

ALEMBIC PHARMACEUTICALS CANADA LTD.

2018 Financial Statements

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2018 Financial Statements

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Independent Auditor's Report

To the Shareholder of
Alembic Pharmaceuticals Canada Ltd.

We have audited the accompanying financial statements of Alembic Pharmaceuticals Canada Ltd., which comprise the statement of financial position as at March 31, 2018, and the statements of comprehensive operations and changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alembic Pharmaceuticals Canada Ltd. as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BGD LLP

Chartered Professional Accountants
Licensed Public Accountants
Mississauga, Ontario
April 18, 2018

ALEMBIC PHARMACEUTICALS CANADA LTD.

Statement of Financial Position

As at March 31

	2018	2017
ASSETS		
Current assets		
Cash	\$ 12,224	\$ 4,061
Prepaid expenses	4,141	4,092
HST receivable	4,627	2,872
	<u>\$ 20,992</u>	<u>\$ 11,025</u>
LIABILITIES, SHARE CAPITAL AND DEFICIT		
Current liability		
Accounts payable and accrued liabilities	\$ 5,000	\$ 5,400
Due to shareholder (note 5)	85,000	55,000
	<u>90,000</u>	<u>60,400</u>
Share capital and deficit		
Share capital (note 6)	10,000	10,000
Deficit	(79,008)	(59,375)
Accumulated other comprehensive income	-	-
	<u>(69,008)</u>	<u>(49,375)</u>
	<u>\$ 20,992</u>	<u>\$ 11,025</u>

See accompanying notes

On behalf of the Board

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Director

ALEMBIC PHARMACEUTICALS CANADA LTD.**Statement of Comprehensive Operations
and Changes in Equity
Year ended March 31**

	2018	2017
	\$	\$
Expenses		
Regulatory filings	8,451	6,158
Management fees	6,312	5,328
Professional fees	4,600	5,400
Interest and bank charges	270	473
Office and administration	-	2,407
	<u>19,633</u>	<u>19,766</u>
Net loss	(19,633)	(19,766)
Other comprehensive income (loss)		
Total comprehensive loss	(19,633)	(19,766)
Deficit, beginning of year	(59,375)	(39,609)
Deficit, end of year	<u>\$ (79,008)</u>	<u>\$ (59,375)</u>

See accompanying notes

ALEMBIC PHARMACEUTICALS CANADA LTD.**Statement of Cash Flows****Year ended March 31**

	2018	2017
Operating activities		
Net loss	\$ (19,633)	\$ (19,766)
Net change in non-cash working capital items		
Prepaid expenses	(49)	(1,542)
HST	(1,755)	(109)
Accounts payable and accrued liabilities	(400)	(238)
	(2,204)	(1,889)
Cash flows from operating activities	(21,837)	(21,655)
Investing activity		
Advances from shareholder	30,000	25,000
Net change in cash during the year	8,163	3,345
Cash, beginning of year	4,061	716
Cash, end of year	\$ 12,224	\$ 4,061

See accompanying notes

ALEMBIC PHARMACEUTICALS CANADA LTD.

Notes to Financial Statements

Year ended March 31, 2018

1. Nature of operations

Alembic Pharmaceuticals Canada Ltd. is a privately held company, incorporated under the laws of Ontario. The company is a wholly owned subsidiary of Alembic Global Holding SA. The company is entering the Canadian pharmaceutical market to engage in the sale of pharmaceutical products. The parent company in India is vertically integrated with the ability to develop, manufacture and market pharmaceutical products, and pharmaceutical substances.

2. Basis of presentation

These financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They were authorized for issue by the company's board of directors on April 18, 2018.

3. Summary of significant accounting policies

Basis of accounting

The audited financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

Revenue recognition

Revenue is recognized for product sales upon passing of risk and title to the customer, collection is reasonably assured, and the company has no further performance obligations.

Accounting estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Income taxes

Current income tax represents the expected income recoverable (or payable) on taxable income for the period using income tax rates enacted or substantially enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amount of existing assets and liabilities in the financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

ALEMBIC PHARMACEUTICALS CANADA LTD.

Notes to Financial Statements
Year ended March 31, 2018

3. Summary of significant accounting policies — continued

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification at the initial recognition of financial instruments, the company must classify financial assets into one of the following categories: at fair value through profit or loss, held to maturity, loans and receivables and available for sale.

The company's financial assets consist of cash and harmonised sales tax receivable and are measured at fair value due to the short-term nature of these assets. The company's financial liabilities consist of accounts payable and accrued liabilities.

Recent Accounting Pronouncements

Financial instruments

IFRS 9 - Financial Instruments - uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash and cash equivalents flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

4. Related party transactions

During the year, the company received \$30,000 (2017 - \$25,000) from Alembic Global Holding SA, company holds shares in Alembic Pharmaceuticals Canada Limited.

5. Due to shareholder

The amount due to the shareholders is unsecured, non-interest bearing with no specific terms of repayment. Since the shareholders have indicated that it is not their intention to request payment of this amount during the next fiscal year, this amount has been classified as a non-current liability in the accompanying financial statements.

6. Share capital

Authorized

Unlimited number of Class A shares, voting, redeemable and retractable at par value

	2018	2017
Issued		
Class A shares	\$ 10,000	\$ 10,000

ALEMBIC PHARMACEUTICALS CANADA LTD.

Notes to Financial Statements
Year ended March 31, 2018

7. Capital management

The Company manages its capital with the following objectives:

To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and to maximize shareholder return through enhancing value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

8. Deferred income taxes

	2018	2017
Summary of income tax expenses		
Expected future tax rate	26.50%	26.50%
Taxable losses	\$ 79,008	\$ 59,375
Future tax asset	\$ (79,008)	\$ (59,375)

The company has non-capital loss for income tax purposes of approximately \$79,008 which are available to be applied against future years' taxable income. The benefit of these non-capital losses has not been recognised in financial statement.

9. Financial instruments

Liquidity risk

The company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liability when due. As at March 31, 2018, the company had current assets of \$22,570 (2017 - \$11,025) and current liabilities of \$5,000 (2017 - \$5,400). Current working capital of the company as at March 31, 2018, is \$15,992 (2017 - \$5,625).

Credit risk

The company's credit risk is primarily attributable to cash. The company manages the credit risk on cash by ensuring that the counter-parties are banks with high credit-ratings assigned by international credit agencies.

ALEMBIC PHARMACEUTICALS CANADA LTD.

Notes to Financial Statements

Year ended March 31, 2018

9. Financial instruments — continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, foreign currency risk and other price risk.

Interest Rate Risk

The company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

Foreign Currency Risk

Foreign currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial instruments of the company. The company is not exposed to foreign currency risk.

Equity Price Risk

Equity Price risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the company. The company is not exposed to equity price risk.