Financial Statements
(In thousands of Canadian dollars)

LUPIN PHARMA CANADA LTD.

And Independent Auditors' Report thereon

Year ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lupin Pharma Canada Ltd.

Opinion

We have audited the financial statements of Lupin Pharma Canada Ltd. (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of retained earnings (deficit) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' 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 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 5, 2021

LUPIN PHARMA CANADA LTD.

Statement of Financial Position
(In thousands of Canadian dollars)

March 31, 2021, with comparative information for 2020

	Note	2021	2020
Assets			
Current assets:			
Cash		$ 842	$ 1,477
Trade receivables	12	4,840	4,095
Due from related parties	12, 16	2,272	2,211
Inventories	4	22,670	15,266
Prepaid expenses and deposits		81	94
Total current assets		30,705	23,143
Non-current assets:			
Equipment	5	5	8
Right-of-use assets	6	91	213
Deferred tax assets	10	–	12
Intangible assets	7	1,238	–
Total non-current assets		1,334	233
Total assets		$ 32,039	$ 23,376
Liabilities and Equity			
Current liabilities:			
Trade payables	12	$ 642	$ 86
Accrued liabilities	12	975	1,203
Income tax payable	12	119	97
Due to related parties	12, 16	26,664	18,866
Lease liabilities	12, 14	112	146
Deferred tax liabilities	10	20	–
Total current liabilities		28,532	20,398
Non-current liabilities:			
Lease liabilities	12, 14	–	112
Total non-current liabilities		–	112
Total liabilities		28,532	20,510
Equity:			
Share capital	11	3,300	3,300
Retained earnings (deficit)		207	(434)
Total equity		3,507	2,866
Total liabilities and equity		$ 32,039	$ 23,376

The accompanying notes 1-17 are an integral part of these financial statements.

LUPIN PHARMA CANADA LTD.

Statement of Comprehensive Income
(In thousands of Canadian dollars)

Year ended March 31, 2021, with comparative information for 2020

	Note	2021	2020
Revenue		$ 31,956	$ 27,900
Cost of goods sold	4, 16	27,742	22,910
Gross profit		4,214	4,990
Expenses:			
Selling and marketing	8	4,378	5,270
General and administrative	8, 16	4,373	4,597
Foreign exchange (gain) loss		(3)	29
		8,748	9,896
Other income	16	5,429	6,368
Income from operating activities		895	1,462
Finance costs for loan payable	16	–	(11)
Finance costs for lease liabilities	14	(6)	(10)
Income before taxes		889	1,441
Income tax expense	9	248	415
Net income and comprehensive income		$ 641	$ 1,026

Statement of Retained Earnings (Deficit)
(In thousands of Canadian dollars)

Year ended March 31, 2021, with comparative information for 2020

	Note	2021	2020
Deficit, beginning of year		$ (434)	$ (1,419)
Adjustment on initial application of IFRS 16, net of tax	2(e)	–	(41)
Net income		641	1,026
Retained earnings (deficit), end of year		$ 207	$ (434)

The accompanying notes 1-17 are an integral part of these financial statements.

LUPIN PHARMA CANADA LTD.

Statement of Cash Flows
(In thousands of Canadian dollars)

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net income and comprehensive income	$ 641	$ 1,026
Income tax payment	(194)	–
Items not involving cash:		
Depreciation of equipment	3	4
Depreciation of right-of-use assets	122	121
Income tax expense	248	415
	820	1,566
Change in non-cash operating working capital:		
Trade receivables	(745)	261
Due from related parties	(61)	102
Inventories	(7,404)	1,389
Prepaid expenses and deposits	13	12
Trade payables	556	(630)
Accrued liabilities	(228)	259
Due to related parties	7,798	(1,801)
	749	1,158
Investments:		
Purchase of equipment	–	(5)
Purchase of intangible assets	(1,238)	–
	(1,238)	(5)
Financing:		
Repayment of loan payable	–	(1,001)
Payment of lease liabilities	(146)	(132)
	(146)	(1,133)
Increase (decrease) in cash	(635)	20
Cash, beginning of year	1,477	1,457
Cash, end of year	$ 842	$ 1,477

The accompanying notes 1-17 are an integral part of these financial statements.

Nature of operations:

Lupin Pharma Canada Ltd. (the "Company") was incorporated June 18, 2009. The Company is domiciled in Canada and the head office and registered address is 15 Wertheim Court, Suite 707, Richmond Hill, Ontario. As at March 31, 2021, the Company is a 99.99% subsidiary of Lupin Atlantis Holdings S.A. (the "Parent"), which is a 100% subsidiary of Lupin Limited (the "Ultimate Parent"). Its core business is to sell and distribute pharmaceutical products, to provide marketing services and to register and/or license dossiers/products/brands in Canada.

1. Basis of preparation:

(a) Statement of compliance and basis of measurement:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared under the historical cost convention.

The financial statements were authorized for issue by the Board of Directors on May 5, 2021.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information is presented in Canadian dollars.

(c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

1. Basis of preparation (continued):

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 2 - Leases;
- Note 3(g) - Recognition of deferred tax assets;
- Note 3(i) - Revenue recognition: estimate of expected returns;
- Note 3(d) - Intangible assets
- Note 12 - Trade receivables;
- Note 13 - Share-based payments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3(i) - Revenue recognition: estimate of expected returns;
- Note 12(a) - Measurement of expected credit losses ("ECL") allowance for trade receivables;
- Note 15 - Recognition and measurement of provision and contingencies: key assumption about the likelihood and magnitude of an outflow of resources.

2. Changes in accounting policies:

The Company adopted IFRS 16, Leases ("IFRS 16"), effective April 1, 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in deficit at April 1, 2019. Accordingly, the comparative information presented for 2019 fiscal year is not restated - i.e. it is presented, as previously reported, under International Accounting Standard ("IAS") 17, Leases ("IAS 17"), and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease:

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining whether an Arrangement contains a Lease ("IFRIC 4"). The Company now assesses whether a contract is or contains a lease based on the definition of a lease per IFRS 16.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

(b) As a lessee:

As a lessee, the Company leases office property. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

2. Changes in accounting policies (continued):

(c) Leases classified as operating leases under IAS 17:

Prior to March 1, 2020, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at April 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognize right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

- used hindsight when determining the lease term.

(d) As a lessor:

There was no significant impact to lessor accounting from adoption of IFRS 16.

(In thousands of Canadian dollars)

2. Changes in accounting policies (continued):

(e) Impact on financial statements:

The impact of the adoption of IFRS 16 as at April 1, 2019 was as follows:

	April 1, 2019
Right-of-use assets - properties	$ 334
Lease liabilities	(390)
Retained earnings	(41)
Deferred tax asset	15

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted-average rate applied was 3.1%.

Below is the reconciliation of the lease commitments disclosed as at March 31, 2019 to the lease liabilities recognized on April 1, 2019:

	April 1, 2019
Operating lease commitments at March 31, 2019	$ 412
Discounted using the incremental borrowing rate at April 1, 2019	(22)
Lease liabilities recognized at April 1, 2019	(390)

As at March 31, 2021, the Company recognized $91 (2020 - $213) of right-of-use assets and $112 (2020 - $258) of lease liabilities. In relation to these leases, the Company has recognized depreciation and interest costs. During the year, the Company recognized $122 (2020 - $121) of depreciation charges and $6 (2020 - $10) of interest expenses.

3. Significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below:

(a) Foreign currency transactions:

Transactions in foreign currencies are comprised of purchases from affiliated companies. These transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. The resulting foreign currency gains or losses are recognized in income or loss in the statement of comprehensive income. Non-monetary items are carried at historical cost.

(b) Inventories:

Inventories are comprised of generic and branded pharmaceutical products and are stated at the lower of cost and net realizable value. Cost is determined using the first-in-first-out cost method and includes all costs incurred in bringing the products to their present location. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(c) Equipment:

(i) Recognition and measurement:

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net in the statement of comprehensive income.

3. Significant accounting policies (continued):

(ii) Subsequent costs:

The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment is recognized in statement of comprehensive income as incurred.

(iii) Depreciation:

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives for the current and comparative years are as follows:

Office equipment	2 - 3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Intangible assets:

Licences providing the right to market, distribute and sell pharmaceutical products represent intangible assets and are recognized and measured at cost. The costs of licenses acquired that meet the specified criteria for capitalization are allocated to individual assets acquired.

Amortization commences when product sales have commenced. Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued):

Licences are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows from other assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(e) Finance costs:

Finance costs comprise interest expense on related party borrowings, impairment losses recognized on financial assets and interest expense from lease liabilities measured at the present value of the lease payment to be made over the lease term under IFRS 16.

(f) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses on non-financial assets recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued):

(g) Income taxes:

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the tax profit nor the accounting profit. Deferred tax is calculated at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(h) Share capital:

Common shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized within equity.

(i) Revenue:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue using the five step model framework:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations of the contract; and
- Recognize revenue when (or as) the Company satisfies a performance obligation.

The Company derives revenue from the sale of generic and branded pharmaceutical products. The primary contracts to provide products and services to customers are purchase orders which provide the Company's performance obligations and transaction price.

For performance obligations satisfied at a point in time, revenue is recognized when the Company has a present right to payment, the customer has legal title to the product, physical possession of the product has transferred to the customer and the customer has the significant risks and rewards of ownership. Generally, the customer obtains control at the time products are delivered or services are rendered.

Revenue from sale of products is recognized net of returns, product expiry claims, trade discounts, rebates and allowances. Estimated returns for non-saleable products from the customers are determined based on historical returns. No element of financing is deemed present as the sales are made with credit terms standard for the market.

3. Significant accounting policies (continued):

(j) Financial assets and liabilities

(i) Classification and measurement of financial assets:

On initial recognition, a financial asset is classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI") - debt investment, FVOCI - equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9, Financial Instruments, is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets are comprised of cash, trade receivables and due from related parties and are recognized initially at fair value plus any directly attributable transaction costs.

Cash comprise of cash balances and callable deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash for the purpose of the statement of cash flows.

Trade receivables do not include a significant financing component and are initially measured at the transaction price under IFRS 15, Revenue from Contracts with Customers.

Cash, trade receivables and due from related parties are subsequently measured at amortized cost using the effective interest method.

3. Significant accounting policies (continued):

(ii) Classification and measurement of financial liabilities:

Financial liabilities at FVTPL:

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise.

Financial liabilities at amortized cost:

These financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are carried at amortized cost using the effective interest rate method.

(iii) Derecognition of financial instruments:

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the assets. Any interest in transferred assets that are created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the underlying contractual obligation is legally discharged, cancelled or expires.

(iv) Offsetting of financial instruments:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

(v) Impairment of financial assets:

The impairment model applies to financial assets measured at amortized cost, contract assets and FVOCI - debt investments, but not to investments in FVOCI - equity instruments.

The loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

The fair values of cash, trade receivables, due from related parties, trade payables, accrued liabilities and due to related parties approximate their carrying amounts because of the short-term maturity of these financial instruments.

(k) Related party transactions:

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

3. Significant accounting policies (continued):

(l) New standards and interpretations not yet adopted:

The following standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") or Interpretations Committee have been assessed as having a possible effect on the Company in the future. The following standards and amendments are not yet effective and have not been applied in preparing these financial statements.

(i) Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") ("Amendments to IAS 1"):

On January 23, 2020, the IASB issued Amendments to IAS 1 to clarify the classification of liabilities as current or non-current. On July 15, 2020, the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting year.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that:

- settlement of a liability includes transferring a company's own equity instruments to the counterparty, and
- when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The Company intends to adopt the revised version of the Amendments in its financial statements for the annual period beginning on April 1, 2023. The extent of the impact of the adoption of the Amendments has not yet been determined.

3. Significant accounting policies (continued):

(ii) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") ("Amendments to IAS 37"):

On May 14, 2020, the IASB issued Amendments to IAS 37. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted.

IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying that the 'costs of fulfilling a contract' comprise both the incremental costs and allocation of other direct costs.

Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Framework in IFRS, issued in March 2018.

The amendments update a reference in IFRS 3 to the Framework for without changing the accounting requirements for business combinations.

(iii) Annual Improvements to IFRS Standards 2018-2020:

On May 14, 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020. The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

The amendments relate to the following:

(a) Simplifies the application of IFRS 1, First-time Adoption of International Financial Reporting Standards, for a subsidiary that becomes a first-time adopter of IFRS later than its parent;

(b) Clarifies which fees are included for the purpose of performing the '10 per cent test' for derecognition of financial liabilities, in relation to IFRS 9, Financial Instrument ("IFRS 9");

(c) Removes the illustration of payments from the lessor relating to leasehold improvements in relation to IFRS 16; and

3. Significant accounting policies (continued):

(d) Removes the requirement to exclude cash flows for taxation when measuring fair value in relation to IAS 41, Agriculture.

(iv) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, Financial Instruments - Recognition and Measurement, IFRS 7, Financial Instruments - Disclosures; IFRS 4, Insurance Contracts, and IFRS 16):

On August 27, 2020, the IASB finalized its response to the ongoing reform of inter-bank offered rates and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments are effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments complement those issued in 2019 as part of Phase 1 amendments and mainly relate to:

(a) Changes to contractual cash flows - a company will not have to derecognize the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

(b) Hedge accounting - a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

(c) Disclosures - a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

(v) Other standards:

The following new and amended standards are not expected to have a significant impact on the entity's financial statements:

(a) IFRS 17, Insurance Contracts ("IFRS 17"), and amendments to IFRS 17;

(b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16, Property, Plant and equipment); and

(c) COVID-19-Related Rent Concessions (Amendment to IFRS 16).

(In thousands of Canadian dollars)

4. Inventories:

	2021	2020
Pharmaceutical products	$ 22,670	$ 15,266
Cost of goods sold	27,742	22,910
Inventory write-downs	(577)	(372)

5. Equipment:

	Office equipment	Total
Cost		
Balance, March 31, 2019	$ 2,566	$ 2,566
Additions	5	5
Balance, March 31, 2020	2,571	2,571
Balance, March 31, 2021	$ 2,571	$ 2,571
Accumulated depreciation		
Balance, March 31, 2019	$ 2,559	$ 2,559
Depreciation charge	4	4
Balance, March 31, 2020	2,563	2,563
Depreciation charge	3	3
Balance, March 31, 2021	$ 2,566	$ 2,566
Carrying amounts		
At March 31, 2020	$ 8	$ 8
At March 31, 2021	5	5

(In thousands of Canadian dollars)

6. Right-of-use assets:

	Properties	Total
Cost		
Balance, March 31, 2019	$ –	$ –
Adoption of IFRS 16	606	606
Balance, March 31, 2020	606	606
Balance, March 31, 2021	$ 606	$ 606
Accumulated depreciation		
Balance, March 31, 2019	$ –	$ –
Adoption of IFRS 16	272	272
Charge for the year	121	121
Balance, March 31, 2020	393	393
Charge for the year	122	122
Balance, March 31, 2021	$ 515	$ 515
Carrying amounts		
At March 31, 2021	$ 91	$ 91
At March 31, 2020	213	213

(In thousands of Canadian dollars)

7. Intangible assets:

	Licences	Total
Cost		
Balance, March 31, 2020	$ –	$ –
Additions acquired	1,238	1,238
Balance, March 31, 2021	$ 1,238	$ 1,238
Accumulated amortization		
Balance, March 31, 2020	$ –	$ –
Amortization charge	–	–
Balance, March 31, 2021	$ –	$ –
Carrying amounts		
At March 31, 2021	$ 1,238	$ 1,238
At March 31, 2020	–	–

The licences have a remaining amortization period of ten years and will commence once products sales have commenced.

During the year, the Company acquired two individual licences in the amount of $1,000 and $238, respectively. One of the licences acquired by the Company during the year with an upfront cost of $1,000 has contingent consideration in the form of additional payments once predetermined milestone sales volumes are achieved. The predetermined sales volume ranges from $15,000 to $250,000 with respective milestone payments ranging from $300 to $3,000, representing an aggregate potential contingent consideration of $9,500. In addition to the milestone payments, the Company is also required to pay royalties on annual net sales volume up to $35,000. The royalty percentage ranges from 10% to 15%.

(In thousands of Canadian dollars)

8. Expenses:

The following is a breakdown of the selling and marketing a well as general and administrative expenses:

	2021	2020
Personnel expenses	$ 3,970	$ 4,955
Marketing and advertising	2,750	2,465
Professional and consulting	709	865
Distribution	353	321
Management fees	312	304
Depreciation	124	125
Insurance	102	97
Travel	47	286
Occupancy	19	28
Other	365	421
	$ 8,751	$ 9,867

9. Income tax expense:

	2021	2020
Deferred tax expense:		
Origination and reversal of temporary differences	$ 32	$ 318
Current tax expense	216	97
Total income tax expense	$ 248	$ 415

Income taxes differs from the amount that would have been computed by applying the combined Canadian federal and provincial statutory income tax rate of 26.56% for the year ended March 31, 2021 (2020 - 26.54%) to income before income taxes.

(In thousands of Canadian dollars)

9. Income tax expense (continued):

The reason for the differences are as follows:

	2021	2020
Income before income taxes	$ 889	$ 1,441
Expected tax expense at the combined Canadian federal and provincial statutory income tax rate of 26.56% (2020 - 26.54%)	$ 235	$ 382
Increase in income taxes resulting from:		
Permanent differences	13	33
Actual income tax expense	$ 248	$ 415

10. Deferred tax assets and liabilities:

Deferred tax assets are attributable to the following:

			2021			2020
	Assets	Liabilities	Net	Assets	Liabilities	Net
Non-capital losses carry forwards	$ –	$ –	$	$ –	$ –	$ –
Trade receivables	22	–	22	15	–	15
Equipment	1	–	1	1	–	1
Right-of-use assets	–	(43)	(43)	–	(4)	(4)
Deferred tax assets (liabilities)	$ 23	$ (43)	$ (20)	$ 16	$ (4)	$ 12

(In thousands of Canadian dollars)

11. Share capital:

As at March 31, 2021, the Company's authorized share capital is comprised of unlimited common shares with no par value. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the shareholders.

Prior to November 14, 2016, Lupin Holdings B.V. ("LHBV") held 330,000,000 shares (representing 99.99% shareholding) and the Parent held 100 shares (representing 0.01% shareholding) in the Company. On that date, as part of a strategic internal restructuring exercise, LHBV transferred its 99.99% shareholdings in the Company to the Parent for consideration of U.S. $3,729. After this transaction, the Parent holds 330,000,100 shares (representing 100% shareholding) in the Company.

	Amount	Number of shares
Balance, March 31, 2020 and 2021	$ 3,300	330,000,100

12. Financial risk management:

The Company's exposure to risks from its use of financial instruments and the Company's risk management framework are as follows:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics and geography of the Company's customer base, as these factors may have an influence on credit risk. Accounts receivable are past due when a customer fails to make a payment when contractually due. The Company specifically identifies customers with past due balances over credit terms and provides for these accounts where appropriate.

(In thousands of Canadian dollars)

12. Financial risk management (continued):

During the year ended March 31, 2021, approximately 81% (2020 - 83%) of the Company's revenue is attributable to sales transactions with four (2020 - four) customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
Trade receivables	$ 4,840	$ 4,095
Due from related parties	2,272	2,211

The carrying amounts of trade receivables represent the maximum credit exposure. The Company maintains an allowance for expected credit losses taking into account past experience of collecting payments as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. As at March 31, 2021, the allowance for credit losses is nil (2020 - nil).

The aging of trade receivables and due from related parties at the reporting date is as follows:

	Current	31 - 60 days	61 - 90 days	91+ days	Total
March 31, 2021	$ 4,909	$ 1,997	$ 49	$ 157	$ 7,112
March 31, 2020	5,255	902	1	148	6,306

(b) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due without incurring unacceptable losses or risking damage to the Company's reputation. The Company aims to maintain a sufficient level of its cash to ensure liquidity to meet liabilities as they come due. The Company's approach consists primarily of monitoring the level of expected cash inflows on accounts receivable, together with expected cash outflows on trade payables and debt, as well as monitoring expenses.

(In thousands of Canadian dollars)

12. Financial risk management (continued):

The following are the contractual maturities of financial liabilities by contractual maturity date:

	Carrying amount	
	2021	2022
Trade payables	$ 86	$ 642
Accrued liabilities	1,203	975
Income tax payable	97	119
Due to related parties	18,866	26,664
Lease liabilities	146	112
Deferred tax liabilities	–	20
	$ 20,398	$ 28,532

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk on purchases that are denominated in U.S. dollars. If the exchange rates had been 100 basis points (1¢) higher or lower during the year ended March 31, 2021, with all other variables held constant, total comprehensive income would have increased or decreased by $31, respectively (2020 - $2).

The Company's exposure to U.S. dollar currency risk is as follows:

	2021	2020
Trade payables	$ 3	$ 1
Accrued liabilities	–	11
Due to related parties	309	194
	$ 312	$ 206

12. Financial risk management (continued):

(d) Capital management:

Management defines capital as the Company's equity. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business, including future capital expenditures and working capital to sustain growth of operations. In order to achieve this objective, the Company recognizes the need to increase its capital base by issuing common shares or other equity based financial instruments.

Management continually monitors its capital in relation to its business risks, including its liabilities. Assessment of capital needs are done with the benefit of a review of net working capital, assets relative to liabilities among other measures. There were no changes in the Company's approach to capital management during the year.

(e) Industry risk:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the entity in future periods.

As of the date of these financial statements, the outbreak has not had a material impact on the Company's results. The Company and its employees have transitioned to working remotely and steps are being taken to establish digital sales channels. Furthermore, the Company has sufficient liquidity to meet all operating requirements for the foreseeable future.

(In thousands of Canadian dollars)

13. Share-based payments:

The Ultimate Parent implemented Lupin Subsidiary Companies Employees Stock Option Plan 2005, Lupin Subsidiary Companies Employees Stock Option Plan 2011 and Lupin Subsidiary Companies Employees Stock Option Plan 2014 in earlier years; as approved by the Shareholders of the Ultimate Parent and the Remuneration/Compensation/Nomination and Remuneration Committee of the Board of Directors of the Ultimate Parent. The charge is borne by the Ultimate Parent and no charge had been allocated to the Company until April 1, 2015.

The Ultimate Parent issues stock options on its shares (publicly traded on the Indian stock market) to the Vice-President and General Manager of the Company based on their performance. The Company doesn't have any obligation to settle the award and classifies the share-based payments as equity-settled. Under the recharge arrangement with the Ultimate Parent, the Company recognizes an expense with corresponding payables to the Ultimate Parent for the grant date fair value of the award over the vesting period which ranges from one to five years for the services received from its employees. The Ultimate Parent calculates the fair value of each stock option grant using the Black-Scholes option pricing model at the grant date which takes stock price, volatility, risk-free rate, exercise price, dividend yield and other factors into consideration.

The stock option transactions for the years ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020
Outstanding, beginning of year	5,576	10,610
Granted	3,750	1,430
Vested	(3,071)	(6,464)
Outstanding, end of year	6,255	5,576

The expense for year ended March 31, 2021 of $30 (2020 - $34) is recognized through an intercompany charge from the Ultimate Parent, which is included in selling and marketing expense.

(In thousands of Canadian dollars)

14. Lease liabilities:

As at March 31, 2021, the Company leases 2 offices, in Richmond Hill, Ontario and Montreal, Quebec, for which leases expire on December 31, 2021 and January 31, 2022, respectively. The change in lease liabilities is as follows:

	2021	2020
Balance, beginning of year	$ 258	$ –
Changes from operating cash flows:		
Finance costs paid on lease liability	(6)	(10)
Changes from financing cash flows:		
Payment of lease liabilities	(146)	(132)
Other changes:		
Lease liabilities recognized on April 1, 2019 per IFRS 16	–	390
Finance costs for lease liabilities	6	10
Balance, end of year	112	258
Current	112	146
Non-current	$ --	$ 112

Non-cancellable operation lease payments are as follows:

	2021	2020
Less than 1 year	$ 112	$ 146
Between 1 and 5 years	–	112
	$ 112	$ 258

15. Contingencies:

The Company's business includes entering into numerous legal contracts with clients, customers, employees, contractors, suppliers and vendors. In the normal course of business, disputes arise around these legal agreements.

(In thousands of Canadian dollars)

16. Related parties:

(a) Transactions with related parties:

	2021	2020
Income		
Other income:		
Ultimate Parent	$ 47	$ 105
Parent	5,382	6,263
Expenses		
Cost of goods sold:		
Parent	27,683	12,908
Ultimate Parent	7,152	8,634
Lupin Inc.	68	–
Management fees:		
Lupin Management Inc.	174	–
Lupin GmbH	–	97
Lupin Inc.	138	207
Interest expense:		
Lupin Holdings B.V.	–	11

Income earned from related parties is comprised of gross income for reimbursement of marketing and other related expenses by the Parent and the Ultimate Parent.

The Company purchases pharmaceutical products and medical devices from its Parent and pharmaceutical products from the Ultimate Parent.

Lupin GmbH is wholly owned subsidiary of the Parent and provides administrative services to the Company.

Lupin GmbH is wholly owned subsidiary of the Parent and provides administrative services to the Company. This function has been transferred away from Lupin GmbH to Lupin Management Inc.

(In thousands of Canadian dollars)

16. Related parties (continued):

Lupin Pharmaceuticals Inc. is 97% owned by Lupin Inc. and 3% owned by Lupin Limited. The Company incurs cross-charges for senior employees who work at both divisions.

Lupin Inc. is wholly owned subsidiary of the Parent used for cross-charging the general manager's salary.

Lupin Latam Inc. is wholly owned subsidiary of the Parent and the Company incurs cross-charges for senior employees who work at Lupin Latam Inc.

(b) Balances due to/from related parties:

	2021	2020
Current assets		
Due from related parties:		
Ultimate Parent	$ 200	$ 217
Parent	2,022	1,994
Lupin Latam Inc	50	–
Current liabilities		
Due to related parties:		
Parent	23,421	15,140
Ultimate Parent	2,933	3,530
Lupin Pharmaceuticals, Inc.	5	19
Lupin Inc.	213	195
Lupin Management Inc.	92	–

(c) Other related party transactions:

Key management personnel compensation:

Key management personnel includes all employees at the Company in a director level position. Key management personnel compensation for the year ended March 31, 2021 was $1,416 (2020 - $1,779).

17. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.