

GLENMARK PHARMACEUTICALS CANADA INC.

Financial Statements

March 31, 2023

Audited

GLENMARK PHARMACEUTICALS CANADA INC.

March 31, 2023

CONTENTS

	<u>Page</u>
Financial Statements	
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Deficit	4
Statement of Loss	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 14

Independent Auditor's Report

To the Shareholders
GLENMARK PHARMACEUTICALS CANADA INC.

Opinion

I have audited the accompanying financial statements of Glenmark Pharmaceuticals Canada Inc. , which comprises the balance sheet as at March 31, 2023, and the statements of loss, deficit and cash flows for the year then ended, and notes to financial statement, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Glenmark Pharmaceuticals Canada Inc. as at March 31, 2023 , and the result of its financial operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audits.



D ARORA AND CO
Chartered Professional Accountants

Burnaby, BC
May 05, 2023

GLENMARK PHARMACEUTICALS CANADA INC.

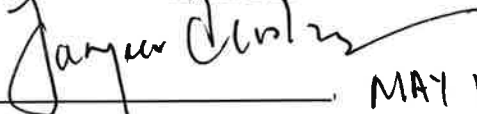
Balance Sheet

March 31, 2023

Audited

	Note	2023 \$ CAD	2022 \$ CAD
Assets			
Current Assets			
Cash		947,436	1,245,495
Accounts receivable	3.	3,895,658	2,441,132
Inventory	4.	1,477,578	1,550,960
Future tax recoverable	5.	296,907	32,763
Other current assets	6.	153,186	147,541
Total Current Assets		6,770,765	5,417,891
Non-Current assets			
Property, plant and equipment, net of accumulated depreciation	7.	2,496	6,245
Intangible Asset, net of accumulated amortization	8.	56,022	72,022
Total Assets		6,829,283	5,496,158
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	9.	4,679,051	3,476,187
Taxes payable	10.	171,904	-
Total Liabilities		4,850,955	3,476,187
Share capital			
Share capital	12.	2,110,600	2,110,600
Deficit		(132,272)	(90,629)
Total Equity		1,978,328	2,019,971
Total Liabilities and Equity		6,829,283	5,496,158

Approved on Behalf of the Board:


 _____ MAY 10th, 2023

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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Deficit

For the Year Ended March 31, 2023

Audited

	2023	2022
	\$ CAD	\$ CAD
Deficit - beginning	(90,629)	(171,973)
Net income (loss)	(41,643)	81,344
Deficit - ending	(132,272)	(90,629)

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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Loss

For the Year Ended March 31, 2023

Audited

	Note	2023 \$ CAD	2022 \$ CAD
Sales	13.	8,723,905	7,051,217
Cost of materials	15.	4,185,168	5,373,273
Salary and benefits		1,727,320	1,269,236
Other operating expenses	17.	2,912,773	2,057,460
		8,825,261	8,699,969
Income (loss) from operations		(101,356)	(1,648,752)
Other income		-	1,759,424
Income (loss) before taxes		(101,356)	110,672
Provision(credit) for income taxes	16.	(59,713)	29,328
Net Income(loss)		(41,643)	81,344

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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Cash Flows

For the Year Ended March 31, 2023

Audited

	2023 \$ CAD	2022 \$ CAD
OPERATING ACTIVITIES:		
Net income (loss)	(41,643)	81,344
Items not affecting cash		
Depreciation	19,749	11,727
Changes in working capital		
Accounts receivable	(1,454,526)	719,066
Taxes payable	171,904	-
Inventory	73,382	2,569,148
Future tax recoverable	(264,144)	29,329
Other current assets	(5,645)	74,175
Accounts payable and accrued liabilities	1,202,864	(4,031,705)
Net increase (decrease) in cash	(298,059)	(546,916)
Cash at beginning of year	1,245,495	1,792,411
Cash at end of year	947,436	1,245,495

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

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

1. Nature of operations and basis of presentation

a. Nature of operations

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

b. Basis of presentation

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

2. Significant Accounting Policies

a. Revenue recognition

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

Provisions for professional allowances and discounts are estimated and provided for in the year of sales and recorded as reduction of revenue as per accrual method of accounting. However, for income tax purposes professional allowances are allowed as a deduction from taxable profit on payment basis.

b. Use of estimates

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

c. Property, plant and equipment

Property, plant and equipment is recorded at cost, or deemed cost, less accumulated depreciation. For financial reporting purposes, depreciation is determined on a straight-line basis using estimated useful lives of 5 years.

d. Intangible Asset

Licenses and registration expenditures for the use of third-party products are capitalized and amortized on a straight-line-basis over 5 years.

e. Inventory

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

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

2. Significant Accounting Policies (Cont'd)

f. Accounts receivable

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

g. Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. With respect to financial assets measured at cost or amortized cost, the company recognizes in the statement of income an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. Financial assets of the company comprises of cash, account receivables and other receivables (except tax related receivables). Financial's liabilities of the company comprises of accounts payable and other liabilities (except tax related liabilities).

h. Related party transactions

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

i. Income taxes

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

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

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

3. Accounts receivable

	2023 \$ CAD	2022 \$ CAD
Accounts receivable	5,698,825	2,565,755
Provision for allowances and discounts	(1,097,912)	(79,540)
Provision for distribution fee	(626,262)	(17,760)
Provision for cash discount	(63,993)	(27,323)
Provision for shelf stock adjustments	(15,000)	-
Total	3,895,658	2,441,132

4. Inventory

The closing inventory consists of finished products with the value of \$ 1,477,578 on March 31, 2023. (prior year \$ 1,550,960)

5. Future tax recoverable

Future Tax recoverable has been calculated based on statutory Canadian federal and provincial income tax rates. Corporate tax returns are subject to audit and reassessment by the Canada Revenue Agency. Future tax recoverable in the current year is created on provisions for professional allowances and discounts which are recorded as reduction of revenue as per accrual method of accounting, but recognized as a deduction on payment basis for income tax purposes. In the previous year future income tax was created on un-absorbed tax losses. The results of any assessments will be accounted for in the year in which they are determined:

	2023 \$ CAD	2022 \$ CAD
Future tax recoverable	296,907	32,763

6. Other current assets

	2023 \$ CAD	2022 \$ CAD
Rent deposit	10,373	10,374
HST/GST refundable	138,151	133,804
Prepaid expenses	4,662	3,363
Total	153,186	147,541

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

7. Property, plant and equipment

			2023	2022
	Cost	Accumulated	Net Book	Net Book
	\$ CAD	Depreciation	Value	Value
		\$ CAD	\$ CAD	\$ CAD
Furniture and fixtures	18,747	(16,251)	2,496	6,245
Total	18,747	(16,251)	2,496	6,245

8. Intangible Asset

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

			2023	2022
	Cost	Accumulated	Net Book Value	Net Book Value
	\$ CAD	amortization	\$ CAD	\$ CAD
		\$ CAD		
License	80,000	(23,978)	56,022	72,022
Total	80,000	(23,978)	56,022	72,022

9. Accounts payable and accrued liabilities

	2023	2022
	\$ CAD	\$ CAD
Glenmark Pharmaceuticals Limited. India (note 11)	3,612,765	2,876,099
Glenmark Pharmaceuticals Inc. USA (note 11)	141,492	38,485
Provision for expenses	718,095	561,603
Other accounts payable	206,699	-
Total	4,679,051	3,476,187

10. Taxes payable

	2023	2022
	\$ CAD	\$ CAD
Provision for income tax	171,904	-

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

11. Related party transactions

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

	2023 \$ CAD	2022 \$ CAD
Glenmark Pharmaceuticals Inc. USA - under common control		
Reimbursement of expenses	97,733	32,687
Accounts payable	141,492	38,485
Glenmark Pharmaceuticals Limited, India - under common control		
Reimbursement of distribution Loss	-	1,759,424
Purchases	3,881,661	3,634,649
Accounts payable	3,612,765	2,876,099
Cross charge of expenses	161,213	(885,963)

12. Share capital

Authorized:

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

	2023 \$ CAD	2022 \$ CAD
2110600 Common shares, fully paid up	2,110,600	2,110,600

13. Sales

	2023 \$ CAD	2022 \$ CAD
Gross sales	16,021,572	12,203,829
Allowances and discounts	(7,297,667)	(5,152,612)
Total	8,723,905	7,051,217

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

14. Other income

	2023	2022
	\$ CAD	\$ CAD
Reimbursement from GPL India	-	1,759,424
Total	-	1,759,424

In the previous year, Glenmark Pharmaceuticals Canada Inc. (GPCI) charged its affiliate, Glenmark Pharmaceuticals Limited (GPL) India for the reimbursement of losses for distribution of goods in Canadian Market in accordance with transfer pricing agreement between India and Canada

15. Cost of materials

	2023	2022
	\$ CAD	\$ CAD
Opening inventory	1,550,960	4,120,108
Purchase, during the year (net)	4,042,874	2,748,685
Closing inventory	(1,477,578)	(1,550,960)
other direct cost	68,912	55,440
Total	4,185,168	5,373,273

During the current year Glenmark Pharmaceuticals Limited, India (GPL) charged Glenmark Pharmaceuticals Canada Inc. (GPCI) \$ 161,213, previous year (\$ Nil) through a debit note in accordance with transfer pricing agreement which is included in purchase.

16. Income Tax

During the current year CRA assessed income tax for prior years and allowed professional allowances on payment basis instead of accrual. Accordingly prior year return has been re-assessed and amount payable has been showed under taxation in respect of earlier years

	2023	2022
	\$ CAD	\$ CAD
Current tax	171,904	-
Deferred tax charge (credit)	(264,143)	29,328
Taxation in respect of earlier years	32,526	-
Net tax charged (credit)	(59,713)	29,328

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

16. Income Tax (Cont'd)

	2023	2022
	\$ CAD	\$ CAD
Net Income(loss)	(41,643)	81,344
Add: Expense/provision adjusted for income tax working	972,778	113,141
	931,135	194,485
Less: prior year losses adjusted	(282,443)	(194,485)
Net income for income tax purposes	648,692	-
Tax applied	171,904	-

17. Other operating expenses

	2023	2022
	\$ CAD	\$ CAD
Professional fees	1,350,073	934,783
Regulatory expenses	467,140	141,976
Foreign exchange loss	347,832	30,351
Legal fees	159,122	189,567
Sales commission	103,257	339,149
Advertisement and publicity	95,415	105,353
Sales & marketing research	84,431	63,760
Travelling expenses	58,786	13,013
Conference expenses	57,837	36,762
Office rent	54,480	53,881
General expenses	50,024	47,245
Auditor's remuneration	16,500	17,447
Depreciation on intangible assets	16,000	7,978
Telephone expenses	14,395	12,439
Insurance	12,840	10,090
Office supplies	12,218	1,612
Bank charges	5,695	7,917
Depreciation on tangible assets	3,749	3,749
Government dues	2,979	25,163
Connectivity charges	-	15,225
Total	2,912,773	2,057,460

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2023

Audited

18. Financial Instruments and risk management

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The Company's financial instruments consist of cash, receivables, payables, accrued liabilities and related-party transactions. The following analysis provides information about the company's risk exposure and concentration as at March 31, 2023.

a. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of funds from its customers and to be able to pay company's liabilities as they become due.

b. Market risk

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

c. Currency risk

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

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

19. Comparative figures

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