

Financial Statements

**Sun Pharma Canada Inc.**

March 31, 2025



# Sun Pharma Canada Inc.

March 31, 2025

---

## Table of contents

INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Balance Sheet.....	3
Statement of Operations and Retained Earnings.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6 - 15



**SRCO Professional Corporation**  
**Chartered Professional Accountants**  
**Licensed Public Accountants**  
Park Place Corporate Centre  
15 Wertheim Court, Suite 409  
Richmond Hill, ON L4B 3H7  
Tel: 905 882 9500 & 416 671 7292  
Fax: 905 882 9580  
Email: [info@srco.ca](mailto:info@srco.ca)  
[www.srco.ca](http://www.srco.ca)

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholder of Sun Pharma Canada Inc.**

#### ***Opinion***

We have audited the financial statements of Sun Pharma Canada Inc. (the "Company"), which comprise the balance sheet as at March 31, 2025, and the statements of operations and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

#### ***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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 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***

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 auditor's 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.



## **Independent Auditor's Report to the Shareholder of Sun Pharma Canada Inc. *(continued)***

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, 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 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 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.

We 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.

Richmond Hill, Ontario  
May 5, 2025

CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

# SUN PHARMA CANADA INC.

## BALANCE SHEET

As at March 31, 2025

	2025 \$	2024 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	5,914,543	1,673,399
Accounts receivable - trade, <i>no allowance (Notes 7 and 10)</i>	26,828,393	7,635,639
Advances to suppliers	1,258,235	1,010,000
Due from related company <i>(Note 7)</i>	3,907,878	2,557,583
Inventories <i>(Note 3)</i>	18,401,966	23,803,428
Prepaid expenses	38,456	127,747
Government remittances receivable	722,331	716,150
	57,071,802	37,523,946
PROPERTY AND EQUIPMENT <i>(Note 4)</i>	629,820	—
FUTURE INCOME TAX ASSET <i>(Note 9)</i>	1,101,888	1,607,331
	58,803,510	39,131,277
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities <i>(Note 7)</i>	48,149,397	30,924,038
Current portion of obligation under capital lease <i>(Note 8)</i>	2,062	—
	48,151,459	30,924,038
OBLIGATION UNDER CAPITAL LEASE <i>(Note 8)</i>	7,439	—
	48,158,898	30,924,038
<b>Shareholder's equity</b>		
Share capital <i>(Note 5)</i>	2,250,100	2,250,100
Retained earnings	8,394,512	5,957,139
	10,644,612	8,207,239
	58,803,510	39,131,277

Contingencies *(Note 11)*

Commitment *(Note 12)*

Subsequent event *(Note 14)*

See accompanying notes

On behalf of the Board:

Director

**SUN PHARMA CANADA INC.**

**STATEMENT OF OPERATIONS AND  
RETAINED EARNINGS**

For the year ended March 31, 2025

	2025	2024
	\$	\$
<b>PRODUCT SALES</b> <i>(Note 7)</i>	<b>71,148,080</b>	42,551,446
<b>COST OF SALES</b> <i>(Note 7)</i>	<b>36,206,219</b>	16,243,135
<b>GROSS PROFIT</b>	<b>34,941,861</b>	26,308,311
<b>EXPENSES</b>		
Selling, general and administrative <i>(Notes 6 and 7)</i>	<b>31,081,391</b>	25,844,138
Interest and bank charges	<b>128,730</b>	37,264
Interest on capital lease	<b>405</b>	—
Interest income	<b>(384,620)</b>	(196,007)
Foreign exchange loss	<b>1,099,035</b>	492,151
Amortization	<b>74,104</b>	—
	<b>31,999,045</b>	26,177,546
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,942,816</b>	130,765
<b>INCOME TAXES</b>		
Future	<b>505,443</b>	(1,607,331)
	<b>505,443</b>	(1,607,331)
<b>NET INCOME</b>	<b>2,437,373</b>	1,738,096
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<b>5,957,139</b>	4,219,043
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>8,394,512</b>	5,957,139

*See accompanying notes*

# SUN PHARMA CANADA INC.

## STATEMENT OF CASH FLOWS

For the year ended March 31, 2025

	2025 \$	2024 \$
<b>OPERATING ACTIVITIES</b>		
Net income	2,437,373	1,738,096
Items not affecting cash:		
Amortization	74,104	—
Future income taxes	505,443	(1,607,331)
Inventory provision	3,806,382	2,783,327
	6,823,302	2,914,092
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(19,192,754)	3,225,020
Advances to suppliers	(248,235)	(510,000)
Government remittances receivable	(6,181)	(526,944)
Inventories	1,595,080	(6,267,403)
Prepaid expenses	89,291	(124,548)
Accounts payable and accrued liabilities	17,225,359	(8,286,128)
<b>Cash flow provided by (used in) operating activities</b>	6,285,862	(9,575,911)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(692,837)	—
Due from related company	(1,350,295)	3,589,806
<b>Cash flow (used in) provided by investing activities</b>	(2,043,132)	3,589,806
<b>FINANCING ACTIVITY</b>		
Repayment of obligation under capital lease	(1,586)	—
<b>Cash flow used in investing activity</b>	(1,586)	—
<b>INCREASE (DECREASE) IN CASH</b>	4,241,144	(5,986,105)
<b>CASH - BEGINNING OF YEAR</b>	1,673,399	7,659,504
<b>CASH - END OF YEAR</b>	5,914,543	1,673,399

*See accompanying notes*

# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

---

### 1. DESCRIPTION OF BUSINESS

Sun Pharma Canada Inc. (the “Company”) was initially incorporated as Ranbaxy Pharmaceuticals Canada Inc. under the laws of the Province of Ontario on December 12, 2002. The sole shareholder of the Company is Taro Pharmaceuticals Inc. (the “Shareholder”), and its ultimate parent company is Sun Pharmaceutical Industries Ltd. (the “Ultimate Parent”). The Company's main activity is the marketing and distribution of pharmaceutical products.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

#### **Cash**

Cash includes cash on hand and balances held in a financial institution.

#### **Revenue recognition**

Revenue from the product sales is recognized when significant risk and rewards in respect to ownership of the products have been passed to the customer, and when the following criteria have been met:

- persuasive evidence of an arrangement exists;
- there are no significant obligations remaining;
- the price is fixed and determinable; and
- collectability is reasonably assured

Revenue from product sales is recognized net of provisions for estimated discounts, returns, rebates and chargebacks offered to wholesale customers.

#### **Inventories**

Inventories, comprising of finished goods, are measured at the lower of cost and net realizable value. Cost is determined on a moving average basis. The cost of inventories includes freight and any other directly attributable costs. Net realizable value is determined on the basis of estimated selling prices, less costs necessary to make the sale. When circumstances which previously caused inventories to be written down below cost no longer exist, the previous impairment is reversed.



# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment, other than land, are amortized over their estimated useful lives using the following rates and methods:

Leasehold improvements	Straight line over the term of the lease	
Office equipment	20%	declining balance method
Computer equipment	25%	declining balance method
Computer equipment under capital lease	25%	declining balance method

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

All additions made during the year are amortized at 50% of the above rates.

#### Income taxes

The Company accounts for income taxes using the future income taxes method. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

#### Foreign currency translation

These financial statements have been presented in Canadian dollars, the Company's functional currency. Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities, which are denominated in foreign currencies, reflect the exchange rates at the balance sheet date. Gains and losses resulting from currency translation are included in the statement of operations.

# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions are reviewed periodically, which include allowance for doubtful accounts, provisions for inventory obsolescence, valuation allowance for future tax benefits, impairment of financial assets, and accruals, and as adjustments become necessary, they are reported in net income in the year in which they become known. Actual results may vary from the current estimates.

#### **Financial instruments**

The Company initially measures all its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Company subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at cost or amortized cost includes cash, accounts receivable and due from related company.

Financial liabilities measured at cost or amortized cost includes accounts payable and accrued liabilities.

#### **Impairment of financial instruments**

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in statement of operations.

# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

### 3. INVENTORIES

	2025	2024
	\$	\$
Finished goods	28,426,880	30,021,960
Inventory obsolescence	(10,024,914)	(6,218,532)
	18,401,966	23,803,428

The cost of inventories recognized as an expense and included in the cost of sales was \$36,206,219 (2024 - \$16,243,135).

### 4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
	\$	\$	\$	\$
Leasehold improvements	352,812	46,976	305,836	—
Office equipment	240,400	19,891	220,509	—
Computer equipment	99,625	6,512	93,113	—
Computer equipment under capital lease	11,087	725	10,362	—
Total	703,924	74,104	629,820	—

### 5. SHARE CAPITAL

Share capital consists of the following:

	2025	2024
	\$	\$
<b>Authorized:</b>		
Unlimited Preferred shares		
Unlimited Common shares		
<b>Issued:</b>		
2,250,100 Common shares	2,250,100	2,250,100

As part of the business restructuring (Note 14), the former shareholder transferred their ownership of the Company's shares to Taro Pharmaceuticals Inc. on March 26, 2025.

## SUN PHARMA CANADA INC.

### NOTES TO FINANCIAL STATEMENTS

March 31, 2025

---

#### 6. EMPLOYEE FUTURE BENEFITS

The Company participates in a registered savings plan covering substantially all eligible employees. The plan allows employees to contribute up to 18% of their annual earnings to the plan, subject to the statutory limits imposed by the tax authorities. The Company makes optional contributions of up to 3% of the employees' annual earnings. The employees are fully vested immediately with their share of the Company's contributions.

Contributions expensed by the Company during the year were \$206,070 (2024 - \$161,262) and are included in selling, general and administrative expenses.

#### 7. RELATED PARTY BALANCES AND TRANSACTIONS

The following is a summary of the Company's related party balances and transactions. A party is considered to be related if the Ultimate Parent has the ability to exercise significant influence through its ownership of shares and presence on the board of directors.

Included in accounts receivable is \$30,884 (2024 - \$nil) owing from the Ultimate Parent and \$11,690,157 (2024 - \$2,271,176) owing from subsidiaries of the Ultimate Parent.

Included in accounts payable is \$5,174,605 (2024 - \$4,473,835) owed to the Ultimate Parent and \$23,026,270 (2024 - \$15,522,157) owed to subsidiaries of the Ultimate Parent.

The total purchases from the Ultimate Parent was \$13,828,924 (2024 - \$9,646,693) and \$18,135,976 (2024 - \$8,808,610) of purchases from subsidiaries of the Ultimate Parent.

Included in sales for the year are \$24,038,225 (2024 - \$20,604,605) in sales to the Shareholder.

Included in selling, general and administrative expenses for the year are \$6,136,103 (2024 - \$4,820,995) in operational costs paid or payable to the Shareholder.

These transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The amounts due from a related company, related by virtue of common control, as at March 31, 2025 of \$3,907,878 (2024 - \$2,557,583) is for reimbursement of expenses and are held in United States dollars. This amount is unsecured and non-interest bearing and is repayable in accordance with the terms agreed to by the related parties.

**SUN PHARMA CANADA INC.**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2025

**8. OBLIGATION UNDER CAPITAL LEASE**

	2025	2024
	\$	\$
Computer equipment lease bearing interest at 7.95% per annum and maturing in June 2029 secured against the related computer equipment with a net carrying value of \$10,362	<b>9,501</b>	—
Current portion	<b>(2,062)</b>	—
	<b>7,439</b>	—

Future minimum lease payments required are as follows:

	\$
2026	2,656
2027	2,656
2028	2,656
2029	2,656
2030	664
	11,288
Interest included in minimum payments	1,787
	9,501

# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

### 9. INCOME TAXES

Future income taxes represent the future income tax benefits of temporary differences between tax and accounting bases of assets and liabilities, consisting of:

	2025	2024
	\$	\$
Future income taxes - current		
Provisions	—	—
Future income taxes - non-current		
Difference between tax basis over carrying value		
of property and equipment	(7,241)	3,610
Foreign business tax credit	8,369	8,369
Other differences	208,510	—
Non-capital losses carried forward	892,250	1,852,826
	<b>1,101,888</b>	<b>1,864,805</b>
Future income tax benefits	<b>1,101,888</b>	<b>1,864,805</b>
Valuation allowance	—	(257,474)
	<b>1,101,888</b>	<b>1,607,331</b>

The effective income tax rate as a percentage of taxable income before income taxes is 26.5% (2024 - 26.5%). The Company has approximately \$3,366,981 (2024 - \$6,991,798) operating losses available to be carried forward to future years, for which \$3,366,981 was recognized as a future income tax asset.

### 10. ECONOMIC DEPENDENCE

At March 31, 2025, three customers (2024 - three customers) accounted for approximately 82% (2024 - 70%) of accounts receivable and three customers (2024 - three) accounted for approximately 65% (2024 - 74%) of gross sales during the year then ended. One of the customers is the Shareholder, and represented 26% (2024 - 48%) of total sales. The other customers are pharmaceutical corporations.

Inventory purchases from related parties accounted for 64% (2024 - 90%) of the purchases for the year ended March 31, 2025. Approximately 58% (2024 - 65%) of accounts payable at year end are owing to the Ultimate Parent and their commonly controlled subsidiaries. The Company's operations extensively depend on purchases and sales from various related parties.

# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

---

### 11. CONTINGENCIES

The Company and other related parties were named as defendants in separate product-related and labour-related class action lawsuits. These lawsuits remain at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the amount of loss, if any.

### 12. COMMITMENT

The Company has a property lease expiring August 2029, with an extension term of five years. Future minimum lease payments are as follows:

---

	\$
2026	203,843
2027	578,048
2028	584,108
2029	637,209
2030	185,185
	<hr/> 2,188,393 <hr/>

### 13. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposure and concentrations at the balance sheet date, March 31, 2025, which did not change significantly from the previous period unless otherwise noted.

#### Credit risk

Credit risk is the risk that a counter party will fail to perform its obligations. The Company's main credit risks relate to its accounts receivable and cash balances. The Company provides credit to its clients in the normal course of its operations. Credit risk is minimized by customers limited to being large and reputed wholesalers and related parties. The details of related party balances are disclosed in Note 7. The Company believes that there is no unusual exposure associated with the collection of these receivables. The Company performs regular credit assessments of its customers and limits credit extended when deemed necessary.

# SUN PHARMA CANADA INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2025

### 13. FINANCIAL INSTRUMENTS (continued)

#### Credit risk (continued)

The Company manages the credit risk from its cash balances by maintaining its accounts with credit worthy and highly reputable financial institutions.

#### Currency risk

Currency 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 enters into purchase transactions denominated in United States Dollars (USD) for which the related expense and accounts payable balances are subject to exchange rate fluctuations.

The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Cash and accounts payable held in United States dollars as at year ended are as follows:

	2025	2024
	\$	\$
Cash	2,287,108	639,676
Due from related company	3,907,878	2,557,583
Accounts payable	13,787,594	3,582,857

Related expenses held in United States dollars as at the year ended are as follows:

	2025	2024
	\$	\$
Purchases	18,135,976	8,808,610

#### 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 its accounts payable. The Company manages liquidity risk by maintaining sufficient cash on hand to settle obligations as they arise. Further, the Ultimate Parent continues to provide support to the Company, as and when required.



# **SUN PHARMA CANADA INC.**

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2025

---

### **13. FINANCIAL INSTRUMENTS (continued)**

#### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk on its capital lease.

### **14. SUBSEQUENT EVENT**

On April 1, 2025, the Company and its parent company (Note 5), legally amalgamated and adopted the name “Sun Pharma Canada Inc.” The transaction will be accounted for using the carrying amounts in the financial statements of the amalgamated companies under common control. The combined company's financial statements will present the amalgamated companies' income, assets and liabilities for the period during which the transaction occurred and all prior periods, as if the companies had always been combined. The combined balance sheet on the transaction date is not presented because its measurement is currently underway.

### **15. COMPARATIVE FIGURES**

Certain figures for 2024 have been reclassified to conform to the presentation adopted in 2025.