GLENMARK PHARMACEUTICALS ECUADOR S.A.

Financial Statements with the Independent Auditor´s Report

At March 31, 2022

GLENMARK PHARMACEUTICALS ECUADOR S.A.

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Abbreviations used:

US$ - United States of America Dollars

IRS - Internal Revenue Service

VAT - Value Added Tax

RUC - Unique Record of Taxpayers

EISS - Ecuadorian Institute of Social Service

IFRS - International Financial Reporting Standard

IAS - International Accounting Standard

IIASB - Interpretation of International Accounting Standards Board

NRV - Net Realizable Value

ISD - Tax Remittance

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Independent Auditor's Report

To Shareholders
GLENMARK PHARMACEUTICALS ECUADOR S.A.

Unqualified opinion

We have audited the financial statements of the **GLENMARK PHARMACEUTICALS ECUADOR S.A.** (a company incorporated in Ecuador), which comprise the statement of financial position statement as of March 31, 2022, and the statements of comprehensive operations, statement of changes in shareholder equity and statement of cash flow for the year then ended, and notes for the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements fairly present, in all material respects, the financial position of GLENMARK PHARMACEUTICALS ECUADOR S.A. as of March 31, 2022; and its financial performance and cash flows for the year ended on that date in accordance with the accounting guidelines of the parent company, which differ from those with the International Financial Reporting Standards (IFRS), as explained in note 2 (b).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **GLENMARK PHARMACEUTICALS ECUADOR S.A.** in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ecuador, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of emphasis

As described in note 1 c) to the financial statements, the Company's income for the year ended March 31, 2022 increased by 49%, in relation to March 2021, this situation is due to the reactivation of the Ecuadorian economy, due to the elimination of circulation restrictions, due to the vaccination process implemented by the Ecuadorian Government; Therefore, ambulatory medical services and the sale of pharmaceutical products were reactivated, which generated a small operating profitability before the adjustment of the deferred tax corresponding to previous years. The accumulated losses as of March 31, 2022 exceed 60% of the share capital and 100% of the reserves and the capital contribution made in November 2021, due to this situation the Company is in cause of dissolution established in the Law of Corporations, for which the Superintendence of Corporations, Securities and Insurance, will require the solution of this situation within the period established by said entity and in the event that it is not resolved, the Control Body may request the dissolution of the Company.

Other Issues

The attached financial statements are classified and presented in accordance with the guidelines issued by the parent company, for the purpose of consolidating its financial statements; the structure for the presentation of the financial statements and as well as some accounting aspects differ in certain requirements of the IFRS, as explained in note 2 (b).

Other information presented in addition to the separated financial statements.

Management of the Company is responsible for the preparation of the other additional information, which includes the annual report of the Administration to the Shareholders' Meeting. It is expected that this information will be made available to us after the date of this report.

Our opinion about the financial statements of GLENMARK PHARMACEUTICALS ECUADOR S.A. does not cover the other additional information and we will not express any form of assurance or conclusion about it.

In relation to our audit of the financial statements, our responsibility is to read the other Additional Information, when it is available at the date of issuance of our report, and, in doing so, consider whether there are significant inconsistencies with respect to the financial statements or the knowledge obtained by us during the audit or if it otherwise seemed to have important inconsistencies.

Responsibilities of Management Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Company's Administration is responsible for supervising the process of preparing the Company's financial information.

Auditor's Responsibilities for the Audit of the Financial Statements Audit

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also do:

- 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 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 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 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.

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.

Quito, April 30, 2022

Russell Bedford Ecuador

RUSSELL BEDFORD ECUADOR S.A.
R.N.A.E. No. 337

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Financial Position
As of March 31,2022, with comparative figures of March 31, 2021
(Expressed in United States Dollars)

	Note	March 2022	March 2021
Assets			
Current assets			
Inventories	8	471,664	463,475
Trade receivables	9	236,669	485,065
Other short-term financial assets	10	347,756	188,957
Cash and cash equivalents	11	1,870,025	1,075,198
Total current assets		**2,926,114**	**2,212,695**
Non current assets			
Property, plant and equipment	12	74,376	83,285
Other Intangible Assets		1,555	2,861
Right to use asset	13	354,695	457,631
Deferred tax assets	22	668,328	678,033
Total non- current assets		**1,098,954**	**1,221,810**
Total assets		**4,025,068**	**3,434,505**
Liabilities			
Current liabilities			
Trade payables	15	1,693,308	1,817,186
Other current liabilities	14	15,317	8,704
Short-term financial liabilities	16	92,471	92,901
Current tax liabilities		106,020	-
Total current liabilities		**1,907,116**	**1,918,791**
Non-current liabilities			
Lease liability - non current	13	380,760	461,252
Other liabilities	17	121,866	94,512
Total non-current liabilities		502,626	555,764
Total liabilities		**2,409,742**	**2,474,555**
Equity	18		
Equity attributable to owners of the parent:			
Share capital		2,839,600	2,839,600
Contributions for future capitalizations		736,757	-
Accumulated deficits		(1,961,031)	(1,879,650)
Total Equity		**1,615,326**	**959,950**
Total equity and liabilities		**4,025,068**	**3,434,505**

Douglas Cadena Camacho
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Douglas Cadena
Special Attorney

Silvia Moreno
Accountant

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Alex Hernández
Financial Controller

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

RUSSELL BEDFORD ECUADOR S.A.
FIRMA AUTORIZADA

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Comprehensive Income
For the year ended March 31,2022, with comparative figures of March 31, 2021
(Expressed in United States Dollars)

	Note	March 2022	March 2021
Income			
Income from operations	19	3,380,607	2,248,430
Other income		132,600	111,150
Total net income		**3,513,207**	**2,359,580**
Costs and expenses			
Materials consumed:			
Changes in inventories of finished goods and work-in-process	20	(8,191)	(161,400)
Purchase of products for sale	20	969,553	878,529
Employee benefit expenses	21	1,211,297	1,066,900
Depreciation, amortisation and impairment of non-financial assets	21	109,677	23,225
Other expenses	21	1,196,497	1,237,958
Total costs and expenses		**3,478,833**	**3,045,212**
Profit/(Loss) before tax		**34,374**	**(685,632)**
Income tax:	22		
Current		(106,020)	-
Deferred		(9,705)	673,619
Profit/(Loss) after tax from continuing operations		**(81,351)**	**(12,013)**
Profit for the year attributable to:			
Owners of the parent		**(81,351)**	**(12,013)**

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GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Changes in Shareholders' Equity
For the year ended March 31, 2022, with comparatives figures of March 31, 2021
(Expressed in United States Dollars)

	Share Capital	Contributions for future capitalizations	Retained earnings	Total equity
Balance as at April 1, 2020	**2,839,600**	**-**	**(1,867,637)**	**971,963**
Deficit of the year	-	-	(12,013)	**(12,013)**
Balance as at March 31, 2021	**2,839,600**	**-**	**(1,879,650)**	**959,950**
Contributions for future capitalizations	-	736,757	-	**736,757**
Equity adjustments	-	-	(30)	**(30)**
Deficit of the year	-	-	(81,351)	**(81,351)**
Balance as at March 31, 2022	**2,839,600**	**736,757**	**(1,961,031)**	**1,615,326**

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FIRMA AUTORIZADA

GLENMARK PHARMACEUTICALS ECUADOR S.A.

Statement of Cash Flows
For the year ended March 31, 2022, with comparative figures of March 31, 2021
(Expressed in United States Dollars)

	March 2022	March 2021
Cash flow from operating activities		
Profit (loss) before tax	**34,374**	**(12,013)**
Adjustments for non cash items:		
Amortization	3,003	3,008
Depreciation	22,600	20,217
Depreciation Right to use asset	84,074	3,621
Interest expenses - Rigth to use asset	17,799	-
Cash flows from operations before changes in working capital	**161,850**	**14,833**
Changes in operating assets and liabilities		
Non current liabilities, trade payables and other current liabilities	383,127	(21,660)
Interest expenses - Rigth to use asset	(17,799)	-
Lease Liability	(80,492)	-
Intercompany movement- trade payables	(348,616)	442,203
Trade receivables and unbilled revenue	248,396	1,144,388
Other current assets	(158,799)	(20,615)
Inventory	(8,189)	(161,400)
Taxes paid	(106,020)	(674,673)
Net cash (used) generated from operating activities	**73,458**	**723,076**
Cash flow from investing activities		
Purchase of property, plant and equipment	(13,691)	(19,645)
Purchase of other intangible assets	(1,697)	(3,877)
Net cash used in investing activities	**(15,388)**	**(23,522)**
Cash flows from financing activities - Contributions for future capitalizations	736,757	-
Net change in cash and cash equivalents from continuing operations	**794,827**	**699,554**
Net change in cash and cash equivalents	**794,827**	**699,554**
Cash and cash equivalents at the beginning of the year	**1,075,198**	**375,644**
Cash and cash equivalents at the end of the year	**1,870,025**	**1,075,198**

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RUSSELL BEDFORD ECUADOR S.A.
FIRMA AUTORIZADA

NOTE 1 – OPERATIONS

a) Corporate Purpose

"GLENMARK PHARMACEUTICALS ECUADOR S.A." was incorporated in Quito on March 10, 2017, with the corporate purpose of importing, distributing, buying, selling, manufacturing, marketing, commissioning, manufacturing, processing, and exporting chemical, biological, pharmaceutical, cosmetic and hospital products. The products commercialized by the company are sold in the national market in private and public companies.

The principal domicile of the Company is the city of Quito, Republic of Ecuador, and it has significant shareholders in Glenmark Pharmaceuticals Limited (Hindu Society), with 100% participation.

b) Global economic aspects

The economic recovery worldwide continues to rise, despite the fact that the control of the pandemic is not at the expected levels, due to the resistance in the reception and inconveniences in the access of the vaccines; as well as by the new variants that multiply doubts about the speed with which the pandemic can be controlled.

The economic consequences caused by the pandemic still persist and the military conflict caused by Russia, has an impact in the short and medium-term. due to the fact that the economic performance of all the countries and of the different sectors is not the same, due to the fact that some economies have different pressures, due to the growing inflation, product of the mismatch between supply and demand, which has caused an increase in the prices of raw materials compared to a year ago, additionally, the control of inflation will depend on the duration of the supply disruptions of raw materials and finished products; food insecurity; the effects on the accumulation of human capital (the possible evolution of the expectations of employment and its changes in work modalities) and climate change.

The performance of all economic sectors has not been normal, because there are sectors in which the total impacts and incidents that the pandemic has caused are still expected. Due to the fact that some emerging market economies will present pressures due to high food prices, the lagged effects of higher oil prices and the depreciation of exchange rates, cause the prices of imported products to increase.

As of the second half of 2021, the Ecuadorian economy registers growth compared to the second quarter of 2020, the most critical period for the Ecuadorian economy due to the restrictions to stop the pandemic. The economic recovery in 2021 is due to the increase in household consumption and the growth in exports due to the increase in the price of oil and the greater volume of sales of non-traditional products.

The aforementioned economic recovery is due to the formal vaccination plan of the current Government, which helped to gradually eliminate movement restrictions and capacity in most activities and the final agreements with the IMF, with the fulfillment of the goals agreed with this organization (including the tax reforms written in note 22) and the support of multilateral organizations.

The Ecuadorian economy after the pandemic has great challenges, among which are: correcting the causes and effects in the accumulation of human capital produced by COVID 19; facilitating new growth opportunities related to digitalization and green technology; the reduction of inequality; the improving human mobility; the reactivation of production; tourism-oriented transport. Additionally, to strengthen economic development, it must: facilitate new investments, especially in strategic sectors, improve the social security system, education and the public health system; avoid economic stagnation due to the crisis of employment and other livelihoods; reduce the proliferation of illicit economic activity; and promote the equality of digital systems and electronic information and ensure the sustainability of public finances.

c) Operational aspects of the Company

The operations of the Company as of March 31, 2022, have a significant recovery in relation to the year that ended on March 31, 2021, due to the fact that outpatient medical activities had an increased, which originated a greater demand and sale of medical products. some medical lines experienced significant growth, due to the fact that the Ecuadorian economy is undergoing a recovery process, due to the vaccination plan, which allowed to reduce mobility restrictions and hospital occupancy levels increased and the mortality rate decreased significantly.

Sales and results for the year ended March 31, 2022, before taxes, show a significant increase compared to the previous year of 49% and 105%, respectively. However, the accumulated losses due to the adjustment to the deferred tax asset for US$420,367, cause these to exceed 60% of the capital stock and the contribution of the Headquarters for US$736,757, this situation means that the Company is in the process of dissolution in accordance with the provisions of the Companies Law. The Superintendence of Companies, Securities and Insurance, due to this situation, would request that the shareholders carry out the capital increase or the absorption of the losses to solve the capital deficit and in the event that this increase is not carried out or that the Company does not generate the profits to compensate for this deficit, this Entity Control may request the early liquidation of the Company.

According to projections, the Company estimates that part of this capital deficiency would be covered in the coming years and in the event that the control body requires a solution to this situation; the Head Office must make the respective capital contribution within the term required by the Superintendence of Companies; however, the Company is negotiating a capital increase or loss absorption with the Parent Company and expects these funds to be obtained by the end of 2022.

The financial statements have been prepared on a going concern basis since the parent does not intend to close its operations in Ecuador.

NOTE 2 – BASIS OF PRESENTATION

The basis for the preparation and presentation of financial statements are as follows:

a) <u>Compliance declaration</u>

The financial statements of GLENMARK PHARMACEUTICALS ECUADOR S.A. they are prepared in accordance with the Accounting Standards of the Headquarters, which differ in certain aspects from the International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standard Board) mentioned in note 2 (b).

The main accounting policies adopted by the Company in the preparation of the financial statements have been defined by the Parent Company, which differ from the IFRS in force as of March 31, 2022, in the treatment mentioned in Note 2 (b) and have been applied consistently to all periods presented.

The financial statements for the period ended March 31, 2022, in accordance with IFRSs were approved by management. It is estimated that the financial statements will be approved without modifications by the shareholders and Head Office.

b) Differences with IFRS

The deferred tax for the tax benefit established in the tax provisions for the compensation of the accounting losses incurred by the Company are recognized in accordance with the accounting guidelines of the Headquarters based on the accounting records, for which the Company in fiscal year 2021 recorded a deferred tax asset for US$667,400, since it considers that this value is recoverable with future profits. IAS 12 requires that the effect of this adjustment be recognized based on a detailed analysis of the real possibilities of its future profits and solely based on the losses declared in the declared income taxes, for which this effect of this requirement has not been included in the financial statements.

c) Functional Currency

The financial statements are presented in United States of America Dollars "US$" which is the functional and presentation currency of the Company.

The information in the notes and financial statements is presented in the currency, except when there are balances or transactions in other currencies.

d) Basis of measurement and use of estimates

The financial statements have been prepared on the historical cost basis, except for allowances for impairment of trade accounts receivable and inventory impairment, which are based on management's estimates, and long-term labor liabilities, which are recognized at fair value as determined by a specialist.

The historical cost is generally the fair value of the consideration given in exchange for goods and services.

The preparation of the financial statements in accordance with IFRS requires the use of accounting estimates and that Management exercises its judgment in the process of applying the Company's accounting policies. Note 4 discloses the areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the preparation of the financial statements. Due to the subjectivity inherent in this accounting process, actual results may differ from the amounts estimated by Management.

e) Fair value measurement

The Company for the measurement of the fair values of the accounts of the financial assets and liabilities and of the non-financial; and, from several accounting estimates required by IFRS, it uses the provisions of these Standards for its accounting policies in its: (i) initial recognition; (ii) disclosure in the financial statements and notes; and (iii) to recognize the adjustments when there are indications of impairment of the financial and long-lived assets.

The Company for the measurement of fair values uses information from observable markets, always when it is reliable, as required by IFRS. As required by the IFRS, fair values are classified at different levels within their fair value hierarchy and which are based on the variables or valuation techniques, as follows:

1) **Market values:** Quoted prices (unadjusted) in active markets for identical or similar assets or liabilities.

2) **Different information from of market value prices of the previous level:** which are equal to an asset or liability of whom come from values directly (prices of recent transactions) or indirectly (derived from prices determined by specialists based on studies or reference prices).

3) **Information derived from use of financial techniques:** applicable to asset and liability internal data and which does not come from values or information of the market.

The information or variables that are used to measure the fair value of an asset or liability can be classified in one of the levels detailed above, therefore, the fair value measurement can be classified in the same hierarchy level of the fair value of the variable. the lowest level that is significant to the total measurement of assets and liabilities.

The Company periodically reviews whether it is necessary to carry out transfers of assets and liabilities that are recognized in the financial statements at fair value between the hierarchy levels, for which it evaluates the categories (based on the input of the lowest level meaningful to measure fair value as a whole). Changes between the fair value hierarchy levels are recognized at the end of each period in which the change originated.

Additional information on the assumptions or facts to measure fair values is summarized in note 7.

f) Classification of current and non-current items

The Company presents assets and liabilities in the statement of financial position classified as current and non-current.

An asset is classified as current when the Company:

- Expects to realize the asset or intends to sell or consume it in its normal operating cycle.
- Holds the asset primarily for trading purposes.
- Expects to realize the asset within twelve months after the period reported; or
- The asset is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the close of the reporting period.

All other assets are classified as non-current.

A liability is classified as current when the Company:

- Expects to settle the liability in its normal operating cycle.
- Holds the liability primarily for trading purposes.
- Liabilities should be settled within twelve months after the closing date of the reporting period is presented; or
- Does not have an unconditional right to defer settlement of the liability for at least the following twelve months after the closing date of the reporting period.

All other liabilities are classified as non-current.

Assets and liabilities by deferred tax are classified as non-current assets and liabilities in all cases.

NOTE 3 – ACCOUNTING POLICIES

The principal accounting policies by the Company for the year ended March 31, 2022; are as follows:

a) Cash and cash equivalents

Cash and cash equivalents for purposes of statement of cash flows constitute available balances in cash, banks, deposits, and financial investments whose term is less than 90 days and are subject to immediate disposal.

b) Financial instruments

Financial instruments of financial assets and financial liabilities are classified according to the characteristics of each financial instrument, as required by IFRS 9 "Financial Instruments. The classification depends on the purpose for which the assets are generated or acquired, or the liabilities were contracted.

Financial assets

Business model evaluation

Financial assets are instruments that generate cash flow for the Company; The recognition of financial assets is made based on an evaluation of the business model for asset management and the characteristics of the contractual cash flows of the financial asset.

The Company makes an objective evaluation of the business model in which a financial asset is held in its portfolio, which reflects the way the business is managed, and information is provided. The evaluation includes mainly the following aspects:

- the policies and objectives established for the operation of those policies in practice, including evaluating whether the strategy focuses on obtaining contractual interest income, maintaining an interest rate profile, the duration of financial assets and the scope of liabilities related; or realizing cash flows through the sale of the assets.
- evaluate the performance of the portfolio and report it to the Company's Management; and,
- the risks affecting the performance of the business model (and financial assets held within that business model) and how those risks are managed.

Recognition and initial measurement

A financial asset (unless it is a trade debtor without a significant financing component) is initially measured at fair value plus, in the case of an item not measured at fair value through profit or loss, transaction costs directly attributable to its acquisition.

Trade receivables are initially recognized when they originate. A trade obligor without a significant financing component is initially measured at the transaction price. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

The main financial asset of the Company constitutes the commercial debtors generated by the transactions carried out in the normal course of its operations and other accounts receivable, which constitute fixed and determinable payments, and do not have a stock market price, these assets constitute the main source of cash flows for the Company.

Subsequent measurement

After initial recognition, the Company records financial assets in accordance with IFRS 9 and classifies them as:

(i) amortized cost.
(ii) fair value with changes in other comprehensive income; and,
(iii) fair value with changes in profit and loss.

The classification in one of the categories 1is based on the business management model and the contractual characteristics of the cash flow of financial assets, which are recorded as described below:

- **Financial assets at amortized cost – accounts receivable and loans**

  The financial assets that are retained to generate the flow until their maturity date in accordance with its business model are recorded at amortized cost and are all the balances of trade debtors and other accounts receivable; whose contractual collection period does not exceed 90 days are recorded as financial assets at the value agreed on the transaction date.

  Trade accounts receivable and other accounts receivable whose term is greater than 90 days and that does not generate any interest rate or when there are fixed interest rates that are not adjustable every 90 days, are calculated at the present value of the flows of the terms. established and the net interest of its implicit net value (amortized cost) is recognized as income for which it is calculated using the effective interest rate method.

  The other non-trade accounts receivable that does not meet the characteristics of a financial instrument and whose terms are less than 90 days are recorded at amortized cost and when they exceed the aforementioned term, the amortized cost is calculated by the method mentioned in the previous paragraph.

  The difference between the nominal value and the amortized cost is recognized by the accrual method based on the effective interest rate method over the term of the assets.

  Accounts receivable balances whose contractual collection term is up to one year or less are classified as current assets and those whose terms are greater than one year are classified as non-current assets.

- **Financial assets at fair value with changes in other comprehensive income “ORI”**

  Financial assets with changes in the “ORI” mainly constitute equity instruments whose intention and financial capacity is to hold them until they expire, and their cash flows correspond to the recovery of capital and its returns; they are adjusted to fair value and their effect is recognized in equity as part of the “ORI” until their realization or sale.

Income from interest or dividends is recognized in income and when there is a permanent impairment, the loss is recognized in the year in which this variation occurs.

Dividends received which clearly represent a recovery of investment (when the value exceeds the book equity to "VPP") these are reduced book value.

- **Financial assets at fair value through profit or loss**

  Financial assets at fair value are assets in which there is an intention to trade or recover liquidity and do not have a classification at amortized cost or financial assets at fair value with changes in the “ORI”; you updated fair values and setting the update is recognized in the income statement in the period in which the change originates.

Interest and discounts that generate such financial assets are accounted for as described in incomes policy.

Changes in the categories are recorded at the time when there is a final change decision in the financial instrument’s management model.

Financial liabilities

Recognition and initial measurement

Liabilities are recognized when there is a contractual agreement and are recorded at the agreed value of payment plus attributable costs – fair value.

Financial liabilities constitute accounts payable with trade creditors and other accounts payable, which meet the characteristics of a financial instrument, which correspond to the value agreed for the transactions for goods or services acquired in the normal course of business that are pending payment. payment and are classified as current liabilities when the payment term is one year or less and as non-current liabilities when the term exceeds one year.

Subsequent measurement

Financial liabilities are subsequently recorded: (a) at fair value; and (b) at amortized cost.

Liabilities at fair value are all those obligations whose terms are less than 90 days and do not earn interest and those that earn interest, and their interest rates are readjustable at market rates every 90 days.

Financial liabilities at fair value are adjusted subsequently, which together with interest are recorded in the results of the period.

Financial liabilities at amortized cost (accounts payable) mainly correspond to:

a) Accounts payable at fixed interest rates and which do not contemplate any periodic readjustment.
b) Accounts payable whose payment terms are greater than 90 days and do not include any interest rate.

The amortized cost is calculated using the effective interest rate method, for which any discount or premium on the issue and the costs that are an integral part of the effective interest rate are included.

The difference between the nominal value and the amortized cost is recognized in income using the interest method; while the gains or losses on the settlement of financial liabilities are recognized in income when the liabilities are settled or written off.

Derecognition of financial instruments

A financial asset is written off when:

(i) the rights to receive the cash flows from the asset have ended.
(ii) the Company transfers its rights to receive the cash flows from the asset or has assumed an obligation to pay all the cash flows received immediately to a third party under a transfer agreement; and,
(iii) the Company has transferred substantially all the risks and benefits of the asset or if it has not transferred or retained substantially all the risks and benefits of the asset if it has transferred its control.

A financial liability is written off when:

a) the payment obligation is terminated, canceled or expires; and,

b) when an existing financial liability is replaced by another of the same borrower under significantly different conditions, or the conditions are significantly modified, such replacement or modification is treated as a write-off of the original liability and the recognition of a new liability, recognizing the difference between the two in the results of the period.

Financial instruments compensation

The financial assets and liabilities subject to compensation for these balances are presented in the balance sheet at net value when there is a legal right to offset them, and the Company intends to liquidate them through this procedure.

c) Provision for expected credit losses ECL on financial assets

The Company recognizes a provision for ECL for all financial assets measured at amortized cost.

The provision for expected credit losses is determined between the difference in the contractual cash flows according to the agreements with the clients and all the cash flows that the Company expects to receive. Expected cash flows include cash flows from the sale or recovery of securities for guarantees provided by customers or other credit enhancements that are an integral part of the contractual terms.

In the evaluation of the increase in the credit risk of a financial asset, it is carried out from the initial recognition and when estimating the expected credit losses, the Company considers reasonable and sustainable information that is relevant and is available without undue cost or effort.

The Company considers that a financial asset is impaired when certain internal information indicates that it is unlikely that the Company will receive the contractual values pending collection; when:

- It is unlikely that the borrower will pay its credit obligations in full to the Company, without the Company having to act, such as foreclosure of the guarantee (if any).

- The financial asset is past due by 90 days or more.

Expected credit losses are recognized over the life of financial assets and result from all possible events of default during the expected life of a financial instrument.

Expected credit losses are recognized according to two approaches:

- General approach, applied to all financial assets except trade accounts receivable and contractual assets.

- Simplified approach was applied for trade receivables and contract assets.

General Approach

Expected credit losses are recognized in two stages: (a) In credit exposures in which there has not been a significant increase in credit risk since the beginning, expected credit losses are recognized on events of default or default that may be possible within the next 12 months; (b) In credit exposures in which there is a significant increase in credit risk from initial recognition, an impairment provision is required for expected credit losses over the remaining life of the financial asset.

The 12-month expected credit losses are the portion of the lifetime expected credit losses that arise from default events on a financial instrument that are possibly within 12 months after the reporting date (or a lower period if the instrument has a life of less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period during which the Company is exposed to credit risk.

Simplified approach

For trade receivables and contract assets that do not have a significant financing component, the Company applies the calculation of expected credit losses. Therefore, the Company does not track changes in credit risk, but rather recognizes a provision for expected credit losses over the entire life of the financial asset at each reporting date. The Company has developed a provision matrix that is based on its history of credit loss experience.

d) Inventories

Inventories are finished products that are recorded at acquisition cost and are adjusted at the closing of the financial statements to the Net Realization Value "VNR".

The cost of inventories and products sold is determined using the weighted average method.

The net realizable value (VNR) is determined based on the sale price in the ordinary course of business, less the estimated costs of completion and sale and the adjustment is recognized in the results of the period.

The Company in slow moving inventories in which the VNR cannot be reasonably estimated, makes a provision, which is made based on the historical experience and age of the products.

Additionally, the Company's Management constitutes a provision charged to the results of the year to cover the losses due to inventories in poor condition, obsolete or not suitable for use or commercialization called VNR- Provision for obsolescence, it also includes excess inventory that it will not be carried out in subsequent years.

Imports in transit are presented at the cost of invoices plus other import-related charges.

e) Furniture and equipment

Measurement and recognition

Furniture and equipment are carried at historical cost, less accumulated depreciation, and impairment losses, in case of occurrence.

Cost includes the disbursements directly attributable to the acquisition or construction of the asset. Disbursements after the purchase or acquisition are only capitalized when it is probable that future economic benefits will flow to the Company and can be reasonably measured.

Subsequent costs

Disbursements for repairs and maintenance incurred to repair or maintain the future economic benefit expected from property, plant and equipment is recognized as an expense when incurred, while improvements or maintenance of importance which extend the useful life of the asset are capitalized provided and when it is probable that future economic benefits will flow to the Company and can be measured reasonably.

Depreciation method

Facilities, furniture, and equipment are depreciated by the straight-line method based on the estimated useful lives of the assets, which are as follows:

Assets	Estimated useful life
Furniture and office equipment	10 years
Facilities	10 years
Computer equipment	3 years

The Company does not consider residual values in furniture and equipment, because it estimates that the realization value of said assets at the end of their useful life will be immaterial, therefore, the depreciation of the entire book value is more conservative.

The depreciation method estimates of useful lives and adjustments for impairment of facilities, furniture and equipment are reviewed and adjusted annually as of the closing date of the financial statements.

Retirement and sale

The cost and accumulated depreciation of property, plant and retired equipment are reduced from the respective accounts and the difference is recognized in the results of the year in which the transaction originates.

f) Leases

The Company, at the beginning of the lease, to determine if these qualify as a lease, evaluates whether the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Company is not a lessor in any transaction, it is only a lessee.

(A) Financial lease

The Company applies a single measurement and recognition approach to all leases, except short-term leases and low-value asset leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the underlying assets.

(i) Assets for right of use

The Company recognizes the assets by right of use on the start date of the lease (as of the date the underlying asset is available for use). Rights-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any new measurement of lease liabilities.

The cost of the right-of-use assets and includes the amount of lease liabilities recognized for initial direct costs (lease plus additional fixed costs) incurred and lease payments made on or before the start date, less lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shortest term of the lease and the estimated useful life of the assets, as follows:

If ownership of the leased asset is transferred to the Company at the end of the lease term or the cost includes the value of the purchase option, the depreciation is calculated using the estimated useful life of the asset (see note 3).

Right-of-use assets are also subject to impairment.

(ii) Lease liabilities

On the lease start date, the Company recognizes the lease liabilities measured at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments (in some cases fixed payments plus additional costs and adjustments established in the contract that are easily determinable) less any lease incentives receivable.

Leases, whose fees are adjusted or dependent on index or a rate that is not easily quantifiable, have not been adjusted and the amounts expected to be paid have been determined on the basis of current amounts. Lease payments that include a reasonably safe purchase option to be exercised by the Company and payments of fines for terminating the lease, if the lease term reflects that the Company may terminate the contract, have been included in the obligations amount. Variable lease payments that depend on an index or rate are recognized as expenses (unless incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of the lease payments, the Company uses its effective interest rate on the lease commencement date. After the start date, the amount of the lease liabilities is increased to reflect the accumulation of interest and is reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, change in lease term, change in lease payments, or change in valuation of an option to purchase the underlying asset.

The Company's lease liabilities are included as accounts payable.

(B) <u>Short-term leases and low-value asset leases</u>

The Company applies the short-term lease recognition exemption to its short-term equipment leases (that is, those leases that have a lease term of 12 months or less from the start date and do not contain a purchase option).

Lease payments for short-term leases and low-value asset leases are recognized as an expense on a straight-line basis over the term of the lease.

g) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and revenue can be measured reliably, regardless of when payment is received. Revenues are measured at the fair value of the consideration received or receivable, considering contractually defined payment terms and not including taxes or fees. The main source of the Company's operations are all its revenue agreements, as it is the main obligor in all revenue agreements, it has pricing freedom and is also exposed to risks.

The criteria for revenue recognition are described below:

<u>Selling products</u>

Revenues from the sale of its ordinary activities are recognized at the fair value of the consideration received or receivable, net of returns, discounts, credits, and rebates. Revenue is recognized when there is evidence that the risk and the significant benefits of ownership have been transferred to the buyer, is likely recovery of the agreed value, the associated costs and possible returns of goods sold, and the amount of revenue can be measured reliably.

<u>Discounts and bonuses</u>

Discounts and other sales expenses are measured based on trade agreements are recognized as a reduction of revenue at the time of the agreement with customers.

<u>Bonuses</u>

The company gives bonuses product to their customers, which are recognized as revenue when sales are recognized, together with the respective cost of this benefit granted to customers.

Provisions for expiration

The company makes a provision for possible returns of products sold due to the expiration of the products. The increase in the provision is recorded in the results of the year based on historical volumes of returns from previous years and reduced by customer returns.

h) Obligations for post-employment benefits

Post-employment benefit obligations constitute short-term provisions, defined benefit plans and early termination benefits.

Short-term benefits

Short-term social benefits constitute other benefits in addition to wages and salaries paid monthly and which are legally established in the employment contracts or by labor laws and are payable within the current year, which are accumulated and recorded for in the results of the period and are reduced by the payments or excess provisions, which are recorded in the results of the period.

In addition to the aforementioned, current labor regulations establish that employees and workers are entitled to a 15% participation in the profits of the year, this provision is recorded with a charge to the results of the year in which it is accrued.

Defined Benefit plans

The labor code of the Republic of Ecuador establishes the obligation of employers to grant the following benefits:

i. Employer's retirement to all employees who have completed a minimum of 25 years of service in the same company.
ii. A compensation of 25% of the salary for each year of service, which is calculated based on the salary or wages in force at the time of retirement.

The company establishes reserves for these benefits based on actuarial studies conducted by a specialized company. The actuarial method used by the specialist for the calculation is the "projected unit cost of credit" and the provisions are calculated based on the employee's compensation and other parameters established in the Labor Code.

Assumptions used to determine the actuarial study include determinations of discount rates for corporate bonds in the country's currency, variations in salaries and wages, mortality rates, age, sex, years of service, and increase in the amount of minimum retirement pensions, among others. Due to the long term that characterizes the reserve for the retirement benefit obligations, the estimate is subject to variations that could be important.

The increase in labor cost and interest on these provisions are recorded in the results of the year and the effect of changes in estimates at the level of reserves is derived from the effects of changes in assumptions and the interest rate is recorded in equity in Other Comprehensive Income "ORI" and payments are reduced from the provision, except in the employer retirement provision for those employees whose seniority is less than 20 years of service, which is affected in Other Comprehensive Income – " ORI" when turnover levels are less than 20% and when this variation is exceeded, it is recognized in the results of the year.

Severance pays

Early termination benefits arise at the time the employer decides to terminate the contract for the provision of labor services in advance. The Company makes provision when there is a real possibility of a decrease in its activities or a restructuring of its operations; in the event that this is not caused by the events and in cases of accident the benefits established in the labor laws for early termination are recorded in the results at the time they are incurred.

i) Provisions – accumulated liabilities

The Company recognizes the provisions when: (i) it has a present obligation, whether legal or implicit, as a result of current or past events related to its activities, (ii) it is probable that an outflow of resources will be required to settle a current obligation in the future; and (iii) the amount has been reliably estimated.

The amounts recognized as a provision are the Company's best estimate, at the closing date of the financial statements, of the disbursements required to settle the obligation.

Long-term provisions are determined by discounting expected future cash flows at a market interest rate related to the time value of money. The updating of the discount of the provisioned values is recognized as financial expense.

The remaining interest costs are recognized in results in the year in which they are incurred.

j) Income tax

The income tax includes current and deferred tax in accordance with the tax laws in force in the Republic of Ecuador.

Current income tax

The current income tax on assets and liabilities is calculated using the applicable rates, for the different taxes; that are determined in the law, regulations, and tax provisions in force at the closing date of the financial statements on which they are reported, and these are accounted in the results of the period.

Deferred income tax

Deferred income tax is recognized using the asset and liability method arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements under IFRSs and the tax base at the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences that are estimated to be compensable in the future and deferred tax liabilities are recognized for all taxable temporary differences.

The value of deferred tax assets recorded is reviewed at the closing of the financial statements about which it is reported and is reduced when it is determined that there are no future taxable profits that allow these deferred tax assets to be used in full or partially.

Deferred tax assets not recognized in the financial statements are evaluated at each closing date of the financial statements and are recognized to the extent that there is evidence of future taxable profits that would allow the recovery of such deferred tax assets not previously recognized.

Deferred tax assets and liabilities are measured at the income tax rates in effect on the date on which the existence of the temporary differences is determined and which are in force in the Organic Law of the Internal Tax Regime, its regulations and other tax laws in force.

The deferred tax related to the items recognized outside profit or loss is recognized outside the latter. Deferred tax items are recognized in a relationship with the underlying transaction, either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset assets and liabilities for current income tax and if deferred taxes relate to the same taxable entity and tax jurisdiction.

Deferred tax assets and liabilities are not discounted at their present value and are classified as non-current.

Other taxes

Sales tax on income from ordinary activities, expenses and assets are recognized excluding the amount of any sales tax (ex: value added tax), except:

- When the sales tax incurred on an acquisition of assets or the provision of services is not recoverable by the tax authority, in which case this tax is recognized as part of the acquisition cost of the asset or as part of the expense, as appropriate.
- Accounts receivable and payable that are already expressed, including the amount of sales taxes.

The net amount of sales tax expected to be recovered or payable is presented as an account receivable or payable in the statement of financial position, as appropriate.

Others

The Company reviews at the close of its financial statements: (i) decisions made in the tax returns of previous years referring to those situations in which the applicable tax law provisions are subject to interpretation; and (ii) the cases in which the tax authorities determined additional values for taxes and that are in the process of being challenged. In the events that it deems necessary, it constitutes provisions when appropriate.

k) Recognition of operating costs and expenses

The costs and operating expenses are recognized in the results by the accrued method and when the products and services are provided, regardless of when they are paid.

The company presents its costs and expenses by its nature. This information is more reliable and relevant than the method of the function of the expenditure due to the nature of the entity, sector in which it works, and use of comparable historical information reported in previous years.

l) Financial expenses

Interest expenses not attributable to the construction of an asset that necessarily require a substantial period of time to use are recognized as expenses using the accrual method.

Those interests on loans obtained for the construction of assets for their use are capitalized until the date their assembly or construction is completed.

m) Comprehensive result per share

Comprehensive result by ordinary participation is calculated based on the weighted average number of outstanding shares during the year. The average number of outstanding shares in 2022 was 2,839,600 of US $ 1 by each one.

NOTE 4 – USE OF JUDGMENTS, ESTIMATES AND SIGNIFICANT ACCOUNTING ASSUMPTIONS

The policies established by the Company note 2 and according to IFRS require the Administration to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the amounts disclosed as revenue and expenses during the period of the report.

Estimates and assumptions are continuously evaluated and are based on Administration's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates, by definition, can rarely be equal to actual results.

The estimates, judgments and assumptions that have a significant risk that may result in a material adjustment to the carrying amounts within the financial period are as follows:

- **Provisions for the impairment of financial assets.**

  The Company performs an annual review of the value of financial assets and assesses whether there are risks of recovery of these assets and based on this analysis a provision for impairment is made.

  The Company believes that the amount of the provision at the date of preparation of the financial statements for the financial assets is reasonable.

- **Provisions for inventory obsolescence**

  The Company performs an annual adjustment of the inventories to the "Net Realizable Value - NRV" and additionally makes a review of the age and rotation of the inventories and based on this analysis, a provision is made for slow-moving inventories whose seniority is greater than one year.

  The Company considers that the amount of the provision at the date of preparation of the financial statements for inventories is reasonable.

- **Estimation of the useful lives of depreciation of furniture, and equipment.**

  The furniture and equipment are accounted for at cost and depreciated by the straight-line method based on the estimated useful lives, which are reviewed annually, technological changes, extensive use, among other factors may change estimates of the depreciation method and useful lives may affect these estimates.

  The Company considers that the depreciation method and useful lives are reasonable and there is no evidence of any technological deterioration.

- **Impairment of long-lived assets**

  At the end of each accounting period, the Company analyzes its results and operations to validate the value of long-lived assets and determine if there is any indication that these assets have suffered an impairment loss. If there is any indication, an estimate of the recoverable amount of that asset, for which the cash flows are estimated (value in use) independently; therefore, the recoverability of the cash generating unit to which the asset belongs.

  The calculation of value in use requires the Company to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value.

  In the event that the recoverable amount is lower than the net book value of the asset, the corresponding impairment loss is recognized with a charge to income and is reversed in the income statement when there is a change in estimates.

- **Post-employment benefits**

  The actuarial calculation made by an external specialist is based on the method of the projected credit unit to determine the present value of its obligations for defined benefits. Demographic and financial assumptions are used in the calculation.

  - Demographic assumptions about the characteristics of current and past employees who may receive benefits. The demographic assumptions are: (i) average long-term salary rate; (ii) current interest rate; (iii) financial discount rate; (iv) annual inflation rate; (v) rate of return on plan assets.
  - Financial assumptions are related to the following elements: (a) the discount rate; and (b) benefit levels to be paid to employees and future wages.

- **Estimate to cover litigation**

  The Company recognizes obligations of those events of a legal or implicit nature for the Company; these events are recognized when:

  - The Company has an obligation at the reporting date because of a past event.
  - When it is probable that economic resources or benefits will be required to settle the obligation; and,
  - The amount of the obligation can be reliably estimated.

  The provision is recognized as a liability in the statement of financial position and as an expense in the income statement for the period.

- **Deferred income tax**

  The Company has estimated its deferred taxes considering that all the differences between the book value and the tax base of the assets and liabilities will be reversed in the future.

  The income tax rate used to determine deferred tax assets and liabilities is calculated by applying the income tax rate in effect on the closing date of the reporting period.

  Deferred income tax assets should be recognized in the balance sheet, deferred income tax assets derived from unamortized tax losses, the accounting treatment of investments in development and long-term labor benefits. which need to be evaluated by management to define the probability that the Company can generate sufficient taxable profits in future years, in order to use the recognized deferred income tax assets.

Expressed in Dollars of the United States of America

The assumptions about the generation of future taxable profits depend on the estimates made by the Administration of the future cash flows, which are based on the projected cash flows from operations (production and sales volumes, operating costs, dividends and other capital management operations) and the criteria on the application of existing tax laws. To the extent that future cash flows and taxable earnings differ significantly from estimates, the Company's ability to realize deferred assets net of reported income tax could be affected.

NOTE 5 – ACCOUNTING CHANGES

The changes or modifications in the International Financial Reporting Standards "IFRS" or their interpretations as of January 1, 2021, are mainly related to the Reference Interest Rate Reform - Phase 2 of August 2020, which modifies IFRS 9 and IAS 30 Financial Instruments, IFRS 7 Financial Instruments to be Disclosed, IFRS 4 Insurance Contracts and IFRS 16 Leases, in this change the use of reference interest rates for the calculation of contractual cash flows is allowed.

The aforementioned changes have no impact on the recording and presentation of the financial statements as of March 31, 2022.

NOTE 6 – FINANCIAL INSTRUMENTS

The balances at March 31, 2022, and 2021 of financial assets and liabilities correspond to current amounts of less than one year and their fair values are as follows:

	Reasonable value		Value in books	
	March 2022	March 2021	March 2022	March 2021
Financial assets:				
Cash and cash equivalents	1,870,025	1,075,198	1,870,025	1,075,198
Local costumers	219,138	450,931	236,669	485,065
Financial liabilities:				
Suppliers account payable	84,279	77,292	91,021	83,143
Related accounts payable	1,170,089	1,393,730	1,263,696	1,499,235

Significant accounting policies of the method adopted and the recognition criteria for measurement and the basis on which income and expenses are recognized, for each class of financial assets and liabilities are detailed in note 3 - b).

Fair Value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable and willing parties in a current transaction, under the assumption that the entity is a going concern.

The techniques used to determine the fair value of the instruments are described in note 2 - d) Summary of significant accounting policies.

The Company has used its best judgment in estimating the fair values of its financial instruments; any technique to make such an estimate involves a certain level of inherent fragility. As a result, fair value cannot be indicative of the net realizable or liquidation value of financial instruments.

The following methods and assumptions were used to estimate fair values:

- Financial instruments whose fair value is similar to the book value.

  Financial assets and liabilities that are liquid or have short-term maturities (less than three months), such as cash and cash equivalents, trade debtors, other accounts receivable, commercial creditors and other accounts payable and other current liabilities, are deemed to have a carrying value similar to fair value.

- Fixed rate financial instruments

  The fair value of financial assets and liabilities at fixed rates and at amortized cost is determined by comparing the market interest rates at initial recognition with the current market rates related to similar financial instruments.

The carrying amounts and fair values of the financial instruments presented in the statement of financial position are similar to market values.

NOTE 7 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A summary of the main financial risks and the policies implemented are:

a) Financial Risk Management objectives and policies

Due to the nature of its activities, the Company is exposed to market, credit, interest rate, liquidity, and exchange rate risks, which are constantly monitored in order to identify and measure their impacts and establish the limits and controls that reduce the effects in the Company's results. The process of evaluating and controlling business risks is critical for profitability and the Company is responsible for risk exposures. The risk control process does not include business risks such as changes in environment, technology, and industry.

The risk management structure is based on the Shareholders - Head Office and the Company's Management, Financial Management and Sales Management, which are responsible for identifying and controlling risks in coordination with other areas, as explained below:

(i) Shareholders – Head office

The shareholders - headquarters are responsible for the general approach to risk management, provide the principles for risk management, as well as the policies developed for specific areas, such as exchange rate risks, interest rate risk, credit risk and the use of derivative financial instruments.

(ii) General Management

The General Management is responsible for the general approach to risk management, which provides the principles for risk management, as well as the policies developed for specific areas, such as exchange rate risk, interest rate risk, credit risk and the use of derivative financial instruments.

(iii) Finance

The Finance area is responsible for the control and management of the Company's cash flow based on the policies, procedures and limits established by the shareholders, directors, and the Company's management, including the monitoring of such procedures to improve the Company's risk management.

The financial department coordinates access to national financial markets and manages financial risks.

These risks are market risk (currency and interest rate variation) and credit risk. The main objective is to supervise and maintain minimum exposure to risks without using derivative contracts (swaps and forward) and to assess and control credit and liquidity risks.

Also, the control and recovery of accounts receivable for sales generated in the period and for which it is possible that they will remain unpaid, determining together with the marketing department, discount options to its customers that will help mitigate the negative effect on the recovery of these flows.

b) Risk Mitigation

The Company constantly evaluates different scenarios and identifies different strategies to manage exposures resulting from changes in interest rates, foreign currency, capital risk and credit risk.

The Administration reviews and evaluates policy changes for the management of such risks, which are summarized below:

Market Risk

Market risk controls the fair value of financial instruments by changes in market prices, which depend on changes in interest rates, exchange rates and other price risks, including equity risk.

Financial instruments affected by market risk include deposits in banks and obligations to banks.

Interest rate risk

The interest rate risk allows evaluating and monitory the fair value of financial instruments, due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is mainly related to the Company's long-term debt obligations at variable interest rates.

The company periodically evaluates the exposure of short- and long-term debt to changes in the interest rate, considering its own expectations regarding the future evolution of rates.

The financial assets and liabilities held by the company as of March 31, 2022, and 2021 do not accrue, do not generate interest, and are not exposed to this risk.

Expressed in Dollars of the United States of America

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its payment obligations related to financial liabilities at maturity and replace funds when they are withdrawn. The consequence would be the failure to pay its obligations to third parties.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining credit lines, or maintaining liquidity surpluses, which allows the Company to carry out its activities normally.

Liquidity risk management involves maintaining enough cash and availability of financing, through an adequate amount of committed credit sources and the ability to settle mainly transactions of indebtedness. In this regard, the Company's Management focuses its efforts on maintaining sources of financing through the credit lines availability.

The following table shows the maturity of Company’s obligations at the balance sheet date and the amounts to be disbursed at maturity, based on the undiscounted payments to be made:

March 2022	Until 1 month	1 to 3 months	3 to 5 months	5 to 12 months	More than 1 year	Total
Financial assets:						
Cash and cash equivalents	1,870,025	-	-	-	-	1,870,025
Local costumers	235,012	-	-	1,657	-	236,669
Financial liabilities:						
Suppliers accounts payable	87,659	338	303	201	2,520	91,021
Related accounts payable	415,789	39,258	261,793	479,122	67,734	1,263,696
March 2021						
Financial assets:						
Cash and cash equivalents	1,075,198	-	-	-	-	1,075,198
Local costumers	484,653	-	-	412	-	485,065
Financial liabilities:						
Suppliers accounts payable	81,336	-	1,807	-	-	83,143
Related accounts payable	403,303	41,268	63,347	503,100	488,217	1,499,235

Risk of capital management

The Company actively manages a capital base to cover the risks inherent in its activities. The capital adequacy of the Company is monitored using, among other measures, the ratios established by management.

The Company's objectives when managing capital, which is a broader concept than the "Net Equity" shown in the balance sheet are:

(i) Safeguard Company’s ability to continue operating to continue to provide returns to shareholders and benefits to other stakeholders; and,
(ii) Maintain a strong capital base to support the development of its activities.

As of March 31, 2022, and 2021, there have been no changes in the activities and policies of capital management in the Company.

Expressed in Dollars of the United States of America

The Company's adjusted debt-to-equity ratio as of March 31, 2022, and 2021 is as follows:

	March 2022	March 2021
Total liabilities	2,409,742	2,474,556
Less: cash and cash equivalents	(1,870,025)	(1,075,198)
Net debt	539,717	1,399,358
Shareholder equity	1,615,326	959,950
Index of debt equity	0.33	1.46

Credit risk

The Company is exposed to credit risk due to its operating activities mainly for cash and cash equivalents - deposits with banks, investments, customer accounts receivable and other accounts receivable and other financial instruments.
Regarding cash and other cash equivalents in banks and financial institutions and that correspond to short-term operations and immediate liquidity, the risk is monitored through the qualifications required by the Control Organism, which are periodic and are carried out by third parties (independent) specialized and qualified by the control entities.

Credit risk is managed according to the policies, procedures and controls established by the Company; credit risk is mainly affected by the individual characteristics of each client. However, management also considers factors that may affect the credit risk of its client base, including the default risk of the industry and country in which the client operates. Credit quality is assessed on an ongoing basis based on outstanding collections from customers and the maximum exposure to credit risk at the reporting date is the value of each class of financial assets.

The Company has established a risk policy for granting loans to customers that includes:

- Review and analysis of the information collected by credit officers, according to parameters established by the Company's Management.
- Approval by the Financial and Administrative Management of the credit term.

The credit risk of customers is monitored according to the credit characteristics, type of customer (private and public sector), and the existence of prior financial difficulties in each of the sectors in which the customers operate. Based on the analysis available at the date of the financial statements, the Company has recognized losses due to impairment.

The Company establishes an estimate for value impairment, which represents its best estimate of the losses to be incurred in relation to financial and non-financial assets subject to credit risk. This estimate considers the maximum loss determined based on their evaluation.

NOTE 8 - INVENTORY

The composition of the inventory items as of March 31, 2022, and 2021, are as follows:

Expressed in Dollars of the United States of America

	March 2022	March 2021
Pharmaceutical and dermatological products	580,964	495,605
Medical samples	80,256	52,153
Imports in transit	22,308	34,030
	683,528	581,788
Obsolescence provision	(211,864)	(118,313)
	471,664	463,475

NOTE 9 – TRADE RECEIVABLES

As of March 31, 2022, and 2021 trade accounts receivable for US $236.669 and US $ 485,066 respectively, correspond to balances pending collection from local customers, for the commercialization of products.

A summary of the aging of trade accounts receivable as of March 31, 2022, and 2021 is as follows:

Category	March 2022	March 2021
Current	235,012	484,653
From 150 to 360 days	1,657	412
	236,669	485,065

NOTE 10 – OTHER SHORT-TERM FINANCIAL ASSETS

The balances as of March 31, 2022, and 2021 of the other short – term financial assets are as follows:

	March 2022	March 2021
Current taxes to recover (1)	243,250	155,457
Prepaid Expenses	1,124	4,428
Others (2)	103,382	29,072
	347,756	188,957

(1) As of March 31, 2022, corresponds mainly to the tax credit and withholdings at source with a balance of US$ 43,779 and US$183,350, respectively.

(2) Corresponds mainly to advances from suppliers delivered by the Company for the purchase of inventory, the balance as of March 31 amounts to US$72,939 (US$72 in March 2021). In addition, this caption includes guarantees for leases and accounts receivable from employees.

NOTE 11 - CASH AND CASH EQUIVALENTS

At March 31, 2022, and 2021 the composition of cash and cash equivalents are as follows:

Expressed in Dollars of the United States of America

	March 2022	March 2021
Cash in hand	1,000	1,000
Balances with banks (1)	1,869,025	1,074,198
	1,870,025	1,075,198

(1) At March 31, 2022, it corresponds to the available amount that the Company maintains in its checking accounts in banks domiciled in Ecuador. The rating category of the bank according to the publications required by the Superintendence of Banks is AAA-.

NOTE 12 – FURNITURE AND EQUIPMENT

The balances as of March 31, 2022, and 2021 of the Company's furniture and equipment are as follows:

	March 2022			March 2021		
	Cost	Accumulated Depreciation	Net block	Cost	Accumulated Depreciation	Net block
Facilities	21,853	(8,782)	13,071	21,853	(6,597)	15,256
Furniture and fixtures	76,577	(35,857)	40,720	76,577	(28,198)	48,379
Computer equipment	83,402	(62,817)	20,585	69,711	(50,061)	19,650
	181,832	(107,456)	74,376	168,141	(84,856)	83,285

NOTE 13 – LEASES

The Company has an office lease for its operations, which has a period of between 2 and 3 years, which establishes renewal clauses in agreement between the parties. The Company's obligations under its leases are guaranteed by the lessor's title to the leased assets. In general, the Company has restrictions on subletting leased assets and some contracts require the Company to maintain certain conditions relating to maintenance, condominium payments and others. Lease agreements include variable lease payments, which are discussed below

	Right-of-use assets				
	Office	Parking lot	Technological equipments	Total	Obligation to pay
Balance as of March 31, 2021	353,931	55,948	47,752	457,631	476,023
Adjusment initial	-	-	-	(18,863)	6,609
Amortization and payments for the year	(56,183)	(9,069)	(18,821)	(84,073)	(101,872)
Balance as of March 31, 2022	297,748	46,879	28,931	354,695	380,760
Associated financial costs of the year	14,100	2,161	1,538	17,799	
Obligations payable as of March 31, 2022					
Currents					61,357
Non-current					319,403

A summary of the amortization of the rights of use and the payments of the obligations payable until the end of the leases are as follows:

Expressed in Dollars of the United States of America

Year	Lease payable	Amortization of right of use lease contracts	Lease payments
2022	61,357	84,075	75,816
2023	84,279	74,331	75,816
2024	81,360	60,430	75,816
2025	78,314	60,252	75,816
2026	53,621	60,252	75,816
2027	21,829	15,355	16,943

NOTE 14 – OTHER CURRENT LIABILITIES

The balance at March 31, 2022, is comprised of US$15,3147 (US$8,704 in 2021) corresponding to VAT on sales and withholdings at source.

NOTE 15 – TRADE AND RELATED ACCOUNTS PAYABLES

Balances as of March 31, 2022, and 2021, from trade and related - accounts payable suppliers are as follows:

		March 2022	March 2021
Sundry creditors		429,612	317,951
Related accounts	(1)	1,263,696	1,499,235
		1,693,308	1,817,186

(1) A detail of the balances as of March 31, 2022, and 2021 of related party's transactions are as follows:

	Relation	Transaction	March 2022	March 2021
Accounts payable:				
Glenmark Pharmaceuticals Ltda. - India	Group component	Inventory purchase	1,108,278	1,493,525
Glenmark Farmaceutica Ltda. - Peru	Group component	Inventory purchase	-	3,100
Glenmark Specialty S. A. - Suiza	Group component	Inventory purchase	110,139	-
Glenmark Farmaceutica Ltda. - Brazil	Group component	Inventory purchase	45,279	2,610
			1,263,696	1,499,235
Contributions for future capitalizations				
Glenmark Pharmaceuticals Ltda. - India	Group component	Capital contribution	736,757	-

Transactions with related parties on March 31, 2022, and 2021 gave rise to the following amounts in the income statement and are as follows:

Expressed in Dollars of the United States of America

	Relation	Transaction	March 2022	March 2021
Purchases:				
Glenmark Pharmaceuticals Ltda. - India	Group component	Inventory purchase	629,498	718,836
Glenmark Farmaceutica Ltda. - Peru	Group component	Inventory purchase	-	3,100
Glenmark Generics S. A. - Argentina	Group component	Inventory purchase	15,460	57,484
Glenmark Specialty S. A. - Suiza	Group component	Inventory purchase	110,139	-
Glenmark Farmaceutica Ltda. - Brazil	Group component	Inventory purchase	41,447	3,664
			796,544	783,084
Contributions for future capitalizations				
Glenmark Pharmaceuticals Ltda. - India	Group component	Capital contribution	736,757	-

In November 2021, the Headquarters contributed of US$736,757, to reduce the capital deficit related to the fact that the accumulated net losses must not exceed 60% of the capital and contributions for future capitalizations.

Amounts paid to key personnel of the Company and administrators on March 31, 2022, and 2021 were US$102,102 and US$109,246 respectively, this value belongs to fees and other benefits.

NOTE 16 – SHORT-TERM FINANCIAL LIABILITIES

The balances as of March 31, 2022, and 2021 of the short – term financial liabilities are as follows:

	March 2022	March 2021
Provisions for social benefits	92,056	92,901
Credit Cards	415	-
	92,471	92,901

NOTE 17 – OTHER LIABILITIES

Balances as of March 31, 2022 and 2021, and from other liabilities are as follows:

	March 2022	March 2021
Employer retirement	153,814	122,257
Eviction	67,868	57,730
Lost (Profit) recognized in the OCI	(99,816)	(85,475)
	121,866	94,512

NOTE 18 - EQUITY

Capital stock

At March 31, 2022 and 2021 the authorized, subscribed and paid common shares are 2.839.600 shares of US$ 1 each.

Expressed in Dollars of the United States of America

Accumulated net deficits

The balance of this account corresponds to the accounting losses net of profits, which must be absorbed by the Company's shareholders or by future net profits.

Accounting losses differ from those declared in the tax reconciliation and mainly correspond to non-deductible expenses, which can be compensated within the five tax periods following the one in which the loss occurred, provided that the amount compensated does not exceed 25%. of the taxable income of the year in which the compensation is made.

In the case of termination - liquidation of the Company, before the end of the five-year period, the balance of uncompensated losses will not be deductible.

NOTE 19 – OPERATING INCOME

Sales for the year ended March 31, 2022, and 2021 were as follows:

	March 2022	March 2021
Sales	6,870,021	5,019,770
Return on sales	(464,881)	(365,407)
Volume discount	(1,179,049)	(886,504)
Commercial discount	(1,845,484)	(1,519,429)
	3,380,607	2,248,430

NOTE 20 – COST OF SALES

During the year ended March 31, 2022, and 2021 operating costs were US$961,362 and US$717,129.

NOTE 21 – ADMINISTRATIVE AND SALES EXPENSES

A detail of administrative and sales expenses for year ended on March 31, 2022, and 2021, are as follows:

Expressed in Dollars of the United States of America

	March 2022	March 2021
Salaries and social benefits	1,119,624	963,187
Professional services	420,912	410,619
Marketing expenses	147,539	224,205
Other expenses	72,952	103,164
Transportation	123,093	86,539
Management expenses	109,975	79,213
Taxes and contributions	107,957	63,064
Inventory deterioration	86,741	56,337
Insurance	50,569	56,007
Leases	22,166	53,589
Financial expenses	72,123	43,759
Basic services	30,919	42,274
Employer retirement and eviction	34,594	35,560
Professional fees	5,147	28,239
Travel expenses	14,720	23,853
Depreciation and amortization	67,525	23,226
IFRS16	17,799	20,121
IFRS 15	13,116	15,127
	2,517,471	2,328,083

NOTE 22 – INCOME TAX

Tributary reconciliation

The income tax expense for the year ended in March 31, 2022, and 2021, are following:

	March 2022		March 2021	
	Items amounts	Income tax	Items amounts	Income tax
Profit (Loss) prior to workers sharing and income tax	335,496	83,874	(534,557)	(133,639)
Employee profit sharing	(50,324)	(12,581)	-	-
Profit (Loss) before employee participation	285,172	71,293	(534,557)	(133,639)
Non-deductible expenses	280,272	70,067	348,848	87,212
Taxable base	565,444	141,360	(185,709)	(46,427)
Amortization of losses from previous year	141,361	35,340	-	-
Tax base and income tax	424,083	106,020	(185,709)	(46,427)
Withholdings at source for the fiscal year		(36,507)		(57,795)
Tax credit of previous year		(108,165)		
Income tax payable		(38,652)		(57,795)

Income tax rates

The current tax provisions establish that the income tax rate of 25% in 2021 and 2020, which may be increased from 25% to 28% in the following cases:

- When the company has shareholders, partners, participants, constituents, beneficiaries or similar, resident or established in tax havens or lower taxation regimes; with a direct or indirect, individual or joint participation, equal or greater than 50% of the capital stock.
- When the participation of shareholders domiciled in tax havens or lower taxation regimes is less than 50%, the income tax rate will be applied on the proportion of the taxable base corresponding to such participation.
- In the event that the company fails to comply with the duty to inform the composition of its shareholders, partners, participants, contributors, beneficiaries or similar, in accordance with the provisions of the Organic Law of the Internal Tax Regime and the resolutions issued by the Internal Revenue Service, without prejudice to the taxable income tax rate.
- Internal Revenue Service, without prejudice to other applicable sanctions.

In the event that the Company reinvests its profits in the country under the terms and conditions established in the Organic Law of the Internal Tax Regime, it may obtain a reduction in the income tax rate of 10 percentage points on the amount reinvested, provided that the corresponding capital increase is made by December 31 of the following year.

New companies incorporated outside the urban areas of the cantons of Quito and Guayaquil and within certain economic sectors are exempt from paying income tax for a period of five years as from their incorporation, provided that the new and productive investments are made outside the aforementioned urban jurisdictions.

New productive investments made in the provinces of Manabí and Esmeraldas during the following three years as from the effective date of the Organic Law of Solidarity and Citizen Co-responsibility for the Reconstruction and Reactivation of the Areas Affected by the Earthquake of April 16, 2016, published in the Supplement to Official Gazette No. 759 of May 20, 2016, are exempt from the payment of income tax.

Additionally, new productive investments made in sectors or in basic industries established in the Organic Code of Production, Commerce, and Investment, whether these are new companies or made by current companies, are exempt from income tax and advance payment of income tax between 8 and 12 years; the aforementioned exemption is extended between 3 and 8 years when these investments are made in border sectors.

Excluded from the determination of the advance payment of income tax are the incremental expenses for the generation of new employment or improvement of the salary mass, and in general those investments and expenses effectively made, related to the tax benefits for the payment of income tax recognized by the Organic Code of Production, Commerce, and Investment for new investments, as well as other affectations for the application of accounting rules and principles.

Income tax advance payment

The payment of the income tax advance starting in 2020 is optional and is determined on an annual basis and based on the basis of the income tax return of the previous year, applying certain percentages to the value of total assets (less certain components), total equity, income, costs and expenses and less withholdings at source.

Additionally, exceptionally and for a single occasion in July 2020, an advance payment of income tax was established for companies whose income exceeded US$5,000,000, as of June 30, 2020, which is equivalent to 50% of the tax generated as of that date and deducting withholdings at the source made by third parties.

The advance payment is offset against the income tax incurred, provided that it is not subject to refund, except in exceptional cases.

New companies incorporated as from the effective date of the Production, Commerce and Investment Code are exempted from the payment of the advance payment of income tax for a period of up to 5 years of effective operation, this being understood as the initiation of their productive and commercial process.

Dividends paid

Dividends paid from profits in favor of shareholders (except companies resident in Ecuador) regardless of their tax residence are taxed at an effective rate of 10% (25% of 40% of the declared dividend), which may be increased to 14% when the tax residence of the shareholders has not been informed and in the event that the shareholders are domiciled in countries where there are double taxation agreements, the withholding will be applied using these regulations.

The company that distributes dividends or profits that has not informed about its shareholder composition must withhold income tax on such dividends as if there were an effective beneficiary resident in Ecuador.

The capitalization and reinvestment of profits is not considered as a distribution of dividends and therefore is exempt from income tax withholding.

The early distribution of dividends before the end of the fiscal year or granting loans of money to its partners, shareholders or any of its related parties (non-commercial loans), will be considered as an early payment of dividends and therefore the corresponding withholding at the corporate income tax rate in force for the current year must be made on the amount of such payments. The withholding must be declared and paid the month after it is made and will constitute a tax credit for the company in its income tax return.

Foreign currency remittance tax

The foreign currency remittance tax is 5% and taxes the following transactions:

- The transfer or moving of foreign currency abroad.
- Payments made from abroad, including those made with financial resources outside the natural person or society or third parties.
- Imports pending payment recorded for more than twelve (12) months.
- Exports of goods and services generated in Ecuador, carried out by natural persons or companies domiciled in Ecuador, when the foreign currency corresponding to the payments for such exports do not enter Ecuador.
- When the outflow of currencies occurs because of the netting or clearing of debit balances and creditors abroad, the tax base will consist of the entire operation, that is, both the net balance transferred, and the amount cleared.

The following are exempt from the foreign currency remittance tax (ISD):

- Money transfer of up to three unified basic salaries per month.
- Payment made abroad through credit or debit cards up to 5,000.
- Payments made abroad for the amortization of capital and interest on loans granted by international financial institutions, with a term of more than one year, destined to financing investments foreseen in the Organic Code of Production, Trade and Investment and that accrue interests to the referential rates.

- Payments made abroad by way of dividends distributed by national or foreign companies domiciled in Ecuador, after payment of income tax, in favour of other foreign companies or individuals not resident in Ecuador if they are not domiciled in tax havens or jurisdictions of lower taxation.
- Up to one year, payments for imports made by taxpayers who have suffered a direct economic impact on their productive assets as a result of the natural disaster that occurred on April 16, 2016, and who have their domicile in the provinces of Manabí and Esmeraldas, payments for capital goods not produced in Ecuador and destined to productive processes or the provision of services located in the affected areas.
- Between 8 and 20 years for new productive investments in payments for imports of capital goods and raw materials as well as in the distribution of dividends to effective beneficiaries, when they sign investment contracts.
- Reinvestments of profits of at least 50% in the acquisition of new assets productive.

The foreign currency remittance tax (ISD in Spanish) may be used as a tax credit for the determination of income tax for up to 5 years, provided that it originated in the importation of raw materials, inputs and capital goods for the purpose of that are incorporated in productive processes and that are included in the list issued by the Tax Policy Committee.

Exemptions

On December 31, 2019, in the Supplementary Official Gazette No.111 was published the "Organic Law of Tax Simplification, in which several reforms were made to the current tax provisions and established some exemptions among which are the following:

- Funds or Trusts dedicated to the investment and administration of real estate are exempt from Income Tax.
- The yields or anticipated partial payments of fixed term deposits with a term of 360 days or more are exempt, as long as they are in the possession of the holder in a continuous manner.
- Provisions made for the payment of the Employer's Pension will be deductible as of the year 2021, as long as they are transferred to a specialized company authorized to manage these funds.
- The profit generated in the direct or indirect disposal of shares, participations, other capital rights are subject to a single rate between 0% and 10% based on the amount of the profit obtained.
- Value Added Tax - VAT refund for companies that develop social interest housing projects.

Contributions

The Organic Law of Tax Simplification and Progressivity provides that companies that carry out economic activities, and that have generated taxable income equal to or greater than one million dollars of the United States of America (US $ 1,000,000.00) in fiscal year 2018, will pay a single and temporary contribution, for fiscal years 2020, 2021 and 2022, on such income minus the established exemptions.

In no case shall this contribution be higher than 25% of the income tax incurred for the 2018 tax year.

This contribution may not be used as a tax credit, nor as a deductible expense for the determination and liquidation of other taxes during the years 2020, 2021 and 2022 and is not applicable for public companies.

Transfer pricing

Current tax regulations establish the principle of arm's length for transactions carried out with related parties. Taxpayers who carry out transactions with related parties domiciled abroad (and local ones under certain special tax conditions) in an accumulated amount greater than USD 3,000,000 within the same fiscal period, must submit to the Tax Administration an annex with the information of said transactions. When the transactions exceed USD15,000,000, they must submit the annex of operations with related parties and a Comprehensive Transfer Pricing Report.

Expressed in Dollars of the United States of America

Deferred tax

A summary of the items and taxes deferred on March 31, 2022, and 2021 is as follows:

	Deferred tax asset			
Deferred tax items	March 2021	Generation	Reverse	March 2022
Employer retirement and eviction	10,254	6,484	-	16,738
Accumulated losses	667,400	247,033	262,843	651,590
Provisions	379	9,168	9,547	-
	678,033			668,328
Increase (decrease):				
Charge in results		(9,705)		

For the deferred tax calculation, the 25% tax rate for 2021 has been considered.

The realization or reversal of these items will be as described below:

1. Employer's Retirement and severance bonus are offset at the time of payment of such benefits to employees.
2. Provisions are offset the following year at the time they are used and become deductible expenses.
3. Tax losses are offset within 5 subsequent years against taxable profits arising and these items are effective until the year 2025,

The INTERNAL RENT SERVICE through Circular No. NAC-DGECCGC15-00000012, published in the Supplement to the Official Gazette No. 653 of December 21, 2015, states that for tax purposes the accounting record of assets and liabilities for deferred taxes is allowed, only in the cases established by the regulations and in case of controversy between tax regulations and accounting and financial regulations (IFRSs), the former will prevail. The Internal Revenue Service "SRI" in the aforementioned circular states the following:

a) The financial statements constitute the basis for the filing of tax returns, as well as for submission to the Control Organisms (Superintendence of Companies, Securities and Insurance and the Superintendence of Banks).

b) International Accounting Standard No. 12- Income Taxes (IAS 12) of the IFRS establishes and requires the recognition, measurement and disclosure of deferred taxes; however, the IRS establishes that the effects of the application of deferred tax assets will only be recognized in the cases and conditions established in the relevant tax regulations, arising from economic events, transactions or accounting records, which originate from January 1, 2015; except for the effects arising from tax losses and tax credits in accordance with current tax regulations.

c) Deferred tax liabilities recorded, in compliance with the tax regulatory framework and due to the application of IFRS, will remain in force for their respective liquidation.

d) The income tax rate to be used for the estimation of current and deferred tax assets and liabilities in accordance with IFRS will be that established in the tax regulations.

Deferred tax assets and liabilities may be recovered or paid subsequently through the tax reconciliation, they must be recognized in the balance sheet, in the respective amount and at the appropriate time, respecting the tax provisions in force and the IFRSs mentioned in this resolution, as the case may be.

Tax Reviews

The Internal Revenue Service, in accordance with legal provisions, has the authority to review the Company's income tax returns within three years from the date of filing the tax return. The Company has not been audited until December 31, 2021, and 2020.

Tax Reforms

On November 29, 2021, the Official Gazette published "The Organic Law for Economic Development and Fiscal Sustainability; and on December 30 the respective regulations were published. The main reforms established in these legal tax provisions are:

- A temporary contribution is established for those companies that have a net worth equal to or greater than US$5,000,000 as of December 31, 2020. The contribution rate corresponds to 0.8%, which must be paid until March 31 of fiscal years 2022 and 2023. This payment does not constitute a tax credit and is not deductible for the payment of other taxes.

- The Voluntary, Unique and Temporary Tax Regime is created, applicable to tax residents in Ecuador who as of December 31, 2020, have assets abroad of any kind, the origin of which have not been subject to income tax in Ecuador; or have carried out monetary or non-monetary operations or transactions subject to the Foreign Currency Outflow Tax, not declared or whose corresponding tax has not been subject to withholding and/or payment. The tax rate ranges between 3.5% and 4.5% depending on the date on which the payment is made. Taxpayers may avail themselves of this special regime until December 31, 2022.

- **Income tax:**

  - The income tax rate is reduced by 3% for up to 15 years for new investments and in the case of subscribing investment contracts with the State this will be 5%.
  - Provisions for employer retirement and eviction are not deductible and therefore the recognition of deferred taxes for this concept is eliminated.
  - Profits generated from the sale of shares or other rights representing capital of Ecuadorian companies are subject to income tax at 10%.
  - Profits generated by the occasional sale of real estate by companies are not considered as exempt and the exemption is limited only for individuals with respect to property intended for housing including accessory property such as warehouses, parking lots and similar, and land; and a term of 5 years is established for the exemption with respect to the first occasional sale of the property.
  - The maximum limits to deduct expenses for royalties, technical, administrative, and consulting services paid to related parties were eliminated.
  - Income tax is levied on the following items that were exempt:

    - Financial yields originated in the Ecuadorian public debt.
    - The development of new and productive investments in prioritized sectors.
    - Basic industries.
    - The development of public projects in public-private partnership.
    - The merger of entities of the popular and solidarity financial sector.
    - New micro-enterprises
    - Special economic development zones.
    - The maximum amounts for the automatic application of the benefits foreseen in the Agreements to Avoid Double Taxation are eliminated.

- In the Value Added Tax "VAT:

  - The following are taxed at 0% VAT rate:

    - Masks, oximeters, alcohol, and antibacterial gel greater than 70% concentration.
    - Sanitary pads, tampons, menstrual cups, and popular disposable diapers.
    - The importation of fuels derived from hydrocarbons, biofuels, their mixtures including LPG and natural gas, destined for the internal consumption of the country, carried out by taxpayers who have the respective permits.
    - The leasing of land for agricultural use.
    - Services rendered by tourist lodging establishments to foreign tourists.

- The following are included at a 12% VAT rate:

    - Supplementary material that is marketed together with the books.
    - LED lamps.
    - Electric stoves for domestic use and those operating exclusively by means of electric induction mechanisms, including those with electric ovens, as well as pots for domestic use, designed for use on induction stoves and electric water heating systems for domestic use, including electric showers.
    - Provision of web page domains, servers (hosting), cloud computing.
    - Services provided by social clubs and professional guilds regardless of their value.

- The Tax Administration's power of assessment is extended from 3 to 4 years; the new term will be applicable with respect to tax obligations generated as from the effective date of the Organic Law for Economic Development and Fiscal Sustainability.

- Tax obligations may be subject to transaction, by virtue of which an administrative or judicial proceeding is concluded because of the agreements set forth in a transactional act, in an order or sentence issued by a competent authority.

- The transaction may deal with the determination and collection of the tax obligation, interest, surcharges, and fines, as well as the terms and facilities for payment of the obligation.

- The transaction may involve the lifting of all, or part of the precautionary measures issued against the taxpayer.

- Those taxpayers notified with assessment assessments and/or payment settlements may make the payment of the obligation, considering the following rules:

  - When the total or partial payment of the principal of the determined obligation is made between days 1 and 5 after the notification, with respect to the part that is extinguished, the remission of the surcharge applies and, on that part, the interest will be calculated with the reference passive rate of the Central Bank of Ecuador.
  - When the total payment of the determined obligation is made between days 6 and 10 after the notification, the payment must be 100% of the capital, plus 25% of the accessories (fines and surcharges), plus 25% of the interest calculated in accordance with article 21 of the Tax Code.
  - When the total payment of the determined obligation is made between the 11th and 15th day after the notification, such payment shall be 100% of the principal, plus 100% of the surcharge, plus 50% of the fine, plus 50% of the interest.
  - When the total payment of the determined obligation is made between the 16th and 20th day after the notification, such payment shall be 100% of the principal, plus 100% of the surcharge, plus 75% of the fine, plus 75% of the interest.

Expressed in Dollars of the United States of America

The President of the Republic by means of Executive Decree No. 298, published in the Official Gazette on December 23, 2021, decreed the progressive reduction of the rate of the Tax on the Exit of Foreign Currency (ISD), at a rate of 0.25% during each quarter of fiscal year 2022, until reaching a rate of 4%.

NOTE 23 – COMMINTMENTS AND CONTINGENCIES

Commitment

As of March 31, 2022, it maintains an exclusive distribution agreement in force signed by the Company and is as follows:

- In October 2020, the Company entered into an asset lease agreement with Comware S. A. for a term of 36 months with a monthly fee of US$1,598.
- In November 2019, the Company entered into a lease agreement with Ekopark for 1 office and 5 parking lots for a term of 10 years, with a monthly fee of US$4,858 for the offices and US$935 for the parking lots.
- The Company entered into an agreement with Leterago del Ecuador S. A., for the commercialization of inventories with a term starting January 2019 for 48 months (December 2022), in which it is granted the exclusive right of commercial distribution for the private pharmaceutical market, of all current and future products; of its own manufacture or of third parties of domestic or imported manufacture, with its own brands or generics, of all its lines.

Contingencies

As of March 31,2022, the Company has no lawsuits or claims that must be disclosed or provisioned.

NOTE 24 - SUBSEQUENT EVENTS

Between March 31, 2022, and the date of issuance of these financial statements, April 30, 2022, no events occurred which, in the opinion of the company's administration, could have a significant effect on those financial statements that have not been Revealed in them or in their notes.

Douglas Cadena Camacho — Firmado digitalmente por Douglas Cadena Camacho Fecha: 2022.05.26 19:43:07 -05'00'		Alex Hernández — Firmado digitalmente por Alex Hernández Fecha: 2022.05.26 21:05:26 -05'00'
Douglas Cadena Special Attorney	Silvia Moreno Accountant	Alex Hernández Financial Controller

Glenmark Pharmaceuticals Limited
Notes to the Standalone Financial Statements
(All amounts in million of Indian Rupees, unless otherwise stated)

NOTE 9 - CURRENT FINANCIAL ASSETS

(i) TRADE RECEIVABLES

Particulars	As at 31 Mar 2022	As at 31 March 2021
Unsecured		
Considered good * (Refer note 35)	236.668,63	485.065,55
Considered doubtful #	-	-
Allowance for doubtful debts/ expected credit losses #	-	-
Total	**236.668,63**	**485.065,55**
* Includes amount receivable from related parties (Refer note 32(b))	-	-
# Includes amount receivable from related party (Refer note 32(b))	-	-

The trade receivables have been recorded at their respective carrying amounts and are not considered to be materially different from their fair values as these are expected to realise within a short period from the date of balance sheet. All of the Company's trade receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of Rs.100.00 (2020 - Rs. 149.00) has been recorded during the year. The movement in the expected credit losses is as follows:

Particulars	As at 31 Mar 2022	As at 31 March 2021
Opening balance	-	-
Provision for credit losses during the year (net)	-	-
Closing balance	-	-

Ageing Schedule

Particulars	Outstanding for following periods from due of payments					Total
	Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
(i) Undisputed Trade Receivable - considered good	237.611,15	(942,52)	-	-	-	236.668,63
(ii) Undisputed Trade Receivable - which have significant increase in credit risk	-	-	-	-	-	-
(ii) Undisputed Trade Receivable - credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivable - considered good	-	-	-	-	-	-
(v) Disputed Trade Receivable - which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivable - credit impaired	-	-	-	-	-	-

Previous year
Ageing Schedule

Particulars	Outstanding for following periods from due of payments					Total
	Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	
(i) Undisputed Trade Receivable - considered good	485.459,97	(394,42)	-	-	-	485.065,55
(ii) Undisputed Trade Receivable - which have significant increase in credit risk	-	-	-	-	-	-
(ii) Undisputed Trade Receivable - credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivable - considered good	-	-	-	-	-	-
(v) Disputed Trade Receivable - which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivable - credit impaired	-	-	-	-	-	-

Glenmark Pharmaceuticals Limited
Notes to the Standalone Financial Statements
(All amounts in million of Indian Rupees, unless otherwise stated)

NOTE 13 - NON-CURRENT FINANCIAL LIABILITIES

(ii) TRADE PAYABLES

Particulars	As at 31 Mar 2022	As at 31 March 2021
Trade payables outstanding dues to Micro, small and medium enterprises under MSMED Act, 2006 [Refer note (i) below]	-	-
Trade payables outstanding dues to creditors other than micro, small and medium enterprises	429.612,00	317.950,00
Trade payables to related party (Refer note 27 and 32)	1.263.697,03	1.499.236,00
Total	**1.693.309,03**	**1.817.186,00**

Note (i)
The Company has certain dues to suppliers registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'

Particulars	As at 31 Mar 2022	As at 31 March 2021
a) The principle amount remaining unpaid to any supplier at the end of the year	-	-
b) Interest due remaining unpaid to any supplier at the end of the year	-	-
c) The amount of interest paid by the buyer in terms of section 16 of MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during the year	-	-
d) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
e) The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
f) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprises, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act, as per the intimation received from them on request made by the Company. There are no overdue principle amounts/ interest payable amounts for delayed payments to such vendors at the Balance sheet date. There are no delays in payment made to such suppliers during the year or for any earlier years and accordingly there is no interest paid or outstanding interest in this regard in respect of payment made during the year or on balance brought forward from previous year, except disclosed above.

Note (ii)

Ageing Schedule

Particulars	Outstanding for following periods from due of payments #				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
(i) MSME	429.612,00	-	-	-	429.612,00
(ii) Others - Related Parties	866.104,01	397.592,02	-	-	1.263.696,03
(iii) Disputed dues - MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-

Ageing Schedule

Previous year

Particulars	Outstanding for following periods from due of payments #				Total
	Less than 1 year	1 - 2 years	2 - 3 years	More than 3 years	
(i) MSME	317.950,00	-	-	-	317.950,00
(ii) Others - Related Parties	718.836,82	671.443,50	108.955,68	-	1.499.236,00
(iii) Disputed dues - MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-

Glenmark Pharmaceuticals Limited

Notes to the Standalone Financial Statements

(All amounts in million of Indian Rupees, unless otherwise stated)

	As at 31 Mar 2022	As at 31 Mar 2021
a) Current Ratio,	1,5	1,2
(b) Debt-Equity Ratio,	NA	NA
(c) Debt Service Coverage Ratio,	NA	NA
(d) Return on Equity Ratio,	-109,5%	-1,3%
(e) Inventory turnover ratio,	2,1	1,9
(f) Trade Receivables turnover ratio,	9,4	9,3
(g) Trade payables turnover ratio,	10,5	9,1
(h) Net capital turnover ratio,	7,4	2,3
(i) Net profit ratio,	-14,8%	-0,5%
(j) Return on Capital employed,	7,5%	-71,4%
(k) Return on investment.	-109,5%	-1,3%

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.