

**ALEMBIC PHARMACEUTICALS CANADA LTD.**

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**2015 Financial Statements**

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**Contents**

	<b>Page</b>
Independent Auditor's Report	1
Balance Sheet	2
Statement of Operations and Deficit	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 6

## 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 balance sheet as at March 31, 2015, and the statements of operations and deficit 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 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.

### *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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

**BGD LLP**

Chartered Accountants  
Licensed Public Accountants  
Mississauga, Ontario  
April 13, 2015

**ALEMBIC PHARMACEUTICALS CANADA LTD.**

**Balance Sheet  
As at March 31**

	<b>2015</b>
<b>ASSETS</b>	
Current assets	
Cash	\$ 5,101
Harmonized sales taxes receivable	2,005
	<hr/>
	\$ 7,106
	<hr/> <hr/>
<b>LIABILITIES, SHARE CAPITAL AND DEFICIT</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 12,076
Due to shareholder (note 3)	10,000
	<hr/>
	22,076
	<hr/>
Share capital and deficit	
Share capital (note 4)	10,000
Deficit	(24,970)
	<hr/>
	(14,970)
	<hr/>
	\$ 7,106
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**See accompanying notes**

**On behalf of the Board**

( \_\_\_\_\_ ) **Director**

( \_\_\_\_\_ ) **Director**

# ALEMBIC PHARMACEUTICALS CANADA LTD.

## Statement of Operations

### and Deficit

Year ended March 31

	2015
Revenue	\$ -
Expenses	
Regulatory filings	12,884
Management fees	4,814
Professional fees	4,400
Office and administration	2,332
Interest and bank charges	540
	24,970
Net loss	(24,970)
Retained earnings, beginning of year	-
Deficit, end of year	\$ (24,970)

See accompanying notes

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

	<b>2015</b>
Operating activities	
Net loss	\$ (24,970)
	<u>(24,970)</u>
Net change in non-cash working capital items	
HST	(2,005)
Accounts payable and accrued liabilities	12,076
	<u>10,071</u>
Cash flows from operating activities	<u>(14,899)</u>
Financing activity	
Issuance of share capital	10,000
Investing activity	
Advances from (to) shareholder	10,000
Cash, end of year	<u>\$ 5,101</u>

**See accompanying notes**

# ALEMBIC PHARMACEUTICALS CANADA LTD.

## Notes to Financial Statements

Year ended March 31

### 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. Summary of significant accounting policies

The Company applies the Canadian accounting standards for private enterprises.

#### 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 Canadian accounting standards for private enterprises 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.

#### Financial instruments

##### Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Company subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and HST receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

##### Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income.

##### Income taxes

The Company has elected to account for income taxes using the taxes payable method. The taxes payable and provision for income taxes are based on the corporate income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefit of income tax losses carried forward.

# ALEMBIC PHARMACEUTICALS CANADA LTD.

## Notes to Financial Statements

Year ended March 31

### 3. 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.

### 4. Share capital

Authorized

- Unlimited number of Class A voting shares
- Unlimited number of Class B non-voting shares

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**2015**

Issued

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10,000	Class A voting shares	\$	10,000
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### 5. Financial instruments

The financial instruments of the Company and the nature of the risks to which it may be subject are as follows:

Liquidity risk

Liquidity risk is the risk that a company will encounter difficulty in meeting obligations associated with financial liabilities. The company has a comprehensive plan in place to meet its obligations as they come due - primarily through the use of cash flow from operations and through shareholders investment.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to exchange risk as it transacts in a foreign currency. The company does enter into any transactions to mitigate this risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to other price risk.