

GLENMARK PHARMACEUTICALS CANADA INC.

Financial Statements

March 31, 2024

GLENMARK PHARMACEUTICALS CANADA INC.

March 31, 2024

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Independent Auditor's Report

To the Shareholders
GLENMARK PHARMACEUTICALS CANADA INC.

Opinion

I have audited the accompanying financial statements of Glenmark Pharmaceuticals Canada Inc., which comprises the balance sheet as at March 31, 2024, and the Statements of income, retained earnings 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, 2024, 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 17, 2024

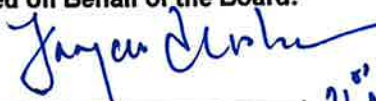
GLENMARK PHARMACEUTICALS CANADA INC.

Balance Sheet

March 31, 2024

	Note	2024 \$ CAD	2023 \$ CAD
Assets			
Current Assets			
Cash		116,221	947,436
Accounts receivable	4.	4,083,562	3,895,658
Inventory	5.	4,842,851	1,477,578
Future tax recoverable	6.	636,686	296,907
Advances to foreign related party	3.	2,038,162	-
Other current assets	7.	212,213	153,186
Total Current Assets		11,929,695	6,770,765
Non-Current assets			
Property, plant and equipment, net of accumulated depreciation	8.	7	2,496
Intangible Asset, net of accumulated amortization	9.	40,022	56,022
Total Assets		11,969,724	6,829,283
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	10.	9,248,213	4,679,051
Taxes payable		466,722	171,904
Total Liabilities		9,714,935	4,850,955
Share capital			
Share capital	12.	2,110,600	2,110,600
Retained earnings (deficit)		144,189	(132,272)
Total Equity		2,254,789	1,978,328
Total Liabilities and Equity		11,969,724	6,829,283

Approved on Behalf of the Board:


 _____ 21st MAY 2024

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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Retained Earnings

For the Year Ended March 31, 2024

	2024	2023
	\$ CAD	\$ CAD
Retained earning (deficit) - beginning	(132,272)	(90,629)
Net income (loss)	276,461	(41,643)
Retained earning (deficit) - ending	144,189	(132,272)

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

GLENMARK PHARMACEUTICALS CANADA INC.

Statement of Income

For the Year Ended March 31, 2024

	Note	2024 \$ CAD	2023 \$ CAD
Sales	13.	13,953,290	8,723,905
Cost of materials	15.	7,878,546	4,185,168
Salary and benefits		2,153,539	1,812,314
Other operating expenses	16.	3,520,976	2,827,779
		13,553,061	8,825,261
Income (loss) from operations		400,229	(101,356)
Other income		7,013	-
Income (loss) before taxes		407,242	(101,356)
Provision(credit) for income taxes	14.	130,781	(59,713)
Net Income(loss)		276,461	(41,643)

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, 2024

	2024	2023
	\$ CAD	\$ CAD
OPERATING ACTIVITIES:		
Net income (loss)	276,461	(41,643)
Items not affecting cash		
Depreciation	18,489	19,749
Changes in working capital		
Accounts receivable	(187,904)	(1,454,526)
Taxes payable	294,818	171,904
Inventory	(3,365,272)	73,382
Future tax recoverable	(339,779)	(264,144)
Other current assets	(59,028)	(5,645)
Accounts payable and accrued liabilities	4,569,162	1,202,864
	1,206,947	(298,059)
INVESTING ACTIVITIES:		
Loan to related party	(2,038,162)	-
Net increase (decrease) in cash	(831,215)	(298,059)
Cash at beginning of year	947,436	1,245,495
Cash at end of year	116,221	947,436

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, 2024

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.

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

2. Significant Accounting Policies (Cont'd)

e. Inventory

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

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.

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

2. Significant Accounting Policies (Cont'd)

i. Income taxes (Cont'd)

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.

3. Advances to foreign related party

The company entered into loan agreements with Glenmark Pharma USA. Which is a related party, in current year and advanced \$ 2,038,162 (2023: NIL). The loan carried interest at 6%. This loan has been repaid by the related party in April 2024

4. Accounts receivable

	2024 \$ CAD	2023 \$ CAD
Accounts receivable	6,522,046	5,698,825
Provision for allowances and discounts	(1,226,694)	(1,097,912)
Provision for distribution fee	(839,200)	(626,262)
Provision for cash discount and shelf stock adjustment	(100,127)	(78,993)
Provision for volume incentive rebate/ returns	(272,463)	-
Total	4,083,562	3,895,658

5. Inventory

The closing inventory consists of finished products with the value of \$ 4,842,851 on March 31, 2024. (prior year \$ 1,477,578)

6. 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:

	2024 \$ CAD	2023 \$ CAD
Future tax recoverable	636,686	296,907

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

7. Other current assets

	2024 \$ CAD	2023 \$ CAD
Rent deposit	10,373	10,373
HST/GST refundable	196,540	138,151
Prepaid expenses	5,300	4,662
Total	212,213	153,186

8. Property, plant and equipment

	2024 Cost \$ CAD	2023 Accumulated Depreciation \$ CAD	2024 Net Book Value \$ CAD	2023 Net Book Value \$ CAD
Furniture and fixtures	18,747	(18,740)	7	2,496

9. Intangible Asset

The company paid an advance of \$80,000 in 2018 to acquire a license for ANDA (Abbreviated new drug application) 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 ANDA into the company's name. The Company has capitalised the advance of \$80,000 as Intangible Asset.

	2024 Cost \$ CAD	2023 Accumulated amortization \$ CAD	2024 Net Book Value \$ CAD	2023 Net Book Value \$ CAD
License	80,000	(39,978)	40,022	56,022

10. Accounts payable and accrued liabilities

	2024 \$ CAD	2023 \$ CAD
Glenmark Pharmaceuticals Limited. India (note 11)	7,627,796	3,612,765
Glenmark Pharmaceuticals Inc. USA (note 11)	16,534	141,492
Provision for expenses	1,265,653	718,095
Other accounts payable	338,230	206,699
Total	9,248,213	4,679,051

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

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 unless specified otherwise.

	2024 \$ CAD	2023 \$ CAD
Glenmark Pharmaceuticals Inc., USA - under common control		
Reimbursement of expenses	190,976	97,733
Interest Income	7,013	-
Accounts payable	16,534	141,492
Loan receivable(Refer Note Below)	2,038,162	-
Glenmark Pharmaceuticals Limited, India - under common control		
Purchases	9,071,124	3,881,661
Accounts payable	7,627,796	3,612,765
Cross charge of expenses	1,987,238	161,213

The company has provided unsecured loan to Glenmark Pharmaceuticals Inc., USA, a related corporation. This unsecured loan bears interest rate of 6%.

12. Share capital

Authorized:

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

	2024 \$ CAD	2023 \$ CAD
2,110,600 Common shares, fully paid up	2,110,600	2,110,600

13. Sales

	2024 \$ CAD	2023 \$ CAD
Gross sales	22,617,467	16,021,572
Allowances and discounts	(8,664,177)	(7,297,667)
Total	13,953,290	8,723,905

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

14. Income Tax

	2024	2023
	\$ CAD	\$ CAD
Current tax	466,722	171,903
Deferred tax credit	(339,779)	(264,143)
Taxation in respect of earlier years	3,838	32,527
Net tax charged (credit)	130,781	(59,713)
	2024	2023
	\$ CAD	\$ CAD
Net Income(loss)	276,461	(41,643)
Add: Expense/provision adjusted for income tax working	1,824,533	972,778
	2,100,994	931,135
Less: prior year losses adjusted	-	(282,443)
Net income for income tax purposes	2,100,994	648,692
Current income tax	466,722	171,904
Net effective tax rate (%)	26.50	26.50

15. Cost of materials

	2024	2023
	\$ CAD	\$ CAD
Opening inventory	1,477,578	1,550,960
Purchase, during the year (net)	11,159,547	4,042,874
Closing inventory	(4,842,851)	(1,477,578)
Other direct cost	84,272	68,912
Total	7,878,546	4,185,168

During the current year Glenmark Pharmaceuticals Limited, India (GPL) charged Glenmark Pharmaceuticals Canada Inc. (GPCI) \$1,987,238, previous year (\$161,213) through a debit note in accordance with transfer pricing agreement which is included in purchase.

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

16. Other operating expenses

	2024 \$ CAD	2023 \$ CAD
Professional fees	1,695,394	1,265,078
Regulatory expenses	560,441	467,140
Legal fees	382,412	159,122
Intellectual property right expenses	197,549	-
Conference expenses	104,729	57,838
Advertisement and publicity	100,007	95,415
General expenses	88,639	50,024
Sales & marketing research	79,731	84,432
Travelling expenses	73,847	58,786
Foreign exchange loss	55,211	347,831
Office rent	55,118	54,480
Connectivity charges	23,753	-
Insurance	16,060	12,840
Amortization of intangible assets	16,000	16,000
Auditor's remuneration	15,750	16,500
Telephone expenses	15,283	14,395
Office supplies	14,868	12,218
Meals-Travels	10,354	-
Sales commission	7,538	103,257
Bank charges	5,803	5,695
Amortization of tangible assets	2,489	3,749
Government dues	-	2,979
Total	3,520,976	2,827,779

17. Contingencies - litigation

The Company have been named as defendants in a proposed class proceeding entitled Kathryn Eaton vs. Glenmark Pharmaceuticals Canada Inc., et al. in the Federal Court in Toronto, Ontario, Canada (Court File No. T-607-20). The plaintiff seeks to certify a proposed class action on behalf of persons in Canada who purchased generic drugs in the private sector, alleging that the Company and other defendants violated the Competition Act by conspiring to allocate the market, fix prices, and maintain the supply of generic drugs, and seeking damages under federal law. The Company disputes the claims against it and will defend itself vigorously. As of March 31, 2024, the external legal counsel of the company is not aware of any possible claims against the company.

GLENMARK PHARMACEUTICALS CANADA INC.

Notes to the Financial Statements

For the Year Ended March 31, 2024

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, 2024.

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.