| | Cost | Accumulated Depreciation | Net Book Value | Net Book Value |
| | \$ | \$ | \$ | \$ |
| Furniture and fixtures | 18,746 | (5,002) | 13,744 | 17,493 |

5. Advance for assets

The company has paid an advance of \$80,000 to acquire a license in Canada to commercialise and distribute topiramate tablets. The total cost of the license is \$160,000 and the balance is still payable.



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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6. Inventory

The closing inventory consists of finished products with the value of \$ 1,441,008 on March 31, 2020. (prior year \$ 914,662)

7. Accounts receivable

| | 2020 \$ CAD | 2019 \$ CAD |
|----------------------------------------|------------------|----------------|
| Accounts receivable | 3,973,862 | 2,017,877 |
| Provision for allowances and discounts | (1,128,153) | (1,313,590) |
| Provision for distribution fee | (70,904) | 478 |
| Provision for cash discount | (54,842) | (40,574) |
| Provision for shelf stock adjustments | (129,596) | - |
| Total | 2,590,367 | 664,191 |

8. Future tax recoverable

Future Tax recoverable 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:

| | 2020 \$ CAD | 2019 \$ CAD |
|-------------------------------------------------------------------------------|----------------|----------------|
| Income for the year | 126,731 | 80,249 |
| Provision for income tax recovery based on combined statutory income tax rate | (33,519) | (9,551) |
| Future tax recoverable | 152,176 | 185,695 |

The company has following non-capital losses as on March 31, 2020 that can be used to set off future taxable income. These non-capital losses will expire 20 years from the respective tax years in which they are incurred.

| | Loss \$ CAD |
|--------------|------------------|
| 2015 | 10,211 |
| 2016 | 531,736 |
| 2017 | 32,304 |
| Total | \$574,251 |



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

Audited

9. Other current assets

| | 2020 \$ CAD | 2019 \$ CAD |
|--------------------|----------------|----------------|
| Rent deposit | 10,373 | 21,342 |
| HST/GST refundable | 169,033 | 73,143 |
| Prepaid expenses | 1,402 | - |
| Total | 180,808 | 94,485 |

10. Accounts payable and accrued liabilities

| | 2020 \$ CAD | 2019 \$ CAD |
|---------------------------------------------------|------------------|----------------|
| Glenmark Pharmaceuticals Limited. India (note 10) | 2,168,875 | 464,187 |
| Glenmark Pharmaceuticals Inc. USA (note 10) | 48,802 | 14,966 |
| Provision for expenses | 374,079 | 258,150 |
| Other accounts payable | 690,630 | 177,818 |
| Total | 3,282,386 | 915,121 |

11. Related party transactions

Related party transactions consist of purchases and expenses from related companies: Transactions are in normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. The amount due are unsecured, non-interest bearing and are due on demand.

| | 2020 \$ CAD | 2019 \$ CAD |
|-----------------------------------------------------------------------|----------------|----------------|
| Glenmark Pharmaceuticals Inc. USA - under common control | | |
| Reimbursement of expenses | 68,461 | 64,851 |
| Accounts payable | 48,802 | 14,965 |
| Glenmark Pharmaceuticals Limited, India - under common control | | |
| Reimbursement of distribution loss | 1,203,588 | 2,018,719 |
| Purchases | 2,793,839 | 2,025,530 |
| Accounts payable | \$ 2,129,789 | \$ 464,187 |

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

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12. Financial Instruments

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The Company's financial instruments consist of cash, receivables, payables, accrued liabilities and related-party transactions. The following analysis provides information about the company's risk exposure and concentration as at March 31, 2020.

a. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of funds from its customers and other related sources, such as inventory.

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices and government regulations.

c. Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuation of the foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

Unless otherwise noted, management is of the opinion that the company is not exposed to significant other price risks arising from these financial instruments.

13. Income from operations

| | 2020 | 2019 |
|--------------------------|------------------|------------------|
| | \$ CAD | \$ CAD |
| Gross sales | 7,805,785 | 6,852,782 |
| Allowances and discounts | (3,715,209) | (4,417,140) |
| Total | 4,090,576 | 2,435,642 |

14. Other income (expenses)/Economic dependence

During the year, Glenmark Pharmaceuticals Canada Inc. (GPCI) charged its affiliate, Glenmark Pharmaceuticals Limited (GPL) India for the reimbursement of losses for distribution of goods in Canadian Market.

| | 2020 | 2019 |
|------------------------------|-----------|-----------|
| | \$ CAD | \$ CAD |
| Reimbursement from GPL India | 1,203,588 | 2,018,719 |



GLENMARK PHARMACEUTICALS CANADA INC.

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15. Cost of materials

| | 2020 | 2019 |
|--------------------------|------------------|------------------|
| | \$ CAD | \$ CAD |
| Opening inventory | 914,662 | 918,117 |
| Purchase during the year | 2,793,839 | 2,025,530 |
| Closing inventory | (1,441,008) | (914,662) |
| Other direct cost | 17,268 | 8,463 |
| Total | 2,284,761 | 2,037,448 |

During the year, Company has scrapped goods worth \$NIL (Prior year: \$294,918)

16. Other operating expenses

| | 2020 | 2019 |
|--------------------------------|------------------|------------------|
| | \$ CAD | \$ CAD |
| Professional fees | 763,436 | 559,854 |
| Regulatory expenses | 325,970 | 244,766 |
| Sales commission | 240,000 | 240,000 |
| Foreign exchange gain / (loss) | 121,304 | 40,805 |
| Legal fees | 101,583 | 69,697 |
| Sales & marketing research | 100,488 | 82,480 |
| Office rent | 55,723 | 61,951 |
| General expenses | 50,269 | 42,329 |
| Advertisement and publicity | 48,999 | 31,950 |
| Travelling expenses | 46,470 | 39,951 |
| Government dues | 39,666 | 87,271 |
| Conference expenses | 27,114 | 7,302 |
| Auditor's remuneration | 12,040 | 13,030 |
| Bank charges | 6,077 | 5,028 |
| Telephone expenses | 5,994 | 7,772 |
| Office supplies | 4,948 | 3,155 |
| Insurance | 4,673 | - |
| Depreciation | 3,749 | 1,253 |
| Connectivity charges | 3,103 | - |
| Postage and courier charges | 731 | 566 |
| Total | 1,962,337 | 1,539,160 |



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2020

Audited

17. Share capital

Authorized:

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

Issued and outstanding shares

| | 2020 \$ CAD | 2019 \$ CAD |
|--------------------------------------|----------------|----------------|
| 2110600 Common shares, fully paid up | 2,110,600 | 2,110,600 |

18. Comparative figures

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

