

GLENMARK PHARMACEUTICALS CANADA INC.

Financial Statements

March 31, 2021
Audited

GLENMARK PHARMACEUTICALS CANADA INC.

March 31, 2021

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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 comprises the balance sheet as at March 31, 2021, and the Statements of Income, deficit and cash flows for the year 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, 2021 , 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.

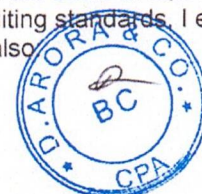
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free 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.


D. ARORA AND CO CPA
Chartered Professional Accountants

Burnaby, BC
May 11, 2021

GLENMARK PHARMACEUTICALS CANADA INC.

Balance Sheet

March 31, 2021

Audited

	Note	2021 \$ CAD	2020 \$ CAD
Assets			
Current Assets			
Cash		1,792,411	513,055
Accounts receivable	6.	3,160,198	2,590,367
Inventory	5.	4,120,108	1,441,008
Other current assets	8.	221,716	180,808
Total Current Assets		9,294,433	4,725,238
Non-Current assets			
Advance for assets	4.	80,000	80,000
Future tax recoverable	7.	62,092	152,176
Property, plant and equipment, net of accumulated amortization	3.	9,995	13,744
Total assets		9,446,520	4,971,158
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	9.	7,507,893	3,282,386
Total liabilities		7,507,893	3,282,386
Share capital			
Share capital	16.	2,110,600	2,110,600
Retained earnings (deficit)		(171,973)	(421,828)
Total Equity		1,938,627	1,688,772
Total liabilities and Equity		9,446,520	4,971,158

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, 2021

Audited

	2021 \$ CAD	2020 \$ CAD
Retained earnings (deficit)- beginning	(421,828)	(515,040)
Net income	249,855	93,212
Retained earnings (deficit) - ending	(171,973)	(421,828)



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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Income

For the Year Ended March 31, 2021

Audited

	Note	2021 \$ CAD	2020 \$ CAD
Sales	12.	11,281,581	4,090,576
Cost of materials	14.	7,685,310	2,284,761
Employee benefits		1,041,582	920,335
Other operating expenses	15.	2,522,021	1,962,337
		11,248,913	5,167,433
Profit/(Loss) from operations		32,668	(1,076,857)
Other income	13.	307,271	1,203,588
Income before taxes		339,939	126,731
Deferred income taxes		90,084	33,519
Net Income		249,855	93,212



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, 2021

Audited

	2021 \$ CAD	2020 \$ CAD
OPERATING ACTIVITIES:		
Net income	\$ 249,855	\$ 93,212
Items not affecting cash		
Depreciation	3,749	3,749
Changes in non-cash working capital		
Accounts receivable	(569,831)	(1,926,176)
Inventory	(2,679,100)	(526,346)
Other current assets & future tax recoverable	49,176	(52,804)
Accounts payable and accrued liabilities	4,225,507	2,367,265
	1,279,356	(41,100)
Net increase (decrease) in cash	1,279,356	(41,100)
Cash at beginning of year	513,055	554,155
Cash at end of year	\$ 1,792,411	\$ 513,055



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

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D. ARORA & CO.
Chartered Professional Accountant

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2021

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).

c. 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.

2. 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, 2021

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2. 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.

3. Property, plant and equipment

			2021	2020
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Furniture and fixtures	18,746	(8,751)	9,995	13,744

4. Advance for assets

The company paid an advance of \$80,000 in 2018 to acquire a license for ANDS in Canada to commercialise and distribute Topiramate tablets under its own label. The total cost of the license is \$160,000 and the balance of \$80,000 is payable upon complete transfer of ANDS into the company's name.



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2021

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5. Inventory

The closing inventory consists of finished products with the value of \$ 4,120,108 on March 31, 2021. (prior year \$ 1,441,008)

6. Accounts receivable

	2021	2020
	\$ CAD	\$ CAD
Accounts receivable	3,283,317	3,973,861
Provision for allowances and discounts	(3,294)	(1,128,153)
Provision for distribution fee	(74,393)	(70,904)
Provision for cash discount	(45,432)	(54,841)
Provision for shelf stock adjustments	-	(129,596)
Total	3,160,198	2,590,367

7. 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:

	2021	2020
	\$ CAD	\$ CAD
Income for the year	339,938	126,731
Provision for income tax recovery based on combined statutory income tax rate	(90,084)	(33,519)
Future tax recoverable	62,092	152,176

The company has following non-capital losses as on March 31, 2021 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
2016	200,959
2017	32,304
Total	\$233,263



GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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8. Other current assets

	2021 \$ CAD	2020 \$ CAD
Rent deposit	10,374	10,373
HST/GST refundable	209,675	169,033
Prepaid expenses	1,667	1,402
Total	221,716	180,808

9. Accounts payable and accrued liabilities

	2021 \$ CAD	2020 \$ CAD
Glenmark Pharmaceuticals Limited, India (note 10)	6,872,021	2,129,789
Glenmark Pharmaceuticals Inc. USA (note 10)	6,022	48,802
Provision for expenses	491,363	374,079
Other accounts payable	138,487	729,716
Total	7,507,893	3,282,386

10. 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.

	2021 \$ CAD	2020 \$ CAD
Glenmark Pharmaceuticals Inc. USA - under common control		
Reimbursement of expenses	28,060	64,851
Accounts payable	6,022	48,801
Glenmark Pharmaceuticals Limited, India - under common control		
Reimbursement of distribution loss	-	1,203,588
Purchases	10,310,583	2,793,839
Accounts payable	\$ 6,872,021	\$ 2,129,789
Glenmark Specialty SA		
Reimbursement of expenses	204,197	



D. ARORA & CO.
Chartered Professional Accountant

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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11. 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, 2021.

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.

12. Sales

	2021	2020
	\$ CAD	\$ CAD
Gross sales	15,660,663	7,805,785
Allowances and discounts	(4,379,082)	(3,715,209)
Total	11,281,581	4,090,576

13. Other income

During the previous 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.

	2021	2020
	\$ CAD	\$ CAD
Reimbursement from GPL India	-	1,203,588
Foreign exchange gain	307,271	-
Total	307,271	1,203,588



D. ARORA & CO.

Chartered Professional Accountant

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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14. Cost of materials

	2021 \$ CAD	2020 \$ CAD
Opening inventory	1,441,008	774,179
Purchase during the year	10,310,583	2,934,322
Closing inventory	(4,120,108)	(1,441,008)
Other direct cost	53,827	17,268
Total	7,685,310	2,284,761

During the year Glenmark Pharmaceuticals Limited (GPL) charged Glenmark Pharmaceuticals Canada Inc. (GPCI) \$ 2,516,584 through debit note an additional amount in accordance with transfer pricing regulations. During the year, Company has scrapped goods worth \$659,562 (Prior year: \$NIL)

15. Other operating expenses

	2021 \$ CAD	2020 \$ CAD
Professional fees	1,046,836	763,437
Regulatory expenses	389,566	325,970
Sales commission	587,693	240,000
Foreign exchange loss	-	121,304
Legal fees	78,427	101,583
Sales & marketing research	125,996	100,489
Office rent	53,605	55,723
General expenses	32,039	54,101
Advertisement and publicity	83,539	48,999
Travelling expenses	2,589	46,470
Government dues	37,150	39,666
Conference expenses	40,637	27,114
Auditor's remuneration	16,500	12,040
Bank charges	6,220	6,077
Telephone expenses	9,925	5,994
Office supplies	2,154	4,948
Insurance	5,396	4,673
Depreciation	3,749	3,749
Total	2,522,021	1,962,337

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

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16. Share capital

Authorized:

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

Issued and outstanding shares

	2021 \$ CAD	2020 \$ CAD
2110600 Common shares, fully paid up	2,110,600	2,110,600

17. Comparative figures

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

