Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries

(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

Years Ended March 31, 2018 and 2017

Consolidated Financial Statements

Rehmann

Business wisdom delivered.

SUN PHARMACEUTICAL HOLDINGS USA, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

TABLE OF CONTENTS

Rehmann

Rehmann Robson
1500 W. Big Beaver Road
2nd Floor
Troy, MI 48084
Ph: 248.952.5000
Fx: 248.952.5750
rehmann.com

INDEPENDENT AUDITORS' REPORT

July 27, 2018

Board of Directors and Shareholders
Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries
Princeton, New Jersey

We have audited the accompanying consolidated financial statements of ***Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries*** (the "Company"), which comprise the consolidated balance sheets as of March 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive (loss) income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries*** as of March 31, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 21 to the consolidated financial statements, shareholders' equity as of March 31, 2017 has been restated to correct a classification error and to recognize the comparative impact of an entity restructure implemented in Fiscal 2018. Our opinion is not modified with respect to these matters.

SUN PHARMACEUTICAL HOLDINGS USA, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED BALANCE SHEETS
(amounts in thousands)

ASSETS	March 31 2018	March 31 2017
Current assets		
Cash and cash equivalents	$ 120,733	$ 85,335
Accounts receivable, net	354,323	384,946
Due from related parties	278,380	359,001
Inventories	295,693	288,458
Refundable income taxes	2,663	21,404
Prepaid expenses and deposits	50,074	24,982
Current portion of note receivable	8,714	14,763
Total current assets	**1,110,580**	**1,178,889**
Property, plant and equipment		
Land	2,682	3,204
Buildings and improvements	106,626	167,622
Equipment	198,851	184,229
Furniture and fixtures	5,988	6,477
Vehicles	11,112	2,000
Construction in process	38,609	24,501
Total	363,868	388,033
Less accumulated depreciation	188,552	199,193
Net property, plant and equipment	**175,316**	**188,840**
Investments		
Available-for-sale securities	2,777	-
Investments in unconsolidated subsidiaries	71,838	68,571
Convertible note	7,000	-
Other investments	36,576	29,234
Goodwill	80,579	80,992
Other intangible assets, net	129,297	168,260
Note receivable, net of current portion	4,446	14,888
Deferred income taxes	76,360	59,417
Total assets	**$ 1,694,769**	**$ 1,789,091**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	March 31 2018	March 31 2017
Current liabilities		
Accounts payable - trade	$ 113,710	$ 91,467
Accounts payable - Sun Limited and affiliates	338,949	281,596
Accrued expenses	146,403	164,551
Short-term borrowings	260,000	310,000
Current portion of contingent liability on acquisition	15,625	11,625
Current portion of long-term debt	788	755
Income taxes payable	-	5,013
Current portion of capital lease obligation	1,992	604
Total current liabilities	**877,467**	**865,611**
Advances from affiliate	174,376	174,376
Contingent liability on acquisition, net of current portion	4,583	8,356
Long-term debt, net of current portion	15,945	16,734
Capital lease obligation, net of current portion	17,350	10,187
Total liabilities	1,089,721	1,075,264
Commitments and contingencies (Notes 9, 12, 14, 15, and 17)		
Shareholders' equity (2017 as restated, Note 21)		
Controlling interest		
Common stock	-	-
Additional paid-in capital	543,880	543,341
(Accumulated deficit) retained earnings	(85,642)	14,641
Accumulated other comprehensive income	19,276	7,193
Total controlling interest	477,514	565,175
Affiliated interest	127,534	148,652
Total shareholders' equity	605,048	713,827
Total liabilities and shareholders' equity	$ 1,694,769	$ 1,789,091

SUN PHARMACEUTICAL HOLDINGS USA, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands)

	Year Ended March 31	
	2018	**2017**
Net sales	$ 830,294	$ 1,346,639
Other operating revenue	18,275	20,646
Total revenue	**848,569**	**1,367,285**
Cost of goods sold	597,461	958,190
Selling, general and administrative expenses	301,356	300,143
Research and development costs	55,208	48,160
Operating (loss) income	**(105,456)**	**60,792**
Other (expense) income		
Interest expense	(14,837)	(12,817)
Dividend and interest income	3,741	3,630
Losses from unconsolidated subsidiaries	(6,040)	(6,561)
Other income	2,718	541
Loss on sale of property, plant, and equipment	(1,577)	(1,745)
Impairment of goodwill	(413)	-
Other expense, net	**(16,408)**	**(16,952)**
(Loss) income before income taxes (benefit)	**(121,864)**	**43,840**
Income taxes (benefit)	(2,660)	18,218
Net (loss) income	**(119,204)**	**25,622**
Net (loss) income attributable to affiliated interest	(21,118)	9,123
Net (loss) income attributable to controlling interest	**$ (98,086)**	**$ 16,499**

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

SUN PHARMACEUTICAL HOLDINGS USA, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(amounts in thousands)

	Year Ended March 31	
	2018	2017
Net (loss) income	$ (119,204)	$ 25,622
Other comprehensive income, net of tax (Note 20)	10,439	7,193
Comprehensive (loss) income	**$ (108,765)**	**$ 32,815**

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

SUN PHARMACEUTICAL HOLDINGS USA, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands except share data)

	Controlling Interest							
	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Affiliated Interest in Subsidiary	Total Shareholders' Equity
	Shares	Amount					
Balances, April 1, 2016, as restated (Note 21)	**1**	**$ -**	**$ 531,878**	**$ (1,858)**	**$ -**	**$ 139,529**	**$ 669,549**
Capital contribution	-	-	11,000	-	-	-	11,000
Comprehensive income	-	-	-	16,499	7,193	9,123	32,815
Share-based compensation	-	-	463	-	-	-	463
Balances, March 31, 2017, as restated (Note 21)	**1**	**-**	**543,341**	**14,641**	**7,193**	**148,652**	**713,827**
Comprehensive (loss) income	-	-	-	(98,086)	10,439	(21,118)	(108,765)
Reclassification related to Tax Cuts and Jobs Act (Note 20)	-	-	-	(1,644)	1,644	-	-
Distributions	-	-	-	(553)	-	-	(553)
Share-based compensation	-	-	539	-	-	-	539
Balances, March 31, 2018	**1**	**$ -**	**$ 543,880**	**$ (85,642)**	**$ 19,276**	**$ 127,534**	**$ 605,048**

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

SUN PHARMACEUTICAL HOLDINGS USA, INC. AND SUBSIDIARIES
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended March 31	
	2018	2017
Cash flows from operating activities		
Net (loss) income	$ (119,204)	$ 25,622
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation	41,468	26,116
Amortization	38,963	38,431
Equity in losses from unconsolidated subsidiaries	6,040	6,561
Loss on sale of property, plant, and equipment	1,577	1,745
Deferred income taxes (benefit)	(19,718)	24,348
Allowance for doubtful accounts	12,717	841
Contingent earn-out interest expense	227	228
Share-based compensation	539	463
Impairment of goodwill	413	-
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	23,906	52,468
Due from related parties	80,621	(82,962)
Inventories	(7,235)	151,363
Prepaid expenses and deposits	(25,092)	4,314
Accounts payable	79,596	(244,870)
Refundable/accrued income taxes	13,728	(42,916)
Accrued expenses	(18,148)	17,702
Net cash provided by (used in) operating activities	**110,398**	**(20,546)**
Cash flows from investing activities		
Purchases and construction of property, plant and equipment	(23,877)	(27,817)
Proceeds from sale of property, plant, and equipment	8,960	6,640
Proceeds from sale of intangible assets	-	3,000
Investment in unconsolidated entities	(13,942)	(28,806)
Distributions from unconsolidated subsidiaries	5,131	3,100
Proceeds from dissolution of joint venture	2,598	-
Advance to unconsolidated subsidiary	-	(7,000)
Milestone payment of contingent earn-out	-	(8,125)
Net cash used in investing activities	**(21,130)**	**(59,008)**
Cash flows from financing activities		
Repayment of line of credit borrowings	(100,000)	-
Proceeds from short-term borrowings	50,000	-
Repayment of long-term debt	(756)	(724)
Repayment of capital lease obligations	(2,561)	(488)
Capital contribution	-	11,000
Distributions	(553)	-
Net cash (used in) provided by financing activities	**(53,870)**	**9,788**
Net increase (decrease) in cash and cash equivalents	**35,398**	**(69,766)**
Cash and cash equivalents, beginning of year	85,335	155,101
Cash and cash equivalents, end of year	**$ 120,733**	**$ 85,335**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization, Basis of Presentation, and Nature of Business

Sun Pharmaceutical Holdings USA, Inc. ("Sun Holding"), with headquarters in Princeton, New Jersey, is a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited ("Sun Limited"), a specialty pharmaceutical business organized under the laws of, and based in, India. Sun Holding has no operating activities. All operating activities are carried out by its subsidiaries; Sun Pharmaceutical Industries, Inc. ("Sun"), which is 81% owned by Sun Holding and 19% by Sun Limited and Ranbaxy, Inc. ("Ranbaxy"), which is wholly owned (collectively, "Sun Pharma" or the "Company").

The Company develops, licenses, manufactures, markets and distributes generic and brand prescription and over-the-counter pharmaceuticals to the nation's largest wholesalers, distributors, warehousing and non-warehousing chain drugstores and managed care providers, throughout the United States, Canada and Puerto Rico. The process of developing a line of proprietary drugs requires approvals by the United States Food and Drug Administration ("FDA") of Abbreviated New Drug Applications ("ANDAs") for generic drugs and New Drug Applications ("NDAs") for brand drugs. The Company distributes various products exclusively for Sun Limited and also Company-owned products (those products for which the Company owns the ANDAs) manufactured in its own facilities as well as by Sun Limited and other third parties. Generic products are intended to treat a variety of disorders including, but not limited to, hypertension, arthritis, epilepsy, diabetes, depression, cancer and pain management. The Company has brand products which currently are primarily intended to treat patients related to dermatology. In Fiscal 2016, the Company created new divisions for the distribution of various proprietary brand products in the therapeutic categories of ophthalmology, dermatology (biologics), oncology and neurology. Most products from these divisions are in the development stage except for one product related to ophthalmology and one product related to dermatology which was launched during Fiscal 2017 and Fiscal 2018, respectively.

Subsidiaries of Sun include:

Chattem Chemicals, Inc. ("Chattem"), a wholly owned subsidiary, is based in Chattanooga, Tennessee. Chattem is primarily engaged in the business of manufacturing Active Pharmaceutical Ingredients ("APIs"), surfactants and aluminum performance additives.

Mutual Pharmaceutical Company Inc. ("Mutual"), a wholly owned subsidiary that was based in Philadelphia, Pennsylvania. In June 2016, Mutual sold its real property and operating assets. At the same time, Mutual entered into a manufacturing contract agreement with the new owners to manufacture certain of the drugs previously manufactured by the Company. The term of the agreement is two years with provisions for extensions.

DUSA Pharmaceuticals Inc. ("DUSA"), a wholly owned subsidiary, is based in Wilmington, Massachusetts, and is primarily engaged in the business of manufacturing and marketing branded dermatology formulations and medical devices used for treatment of dermatological conditions.

Pharmalucence Inc. ("Pharmalucence") a wholly owned subsidiary is based in Billerica, Massachusetts. Pharmalucence manufactures its own line of generic injectable radiopharmaceuticals and sells to radiopharmacies and distributors. It also provides contract and private label formulation development and manufacturing services of parenteral products in either liquid or lyophilized form.

Caraco Pharmaceutical Private Limited, a wholly owned subsidiary is based in Mumbai, India and has no current operating activity.

Taro Development Corporation ("TDC"), a wholly owned subsidiary, is based in New York and has a wholly owned subsidiary, Morley & Company, also based in New York. Neither of these entities have any current operating activities.

Sun's manufacturing facilities are located in Cranbury, New Jersey; Chattanooga, Tennessee; and Wilmington, Billerica, and Bedford, Massachusetts. The Company also has warehouses and executive offices in these locations.

Subsidiaries of Ranbaxy include:

Ohm Laboratories, Inc. ("Ohm") a wholly owned subsidiary is based in New Brunswick, New Jersey, and has two manufacturing locations in New Jersey and one warehouse in New Brunswick.

InSite Vision Incorporated ("InSite") a wholly owned subsidiary is based in Alameda, California and develops products to treat eye problems: ocular infection, pain and inflammation in ocular surgery and glaucoma.

Ranbaxy Signature L.L.C. ("Signature") is a 67.5% owned joint venture. Signature has the rights to a diabetic product that is marketed and distributed through Ranbaxy Labs.

Ranbaxy Pharmaceuticals, Inc. ("Ranbaxy Pharma") a wholly owned subsidiary is based in Princeton, New Jersey and is in the distribution business for generic products for Ranbaxy. Effective July 31, 2017, Ranbaxy Pharma was dissolved, and all the assets and liabilities were simultaneously transferred to Sun.

Ranbaxy Laboratories, Inc. ("Ranbaxy Labs") a wholly owned subsidiary is based in Princeton, New Jersey, and is in the business of brand product development, marketing, and distribution. Effective July 31, 2017, Ranbaxy Labs was dissolved, and all the assets and liabilities were simultaneously transferred to Sun.

Principles of Consolidation

The accompanying consolidated financial statements, which are the responsibility of management, have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). The consolidated financial statements are prepared in the functional currency of US dollars and include the accounts of consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

Use of Estimates
The preparation of consolidated financial statements in conformity with US GAAP 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates. Significant estimates include, but are not limited to, realization of deferred tax assets, provisions for estimated customer returns, discounts, rebates, coupons and other price adjustments, including customer chargebacks (see "Revenue Recognition" below), valuation of inventories, valuation of investments, determination of useful lives and potential impairment of property, plant and equipment and intangible assets and other long-lived assets.

Cash and Cash Equivalents
Cash and cash equivalents consist of demand deposits in banks, cash on hand and all highly liquid investments purchased with an original maturity of three months or less. The Company invests its excess cash primarily in deposits with major banks and in other high quality short-term liquid money market investments. During the normal course of business, the Company may maintain cash on deposit in excess of federally insured limits with financial institutions. The Company maintains a policy of making investments only with institutions with at least an investment grade credit rating.

Investments
Sun, through its subsidiary TDC, holds 2,333,802 shares of Taro Pharmaceutical Industries, Ltd. ("Taro"). Sun Limited, along with several of its subsidiaries, holds the majority of the common shares of Taro. The American Depository Shares of Taro are traded on the New York Stock Exchange. Management does not intend to sell the securities of this affiliate in the near future since they were acquired as strategic investments by Sun Limited and its subsidiaries. These securities are, therefore, not available for sale and are carried at their cost reflected in the caption "Other investments" on the Company's consolidated balance sheets.

In addition, the Company makes investments in both corporate and non-corporate entities for the purpose of obtaining an interest in a new drug or new indications of an existing drug. These investments, although long-term, are generally focused on the development of these individual drugs and are not intended to be ongoing relationships.

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an Investee depends on an evaluation of several factors including, among others, representation on the Investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities for corporate entities and between 5% and 50% interest in the voting securities for non-corporate entities. Under the equity method of accounting, an Investee company's accounts are not reflected within the Company's consolidated balance sheets and consolidated income statements; however, the Company's share of the earnings or losses of the Investee company is reflected in the caption ''Losses from unconsolidated subsidiaries''

in the consolidated statements of operations. The Company's share of unrealized gains and losses, net of income tax, are reported in other comprehensive income. The Company's carrying value in an equity method Investee company is reflected in the caption "Investment in unconsolidated subsidiaries" on the Company's consolidated balance sheets.

Investments not accounted for under the consolidation or the equity method of accounting are accounted for under the cost method of accounting. Under this method, the Company's share of the earnings or losses of such Investee companies is not included in the consolidated balance sheets or consolidated income statements. However, when necessary, impairment charges are recognized in the consolidated statements of income. If circumstances suggest that the value of the Investee Company has subsequently recovered, such recovery is not recorded. Management has concluded that no such impairment losses were required to be recognized during Fiscal years 2018 or 2017. The Company's carrying value in a cost method Investee company is reflected in the caption ''Other investments" in the Company's consolidated balance sheets.

Marketable equity securities are classified as available-for-sale and are recorded at fair value, with the unrealized gains and losses, net of income tax, reported in other comprehensive income. Available-for-sale equity securities are reviewed for other than temporary impairment at each reporting date. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and management's ability to hold the securities until fair value recovers. If it is determined that management does not have the ability and intent to hold the securities until recovery or that there are conditions that indicate that a security may not recover in value, the difference between the fair value and the cost of the security is recognized in earnings and is included in investment income. No such impairment charges were considered necessary at Fiscal 2018.

Note Receivable

During Fiscal 2018, the Company converted a $7,000 advance to one of its development stage investees into a convertible note. The convertible note matures in February 2020. Interest accrues at an annual rate of 5%. The investee may prepay the convertible note in $1,000 increments without penalty. The Company has the right to convert any outstanding principal into 560 shares of the investee's common stock, at any time on or before the maturity date at its discretion. If the Company chooses to convert, it will forfeit all accrued and unpaid interest.

The conversion feature of the note does not allow for a cash settlement, the shares delivered on conversion are privately held and therefore not readily convertible to cash. As a result, the conversion feature does not have a net settlement characteristic and therefore does not meet the definition of a derivative.

Advances from Affiliate

The Company has received funds, on various dates, from Sun Pharma Global, Inc. ("Sun Global"). These advances are considered unsecured operating loans. On an annual basis, any unpaid accrued interest is rolled into the principal balance. There are no formal repayment terms for either principal or interest. While these loans can be called on demand at the affiliate's discretion, it is not anticipated that this will occur within the next year.

Revenue Recognition

Revenue from product sales, net of estimated provisions, is recognized when there is persuasive evidence that an arrangement exists, title and risk of ownership have been transferred to the buyer, the selling price is fixed or determinable, and collectability is reasonably probable. The Company's customers consist primarily of large pharmaceutical wholesalers who sell directly into the retail channel, chain drug stores, distributors, and managed care customers. For the products being sold from DUSA the primary customers are physicians and hospitals. Pharmalucence's primary customers are radiopharmaceutical pharmacies. Provisions for sales discounts, and estimates for sales chargebacks, customer rebates, and product returns are established as a reduction of product sales revenue at the time revenues are recognized, based on historical experience and current market trends adjusted to reflect known changes in the factors that impact these allowances. These revenue reductions are reflected as a direct reduction to accounts receivable through a sales allowance account.

The Company makes sales of products under various marketing and distribution agreements. The Company recognizes revenue from such sales in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 605-45-45-1, "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company has evaluated the various indicators described under this guidance and has determined that such revenues should be considered on a gross reporting basis. The factors include the following, which led the Company to make such determination: (1) the title of the goods have been transferred to the Company and the Company assumes all general inventory risks; (2) the Company is the primary obligor in the arrangement. (3) The Company is responsible for the sales process, pricing, marketing and delivery of the products; and (4) the Company is responsible for the collection of receivables and will have to absorb bad debt losses if any occur.

The Company recognizes revenues on Kerastick® and BLU-U® product sales in the United States and Canada when persuasive evidence of an arrangement exists, the price is fixed and determinable, delivery has occurred, and collection is reasonably assured. The Company offers programs that allow physicians and hospitals access to its BLU-U® device for a trial period. The Company does not recognize revenue on these units until the physician or hospital elects to purchase the equipment and all other revenue recognition criteria are met. Terms with customers do not provide for the right of return for sales of Kerastick® and BLU-U® unless the product does not comply with the technical specifications.

When the Company receives advance payments from customers for the sale of products, such payments are deferred and reported as advances from customers until all conditions for revenue recognition are met.

The Company manufactures exhibit batches for Sun Limited and also provides business support services to Sun Limited and Ranbaxy Canada (a party related through ultimate common ownership). The Company recovers the cost of manufacturing exhibit batches and the cost of services plus an agreed-upon markup pursuant to the terms of the respective agreements.

Royalty income is recognized in accordance with the terms of the respective contractual agreements when collectability is reasonably assured, and revenue can be reliably measured.

Allowances for Sales Adjustments

Chargebacks

Chargebacks represent the Company's most significant provision against gross accounts receivable and related reduction to gross sales revenue. Chargebacks are retroactive credits given to wholesale customers that represent the difference between the lower price they sell (contractual price) to retail, chain stores, and managed care organizations and what the Company charges the wholesaler. The Company estimates chargebacks at the time of sale to their wholesale customers. The Company is currently unable to specifically determine whether the amounts provided in specific prior periods for chargeback allowances have been over or understated. Wholesaler customers who submit chargebacks to the Company do not reference a specific invoice that the chargeback is related to when the chargeback is submitted to the Company. Thus, the Company cannot determine the specific period to which the wholesaler's chargeback relates.

The Company considers the following factors in the determination of the estimates of sales chargebacks:

1. The historical data of chargebacks as a percentage of sales, as well as actual chargeback reports received from primary wholesaler customers.
2. Volume of all products sold to wholesaler customers and the average chargeback rates for the current quarter as compared to the previous quarter and compared to the last six-month period.
3. The sales trends and future estimated prices of products, wholesale acquisition cost ("WAC"), the contract prices with the retailers, chain stores, managed care organizations (end-users), and wholesaler customer's contract prices.
4. The Company utilizes data on remaining inventories on hand at primary wholesaler customers at the end of each reporting period in the calculation of estimates.

Such estimated amounts, in addition to certain other allowances, are deducted from the Company's gross sales to determine net revenues. The amount of actual chargebacks claimed could be either higher or lower than the amounts accrued. Changes in estimates, if any, would be recorded in the income statement in the period the change is determined. If the Company materially over or under estimates the amount that will ultimately be charged back to it by its wholesale customers, there could be a material impact on these consolidated financial statements. Approximately 61% and 58% of the total allowance for trade receivables at March 31, 2018 and 2017, respectively, have been established to provide for estimated sales chargebacks (see Note 3).

Shelf Stock Adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling prices of products. These credits are customary in the industry and are intended to reduce the customers' inventory cost to better reflect current market prices. The decision to grant a shelf stock adjustment to a customer following a price decrease is made at the Company's discretion.

Factors considered when recording an allowance for shelf stock adjustments include estimated launch dates of competing products based on market intelligence, estimated decline in market price of products based on historical experience and input from customers, and levels of inventory held by customers at the date of the pricing adjustments.

Product Returns and Other Allowances

In the pharmaceutical industry, customers are normally granted the right to return product for credit, or replacement with fresh product, if the product has not been used prior to its expiration date. The Company's return policy typically allows product returns for products within a 12-month window from six months prior to the expiration date and up to six months after the expiration date. The Company estimates the level of sales that will ultimately be returned, pursuant to its return policy, and records a related allowance at the time of sale. These amounts are deducted from its gross sales to determine net sales. These estimates take into consideration historical returns of the products and the Company's future expectations. The Company periodically reviews the allowances established for returns and adjusts them based on actual experience, as necessary. The primary factors considered in estimating its potential product returns include shelf life of expiration date of each product and historical levels of expired product returns. If the Company becomes aware of any returns due to product quality related issues, this information is used to estimate an additional allowance. The Company provides for an allowance related to returns resulting from product recalls, in the period that such recalls occur. The amount of actual product return could be either higher or lower than the amounts provided. Changes in these estimates, if any, would be recorded in the income statement in the period the change is determined. If the Company over or under estimates the quantity of product that will ultimately be returned, there may be a material impact to its financial statements.

Sales discounts (trade and prompt payment discounts) are provided for at the end of every reporting period based on the gross sales made to the customers during the period and based on their terms of trade. The Company reviews its contracts with its customers in addition to historical data and percentages to estimate the reserve for estimated discounts.

Customer rebates are estimated at the end of every reporting period, based on direct or indirect purchases. If the purchases are direct (purchases made by end use customers directly from the Company), the rebates are recognized when products are purchased and a periodic credit is given. For indirect purchases (purchases by end use customers through wholesale customers), the rebates are recognized based on the terms with such customer. Medicaid rebates are estimated based on the historical data the Company receives from the public sector benefit providers, which is based on the final dispensing of the products by a pharmacy to a benefit plan participant.

Medicaid rebates are earned by states based on the amount of our products dispensed under the Medicaid plan. Medicaid rebates are principally comprised of amounts due under U.S. Government pricing programs such as Medicaid, Medicare and Tricare (Department of Veteran Affairs). These rebates have been estimated as per the stipulated regulations and prescribed guidelines, which consider the calculation of the average manufacturers' price. Billbacks are special promotions or discounts provided over a specific time period to a defined customer base, and for a defined product group. Distribution allowances are a fixed percentage of gross purchases for inventory shipped to a national distribution facility that we

pay to our top wholesalers on a monthly basis. Administration fees are paid to certain wholesalers, buying groups, and other customers for stocking our products and managing contracts and servicing other customers.

The Company has a patient coupon program in relation to certain products. These patient coupons enable eligible customers to a discount at the time of dispensing of prescriptions and the related cost of such patient coupons is borne by the Company. The accrual related to patient coupons is estimated based on historical experience regarding the usage of coupons by the eligible customers.

Doubtful Accounts
Doubtful accounts are estimated based on the data available from external sources, including information obtained related to the financial condition of customers. Delinquent accounts are reviewed by management on a quarterly basis, to identify and record allowances, as considered necessary, for accounts receivable not expected to be recoverable.

Accounts Receivable
The Company sells its products using customary trade terms; the resulting accounts receivable are unsecured. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Company has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Inventories
Inventories, which consist of raw materials, goods in transit and finished goods, as well as work-in-process, are stated at the lower of cost, determined using the moving average method, or net realizable value. The Company analyzes its inventory levels quarterly and writes down any inventory that has become obsolete and inventory that has a cost basis in excess of its expected net realizable value. Expired inventory is disposed of and the related costs are expensed when incurred. Materials acquired for research and development on products yet to be launched are written off in the year of acquisition. Inventory includes material purchased related to products for which the Company has filed ANDAs with the FDA, and the commercial launch of such products will commence once the approvals are received. The determination of whether or not inventory costs will be realizable requires estimates by management. A critical estimate in this determination is the estimate of the future expected inventory requirements, whereby the Company compares its internal sales forecasts to inventory on hand. Actual results may differ from those estimates and additional inventory write-offs may be required. The Company must also make estimates about the amount of manufacturing overhead to allocate to its finished goods and work in process inventories. Although the manufacturing process is generally similar for its products, the Company must make judgments as to the portion of costs to allocate to purchased product, work in process and finished goods, and such allocations can vary based upon the composition of these components and the fact that each product produced does not necessarily require the same amount of time or effort for the same production step. Accordingly, the assumptions made can impact the value of reported inventories and cost of sales. For inventories related to distributed products, the Company absorbs losses of obsolesce or expiries, however if

mutually agreed upon and in specific circumstances (like inventory built up on launch of new products), the Company recovers the cost from suppliers. The Company incurs costs related to non-supply of products it has committed to sell to its customers as per the contracts it has entered with these customers. As mutually agreed, the Company recovers certain of these costs from its suppliers.

BLU-U® commercial light sources placed in physicians' offices for an initial evaluation period are included in inventory in the accompanying consolidated balance sheets and amortized over a three-year period or until sold to the physician's office evidenced by the fact that all revenue recognition criteria have been met.

Property, Plant and Equipment and Depreciation
Property, plant and equipment is carried at cost less accumulated depreciation, which for property and equipment acquired in business acquisitions approximates the fair value determined at the acquisition date. Land is carried at cost. Construction in process is carried at cost until such time the associated asset(s) is placed into service. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets for impairment (Note 5).

Income Taxes
Deferred income tax assets and liabilities are computed annually for differences between the financial statement and federal income tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. In concluding that it is not more-likely-than-not that the Company's deferred tax assets will be realized, the Company evaluates both positive and negative evidence regarding the future utilization of these assets. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities.

See note 11 for a description of the impact of the Federal Tax Cuts and Jobs Act, which the U.S. Government enacted on December 22, 2017.

As of April 1, 2015, the Company retrospectively adopted Accounting Standards Update ("ASU") 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. In accordance with ASU 2015-17, the Company began recording all deferred tax balances as noncurrent assets and liabilities. Previously, deferred tax balances were recorded as current or noncurrent assets or liabilities based on the classification of the underlying asset or liability to which the temporary difference relates or, for loss or credit carryforwards, based on when the item was expected to reverse. As a result of adopting ASU 2015-17, current assets decreased by $35,665 in the accompanying 2017 consolidated balance sheet.

The Company analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Company reports interest and penalties attributable to income taxes, to the extent they arise, as a component of income tax expenses.

Research and Development Costs
Research and development costs settled in cash are charged to expense as incurred. Capital expenditures incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses are capitalized as tangible assets when acquired or constructed. The Company has not incurred any non-cash research and development costs during the Fiscal years ended March 31, 2018 and 2017, respectively.

Shipping and Handling Costs
Shipping and handling costs incurred to transport products to customers, which are included in selling, general and administrative expenses, amounted to $7,571 and $5,901 in Fiscal 2018 and Fiscal 2017, respectively.

Advertising and Promotion Costs
Advertising and promotion costs which are expensed as incurred and included in selling, general and administrative expenses, amounted to $17,638 and $21,762 in Fiscal 2018 and Fiscal 2017, respectively.

Goodwill
Goodwill represents the cost in excess of the fair value of net assets acquired in business combinations. Goodwill is tested annually for impairment or more frequently if events or circumstances indicate that the asset might be impaired. Management concluded, based on their assessment, a $413 impairment charge was necessary at March 31, 2018 for the portion of goodwill related to the Jacksonville, Florida location that was closed in Fiscal 2018 (Note 5). No such charge was considered necessary at March 31, 2017.

Other Intangible Assets
Intangible assets with finite lives are amortized over periods ranging from three to fifteen years and are evaluated for impairment at least annually. Intangibles are included in the "Other intangible assets, net" caption on the accompanying consolidated balance sheets. The Company concluded, based on management's assessment, that there was no impairment at March 31, 2018 or 2017.

Employee Stock Options
The Company recognizes all employee share-based compensation as a cost in the consolidated financial statements. Common stock options are measured at grant date fair value of the award, estimated using the Black-Scholes option pricing model.

Fair Value Measurements
Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed

based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 2.

Reclassification
Certain amounts as reported in the Fiscal 2017 consolidated financial statements have been reclassified to conform with the Fiscal 2018 presentation.

Accounting Changes
On February 14, 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-02, Reclassification of Certain Tax Effects from accumulated other comprehensive income ("AOCI"). The ASU allows a reclassification from AOCI to retained earnings for deferred taxes previously recorded in AOCI that exceed the current federal tax rate of 21% resulting from the newly enacted corporate tax rate in the Tax Cuts and Jobs Act (the Act). The Company has elected to early adopt the ASU, which affects only the year that the effects related to Tax Reform are recognized. Refer to Note 20 for the impact of the election on these consolidated financial statements.

Subsequent Events
In preparing these consolidated financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2018, the most recent consolidated balance sheet presented herein, through July 27, 2018, the date these consolidated financial statements were available to be issued. Based on this evaluation, the Company has identified no subsequent events after March 31, 2018 for which disclosure is required, other than the matter described in Note 22.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

2. FAIR VALUE MEASUREMENTS

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Marketable equity securities, the convertible note receivable, and the contingent liability on acquisition are recorded at fair value on a recurring basis. From time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as inventory, non-marketable equity securities, goodwill and other long-lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Investments
Investments classified as available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, that are traded by dealers or brokers in active over-the-counter markets. All available-for-sale equity security investments as of March 31, 2018 are considered Level 1 securities.

Note Receivable
As quoted prices in active markets or other observable inputs were not available for this note, in order to measure it at fair value, the Company utilized a discounted cash flow model using a discount rate reflecting the market risk inherent in holding securities of an early-stage enterprise. This methodology required the Company to make assumptions that were not directly or indirectly observable regarding the fair value of the convertible note; accordingly, the asset was categorized within Level 3 of the fair value hierarchy. At March, 31, 2018, it was determined that cost approximates the fair value of the note.

Contingent Liability on Acquisition
As quoted prices in active markets or other observable inputs were not available for this liability, in order to measure it at fair value, the Company utilized a discounted cash flow model using a discount rate reflecting the current market lending rate. This methodology required the Company to make assumptions that were not directly or indirectly observable regarding the fair value of the convertible note; accordingly, the asset was categorized within Level 3 of the fair value hierarchy.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis
The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets and liabilities measured at fair value on a recurring basis at March 31:

	Assets at Fair Value			
2018	Level 1	Level 2	Level 3	Total
Equity securities by industry Healthcare	$ 2,777	$ -	$ -	$ 2,777
Note receivable	-	-	7,000	7,000
Total assets at fair value	$ 2,777	$ -	$ 7,000	$ 9,777

	Liabilities at Fair Value			
2018	Level 1	Level 2	Level 3	Total
Contingent liability on acquisition	$ -	$ -	$ 20,208	$ 20,208
Total liabilities at fair value	$ -	$ -	$ 20,208	$ 20,208

	Liabilities at Fair Value			
2017	Level 1	Level 2	Level 3	Total
Contingent liability on acquisition	$ -	$ -	$ 19,981	$ 19,981
Total liabilities at fair value	$ -	$ -	$ 19,981	$ 19,981

The following table sets forth a summary of changes in the fair value of the Company's Level 3 assets measured at fair value on a recurring basis for the year ended March 31:

	2018
Beginning balance of recurring Level 3 assets	$ -
Issuance of notes	7,000
Ending balance of recurring Level 3 assets	$ 7,000

(amounts in thousands)

The following table sets forth a summary of changes in the fair value of the Company's Level 3 liabilities measured at fair value on a recurring basis for the year ended March 31:

	2018	2017
Beginning balance of recurring Level 3 liabilities	$ 19,981	$ 27,878
Milestone payment	-	(8,125)
Recognition of discounted value	227	228
Ending balance of recurring Level 3 liabilities	**$ 20,208**	**$ 19,981**

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable and related valuation allowances are summarized as follows at March 31:

	2018	2017
Accounts receivable, gross	$ 495,745	$ 614,191
Valuation allowances		
Chargebacks and shelf stock	96,042	144,019
Direct and indirect rebates (including administrative fees, service fees and related allowances, etc.)	27,824	66,611
Cash discounts	10,306	15,881
Allowance for doubtful accounts	6,824	-
Other	426	2,734
Total allowances	141,422	229,245
Accounts receivable, net	**$ 354,323**	**$ 384,946**

A summary of the activity in the accounts receivable valuation allowances are as follows:

	Total Allowances
Balance, April 1, 2016	**$ 297,049**
Additions charged to net sales	2,038,956
Deductions allowed to customers	(2,106,760)
Balance, March 31, 2017	**229,245**
Additions charged to net sales	1,710,382
Deductions allowed to customers	(1,798,205)
Balance, March 31, 2018	**$ 141,422**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

4. INVENTORIES

Inventories consist of the following components at March 31:

	2018	2017
Raw materials	$ 58,554	$ 40,623
Work in process	21,386	7,270
Goods in transit (distributed products)	18,959	20,166
Finished goods (Company-owned products)	140,646	93,320
Finished goods (distributed products)	56,148	127,079
Inventory	**$ 295,693**	**$ 288,458**

The principal components used in the Company's business are active and inactive pharmaceutical ingredients and certain packaging materials. While some of these components are purchased from single sources; the majority of the components have an alternate source of supply available. Because the FDA approval process requires manufacturers to specify their proposed supplier of components in their applications, FDA approval of a new supplier would be required if components were no longer available from the specified suppliers. Also, a major component of the Company's inventory includes purchase of finished goods for distribution under various marketing agreements.

During Fiscal 2018 and 2017, the Company made net purchases of inventory components, consisting of raw materials and finished goods, of approximately $264,647 and $419,350, respectively, from Sun Limited and its affiliates. These amounts are net of credits issued by the Company for the cost of expired and non-saleable products or for free replacement of fresh product to the Company primarily as a result of pending expiration or stale-dating of product held by the Company and its customers, without cost to the Company, which was acting in its normal distributor role for sales of such products.

5. PROPERTY, PLANT AND EQUIPMENT

During Fiscal 2018, the Company sold its dormant manufacturing facility located in Detroit, Michigan and recorded a loss of approximately $1,447. Total consideration was $5,349 which was received in full on the date of the sale. In Fiscal 2017, the Company sold equipment at its Detroit, Michigan facility for $1,000 which resulted in a gain of $9.

In addition, the Company closed the distribution facility in Jacksonville, Florida that is subject to a long-term lease. Currently, the facility is vacant as the Company explores sub lease options with the landlord. As a result, the estimated useful life was adjusted, and the Company recognized additional depreciation of approximately $8,100 in Fiscal 2018.

During Fiscal 2017, the Company sold one of its manufacturing facilities in Philadelphia, Pennsylvania and recorded a loss of approximately $1,738 from the sale of this facility and related installed equipment. Total consideration was $22,062, with $16,240 receivable in annual installments of $8,120 each year over two years from the date of the sale.

(amounts in thousands)

In July 2018, the Company announced plans to consolidate the New Jersey manufacturing facilities. As a result, a leased facility will be closed. Management is in the process of evaluating the exit costs as a result of this decision.

6. OTHER INTANGIBLE ASSETS

Other intangible assets consist of the following amounts at March 31:

	2018	2017
Patents and trademarks	$ 232,910	$ 232,910
Product rights and licenses	138,728	138,728
Technical know-how	17,161	17,161
Intellectual property	5,300	5,300
Other	1,800	1,800
Total	395,899	395,899
Less accumulated amortization	266,602	227,639
Intangible assets, net	**$ 129,297**	**$ 168,260**

Intangible assets are amortized over periods ranging from 3 to 15 years, which correspond with the expected periods of future economic benefit.

Estimated annual amortization expense for each of the five years succeeding March 31, 2018 and thereafter, are summarized as follows:

Year Ending March 31	Amount
2019	$ 39,367
2020	38,766
2021	25,311
2022	7,791
2023	5,759
Thereafter	12,303
Total	**$ 129,297**

7. INVESTMENT IN UNCONSOLIDATED ENTITIES (INCLUDING RELATED PARTY)

At March 31, 2018 and 2017, the Company's investment in Taro, an affiliate, which is recorded at cost was $19,853. At March 31, 2018, additional cost method investments and the percentage interest owned, consisted of 5AM Ventures IV, L.P. (3.3%) Atlas Venture Fund (3.57%), Frazier Health Care LS VII L.P. (1.9%), 5AM Ventures V (1.05%), Atlas Venture Fund XI (1.43%). At March 31, 2017, additional cost method investments and the percentage interest

(amounts in thousands)

owned, consisted of 5AM Ventures IV, L.P. (3.3%) Atlas Venture Fund (3.57%), Frazier Health Care LS VII L.P. (1.9%), and 5AM Ventures V (1.05%). The total interests in these additional cost method investments were $16,724 and $9,381 as on March 31, 2018 and 2017, respectively.

At March 31, 2018, investments accounted for under the equity method, and the percentage interest owned, consisted of Frazier Healthcare VII, L.P. (6.83%), Versant Venture Capital V, L.P. (7.46%), Medinstill LLC (19.99%), and scPharmaceuticals, Inc. (11.69%). At March 31, 2017, equity investments accounted for under the equity method, and the percentage interest owned, consisted of S & I Ophthalmic, LLC (50%), Frazier Healthcare VII, L.P. (6.83%), Versant Venture Capital V, L.P. (7.46%), Medinstill LLC (19.99%), and scPharmaceuticals, Inc. (14.58%). These investments are reflected in the caption "Investments in unconsolidated subsidiaries" on the Company's consolidated balance sheets.

During Fiscal 2018, S & I Ophthalmic, LLC was dissolved. As a result, the Company received a final distribution of $2,598.

The activity in the investment in unconsolidated subsidiaries account is summarized as follows for the years ended March 31:

Balance, April 1, 2016	**$**	**44,033**
Capital contributions		23,013
Proportionate share of net income		1,525
Balance, March 31, 2017		**68,571**
Capital contributions		6,047
Proportionate share of net income		4,397
Distributions		(4,579)
Dissolution of S & I Ophthalmic		(2,598)
Balance, March 31, 2018	**$**	**71,838**

At March 31, 2018, the Company has outstanding capital commitments to these investees of approximately $44,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

Combined, condensed financial information for the Company's equity method unconsolidated entities are as follows at March 31:

	2018	2017
Current assets	$ 129,806	$ 142,323
Investments at estimated fair value	733,917	445,026
Property and equipment	6,393	4,724
Total assets	**$ 870,116**	**$ 592,073**
Current liabilities	$ 50,479	$ 118,213
Noncurrent liabilities	18,190	-
Total equity	801,447	473,860
Total liabilities and equity	**$ 870,116**	**$ 592,073**

Combined, condensed financial information for the Company's unconsolidated entities accounted for using the equity method, is summarized as follows for the year ended March 31:

	2018	2017
Operating income	$ 3,145	$ 3,387
Realized gain (loss) on investments	14,171	(58,380)
Research and development	(3,600)	(17,755)
Management fees	(8,702)	(8,152)
Professional fees	(799)	(3,102)
Selling, general, and administrative	(2,171)	(13,690)
Other expenses	(125)	(9,908)
Net income (loss)	1,919	(107,600)
Other comprehensive income	185,653	131,368
Comprehensive income	**$ 187,572**	**$ 23,768**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

8. ACCRUED EXPENSES

Accrued expenses and other current liabilities consist of the following amounts at March 31:

	2018	2017
Sales returns	$ 48,858	$ 44,829
Medicaid rebates	20,508	29,977
Managed care	21,290	27,227
Employee-related benefits	16,456	23,789
Royalties and profit sharing	12,766	19,621
Patient coupons	25,373	16,142
Interest	1,152	1,626
Advances from customers	-	1,340
Total current liabilities	$ 146,403	$ 164,551

Medicaid rebates are principally comprised of amounts due under U.S. Government pricing programs such as Medicaid, Medicare and Tricare (Department of Veteran Affairs). These rebates have been estimated as per the stipulated regulations and prescribed guidelines, which consider the calculation of the average manufacturers' price.

9. SHORT-TERM BORROWINGS

In January 2018, the Company entered into an uncommitted line of credit agreement ("credit agreement") with Citibank, N.A. ("Citibank") with a termination date of January 24, 2019. The maximum available borrowings under the credit agreement is $50,000, which is the outstanding balance at March 31, 2018. The effective interest rate was 2.81% at March 31, 2018.

In December 2016, the Company entered into an uncommitted revolving line of credit agreement (revolving agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan") for $200,000 which is outstanding at March 31, 2018 and 2017. The agreement has no fixed termination date, and thus will terminate at such time either party chooses. The effective interest rate was 2.38% at March 31, 2018.

In addition to the $200,000 revolving line with JPMorgan above, the Company has an uncommitted line of credit with JP Morgan for $20,000, of which $10,000 was outstanding at March 31, 2018 and March 31, 2017. The agreement terminates on May 31, 2019. The effective interest rate was 2.625% at March 31, 2018.

The Company had a line of credit agreement ("credit agreement") with Citibank, N.A. ("Citibank"). During Fiscal 2017, the term of the line was extended from November 16, 2016 to November 14, 2017 at which time it was paid in full. The maximum available borrowings under the credit agreement was $100,000, which was the outstanding balance at March 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

10. LONG-TERM DEBT

As part of the Fiscal 2015 acquisition of Pharmalucence, the Company assumed Pharmalucence's obligation under its bond agreement with the Massachusetts Development Finance Agency. The original amount of the loan was $20,000 with a balance of $19,355 at the time of the acquisition in Fiscal 2015. The loan is collateralized by the Pharmalucence facility and related land. Monthly principal and interest payments are payable in varying amounts through June 2033, the bond maturity date. The effective interest rate was 3.05% at March 31, 2018.

Scheduled principal payments under the loan are:

Year March 31 Ending	Amount
2019	$ 788
2020	823
2021	859
2022	897
2023	936
Thereafter	12,430
Total	**$ 16,733**

11. INCOME TAXES

The benefit provision for income taxes consists of the following components for the year ended March 31:

	2018	2017
Currently payable (refundable)	$ 16,475	$ (6,130)
Deferred (benefit) expense	(19,135)	24,348
Income tax (benefit) expense	**$ (2,660)**	**$ 18,218**

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, among other provisions. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%, resulting in an immediate income tax charge of approximately $40,126 in Fiscal 2018.

(amounts in thousands)

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to net income before income taxes. The items causing the difference are as follows for the year ended March 31:

	2018	2017
Federal tax (benefit) at statutory rate (31.5% for Fiscal 2018, 35% for Fiscal 2017)	$ (37,997)	$ 15,344
State income taxes, net of federal benefit	(9,345)	1,582
Remeasurement impact of the Tax Cuts and Jobs Act	40,126	-
Research and development credit	(300)	(833)
Other	4,856	2,125
Income tax (benefit) expense	**$ (2,660)**	**$ 18,218**

Net deferred income tax assets consist of the following components at March 31:

	2018	2017
Deferred tax assets		
Net operating loss carryforwards (NOLs)	$ 30,855	$ 22,871
Receivables	21,639	4,249
Intangibles/Goodwill	8,291	8,351
Inventory	4,551	1,360
Investments	1,323	-
Accrued liabilities and other items	10,488	31,199
Total deferred tax assets	**77,147**	**68,030**
Deferred tax liabilities		
Investments	-	7,048
Depreciation	329	1,338
Other	458	227
Total deferred tax liabilities	**787**	**8,613**
Net deferred tax assets	**$ 76,360**	**$ 59,417**

Valuation allowances against deferred income tax assets are provided when, based upon the weight of available evidence, it is more-likely-than-not that some or all of the deferred tax assets will not be realized. There were no such valuation allowances as of March 31, 2018 or 2017. Based upon the level of projected future taxable incomes over the periods in which deferred assets are deductible, the Company expects that it is more likely than not that it will realize the benefit of these temporary differences. Some of the Company's NOLs are subject to annual limitations under income tax rules. As a result of such restrictions, certain of such NOLs, amounting to approximately $40.6 million, will expire and are not likely to be available for future benefit. Accordingly, the deferred tax asset related to the NOLs has been reduced to reflect the NOLs which the Company will not be in a position to utilize as they will expire between 2021 and 2033.

(amounts in thousands)

The Company analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years (Fiscal 2016 to 2018) in these jurisdictions. The Company has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any changes for such, to the extent they arise, as a component of its operating expenses. The Company had determined that no adjustments for unrecognized tax benefit or benefit are necessary as a result of this analysis.

The Internal Revenue Service has concluded an examination of Ranbaxy's Fiscal 2015 and Sun's Fiscal 2013 through 2015 tax returns. As a result, tax return adjustments resulting in approximately $82 and $3,800, respectively, of additional tax expense were made and included within the Fiscal 2018 tax provision. The Internal Revenue Service has commenced the examination of Sun's Fiscal 2016 tax return and has opened an audit related to the 2017 Sun tax return. No final audit adjustments have been communicated related to Sun's Fiscal 2016 return and management believes that any such adjustments will not have a material impact on the Company's consolidated financial statements.

12. LEASES (INCLUDING RELATED PARTY)

The Company conducts a portion of its operations with leased property and equipment, including warehouse facilities and related equipment, a portion of which meet capitalization criteria specified by US GAAP.

The Company rents its facilities in Cranbury, New Jersey, and Wilmington, Massachusetts. The leases are with third parties and are non-cancelable. The Company rented a facility in Wixom, Michigan which expired in Fiscal 2018. The Cranbury lease expires in Fiscal 2021 and the Wilmington lease expires in Fiscal 2019. Net rental expense for all operating leases was $6,076 and $3,460 in Fiscal 2018 and Fiscal 2017, respectively.

In addition, in January 2014, the Company entered into a ten-year non-cancelable lease for the rental of office space in Cranbury, New Jersey, from an affiliated company, Taro. Rent expense for this lease was $1,115 and $524 in Fiscal 2018 and Fiscal 2017, respectively.

Tangible assets held under capitalized leases and included with owned properties on the consolidated balance sheets are summarized as follows at March 31:

	2018	2017
Building	$ 24,377	$ 24,377
Vehicles	11,110	-
Equipment	233	233
Computers	75	75
Total	35,795	24,685
Less accumulated amortization	27,403	14,892
Net book value	$ 8,392	$ 9,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

The following is a schedule of annual future minimum lease payments required under capitalized leases with interest rates ranging from 5 to 9.7% and under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2018:

Year March 31 Ended	Capitalized Leases	Non-Cancelable Operating Leases (including affiliates)
2019	$ 4,879	$ 3,576
2020	4,932	3,129
2021	4,964	2,246
2022	4,416	1,161
2023	2,898	971
Thereafter	5,293	599
Total minimum payments due	27,382	$ 11,682
Less amounts representing interest	8,040	
Present value of net minimum lease payments	$ 19,342	

13. RETIREMENT PLAN

Each entity within the Company maintains a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code. Under these plans, eligible employees are permitted to contribute up to the maximum allowable amount determined by the Internal Revenue Code. The Company may make discretionary matching and profit sharing contributions under the provisions of these plans. The Company made contributions in the amounts of $6,322 and $3,320 to the plans for Fiscal 2018 and 2017, respectively.

14. ROYALTY AND PROFIT SHARE AGREEMENTS

The Company has entered into several distribution and profit share arrangements wherein a specified percentage of the profit earned is paid by the Company to unrelated third parties as royalty or profit share expense. During Fiscal 2018 and 2017, royalty and profit share expense was $60,301 and $44,544, respectively. Of these amounts, $56,237 and $41,880, respectively, have been included in cost of goods sold and $4,064 and $2,664, respectively, have been included in selling, general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

15. SHARE-BASED COMPENSATION

The Company's Employee Stock Option Schemes (ESOSs) provides for the grant of common stock options to eligible employees and Directors. The ESOSs are administered by the Compensation Committee (Committee) of the Board of Directors. Options are granted at the discretion of the Committee to selected employees depending upon certain criteria.

	Year Ended March 31, 2018		
	Number of Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at the beginning of the year	93,686	$ 6.99	1.19
Forfeited and lapsed during the year	(1,870)	9.10	-
Exercised during the year	(32,451)	3.04	-
Outstanding, end of the year	59,365	$ 9.09	1.28
Exercisable at the end of the year	59,365	$ 9.09	1.28

	Year Ended March 31, 2017		
	Number of Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding at the beginning of the year	176,897	$ 5.03	2.28
Forfeited and lapsed during the year	(34,965)	6.62	-
Exercised during the year	(48,246)	0.09	-
Outstanding, end of the year	93,686	$ 6.99	1.19
Exercisable at the end of the year	93,686	$ 6.99	1.19

16. SALES CONCENTRATIONS

Major Customers

Shipments to four customers, including three wholesalers, accounted for approximately 66% and 68% of net revenues for Fiscal 2018 and Fiscal 2017, respectively. Balances due from these customers (gross outstanding amounts) represented approximately 66% and 81% of gross accounts receivable at March 31, 2018 and 2017, respectively. As is typical in the U.S. retail

sector, many of the Company's customers are serviced through their designated wholesalers. Of the net sales made to wholesalers, the majority include sales for various customers of the Company that have underlying direct contracts with the Company that are facilitated through such wholesale customers. No other single customer accounted for more than 10% of net sales for Fiscal 2018 or Fiscal 2017. The loss of any of these customers could have a materially adverse effect on short-term operating results.

Major Products

Shipments of three products accounted for 37% of net revenue for Fiscal 2018. Shipments of three products accounted for 47% of net revenue for Fiscal 2017.

17. COMMITMENTS, CONTINGENCIES, AND OTHER MATTERS

Employment Contracts

The Company has employment agreements with three of its executive officers that provide for annual salaries that include merit increases and at least a six-month continuance, including insurance benefits, upon termination without cause.

Litigation

The Company is currently involved, and from time to time becomes involved, in certain other legal proceedings relating to the conduct of its business, including those pertaining to patents, product liability, contract and employment matters. The Company carries product liability insurance in an amount it believes is sufficient to meet the needs related to those cases involving products that it manufactured. The Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position. While the outcome of any of such proceedings cannot be accurately predicted, the Company does not believe that the ultimate resolution of any of these other existing proceedings will have a material adverse effect on its financial condition or liquidity.

Shareholder Litigation

On December 9, 2010, and subsequent thereto, several putative class action lawsuits were filed in the Wayne County Circuit Court against the Company, its affiliates, and the members of the Board of Directors of the Company, arising out of the proposal by Sun Pharma and Sun Global to take the Company private. The action had been dismissed by the trial court twice and is now on appeal. On appeal, the appellate court reversed the decision of the trial court and the case is now proceeding. On September 1, 2017, a separate action was commenced in the Wayne county Circuit Court by a group of plaintiffs as dissenting shareholders alleging violations of state law. The case is proceeding.

Government Investigations/Litigation

On September 17, 2013, the State of Louisiana filed suit against numerous pharmaceutical companies, including the Company. The State of Louisiana alleges that the numerous pharmaceutical company defendants have engaged in a scheme to trick the State into paying for drugs that have not received approval from the U.S. Food and Drug Administration, thereby causing Louisiana's Medicaid agency to pay for drugs that would have otherwise not been covered by Medicaid. The complaint was dismissed, and that decision is now on appeal. On March 10, 2017, the State of Mississippi filed a similar complaint against the Company. A motion to dismiss that matter is currently pending.

On April 1, 2016, the Company received a Grand Jury Subpoena from the United States Department of Justice, Antitrust Division. The Grand Jury Subpoena relates to an investigation into price fixing and/or bid rigging in the United States market for generic drugs. The Company is responding to the Grand Jury Subpoena. The Company is also in receipt of a related subpoena from the Connecticut Attorney General. The Company is responding to the subpoena.

On September 26, 2017, the company received a civil Investigation demand from the United States Department of Justice relating to the promotion of Levulan Kerasticks. The Company is responding to the request.

Antitrust

The Company is a defendant in a group of putative class and individual actions in the United States District Court for the Eastern District of Pennsylvania alleging that the Company and its affiliates violated antitrust laws in connection with a 2005 patent settlement agreement concerning Modafinil. A settlement was reached with certain plaintiffs during trial in July 2017. Additional plaintiff claims are scheduled for trial in October 2018.

The Company is also a defendant in various putative class and individual actions alleging that the Company and its affiliates violated antitrust laws in connection with certain patent settlement agreements and ANDAs related to five drug products. Such actions are in various stages ranging from a motion to dismiss, discovery, stayed pending appeal and one matter for which no substantive proceedings have taken place. In addition, the Company is a named defendant in a number of purported class complaints alleging that the Company conspired with competitors to fix prices and/or rig bids in the markets for two drug products.

Product Liability

The Company is a defendant in a putative class action lawsuit brought by a group of consumers who seek a refund for a named product which they allegedly purchased and which subsequently was the subject of a Class 2 (retail level) recall. This action is currently pending in the United States District Court.

The Company is named as defendant along with numerous other companies in a putative class action brought by American Resources Insurance Company in the United States District Court for the Southern District of Alabama alleging that the defendants violated

federal and state law in connection with the promotion and sales of opioid drug products. This action is currently stayed pending resolution of a request by certain defendants for transfer to an existing MDL. The Company is also named as a defendant along with numerous other companies in an action brought by the State of Arkansas along with various counties and cities in Arkansas in the Circuit Court of Crittenden County, Arkansas alleging that the defendants violated state law in connection with the promotion and sales of opioid drug products. This action is in the early stages.

Other Matters

The Company is a defendant in an action now pending an arbitration brought by the minority member in the Ranbaxy Signature Joint Venture. The complaint in that action seeks damages relating to management of the joint venture and the manner in which revenues were allocated to Ranbaxy Signature. The Company has requested review of an appellate court decision sending the matter to arbitration.

Product Liability and Insurance

The Company currently maintains a product liability insurance policy with primary coverage limits of $10 million per incident and in the aggregate, and also an excess coverage of $40 million over and above the primary coverage. The Company's product liability policy provides coverage on a claims made basis and is subject to annual renewal. In addition, the Company maintains policies for property, workers compensation and officer and directors' liability and other general liability claims. There can be no assurance that the coverage limits of these policies will be adequate to cover the Company's liabilities, should they occur, or that such insurance may not be available in the future on acceptable terms or at all.

Regulatory Matters

Sun - Wixom Facility

The Wixom warehouse distribution activities were transferred to the TARO New Jersey Distribution Center as of Jun 2017 and the facility has been vacated as of Nov 2017. The company's lease expired in January 2018 and it will be requesting the Court to vacate the Consent Decree.

Sun - Cranbury, DUSA, Pharmalucence, Chattem and Ohm Facilities

All facilities remain in good standing for cGMP compliance for FDA registered drug or device manufacturing operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

18. OPERATING SEGMENT INFORMATION

The Company operates in reportable segments consisting of Company-owned products and those products distributed under various agreements with Sun Limited and its affiliates, as well as third parties. The sales and gross profit earned on these categories of products are as follows for the year ended March 31:

	2018		2017	
	Sales	Gross Profit	Sales	Gross Profit
Category				
Company-owned products	$ 650,471	$ 207,715	$ 720,143	$ 347,594
Distributed products	179,823	25,118	626,496	40,855
Total	$ 830,294	$ 232,833	$ 1,346,639	$ 388,449

The Company is in the business of manufacturing, developing, selling and distributing various therapeutic classes of solid oral dosage and injectables of generic pharmaceuticals. The Company is also in the business of manufacturing, developing, selling and distributing various proprietary brand products in the therapeutic categories of ophthalmology, dermatology, oncology, and neurology. There are no separate management teams or individuals assigned to a product or products or therapeutic classes of products, no separate allocation of funds or resources to distinct product or products or therapeutic classes or products, and the performance of any individual product or products or therapeutic classes of products is not separately assessed. The Company's revenues are solely based on the receipt and fulfillment of customers' orders.

19. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing Activities

The Company financed vehicles during Fiscal 2018 by entering into capital leases totaling $11,110. Additionally, during Fiscal 2018 the Company received distributions in the amount of $1,565 in the form of marketable securities from an unconsolidated subsidiary.

Cash paid for interest and income taxes (net of refunds) amounted to the following during the year ended March 31:

	2018	2017
Interest	$ 15,311	$ 13,125
Income taxes (refunded) paid	$ (268)	$ 39,467

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes in the components of accumulated other comprehensive income for the years ending March 31:

	2018	2017
Unrealized gains on available-for-sale securities		
Balance at beginning of year	$ 7,193	$ -
Other comprehensive income	13,214	11,186
Income taxes	(2,775)	(3,993)
Other comprehensive income, net of tax	10,439	7,193
Reclassification related to Tax Cuts and Jobs Act *	1,644	-
Balance at end of year	**$ 19,276**	**$ 7,193**

In Fiscal 2018, the Company adopted ASU 2018-02, which resulted in an accounting reclassification of these amounts from accumulated other comprehensive income to retained earnings. See Note 1.

21. RESTATEMENT AND RESTRUCTURE

The Company has restated its previously issued consolidated financial statements for the year ended March 31, 2017 to correct a classification error in its presentation of additional paid-in capital and affiliated interest in subsidiary. The adjustment, applied retrospectively as of April 1, 2016, had no impact on consolidated net income, consolidated assets, consolidated liabilities, and total consolidated shareholders' equity previously reported in the fiscal 2017 consolidated financial statements.

As described in Note 1, during Fiscal 2018 two former subsidiaries of Ranbaxy, Inc. were dissolved, with all of their assets, liabilities, net equity and continuing operations transferred to Sun. The Fiscal 2017 consolidated financial statements have been adjusted for the retrospective application of the dissolution and transfer of net assets, which impacts the allocation of controlling and affiliated equity interests now that the net assets and operations of these dissolved subsidiaries are reported in the results of Sun, which is not wholly owned.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands)

The following is a summary of the effect of the above reclassification adjustments on the 2017 consolidated statements:

	Additional Paid-in Capital	Affiliated Interest in Subsidiary	Retained Earnings	Total Shareholders' Equity
Effect on the consolidated balance sheets				
As originally reported, April 1, 2016	**$ 671,744**	**$ (30,555)**	**$ 28,360**	**$ 669,549**
Effect of restatement	(61,110)	61,110	-	-
Effect of restructure	(78,756)	108,974	(30,218)	-
Adjusted balances at April 1, 2016	**$ 531,878**	**$ 139,529**	**$ (1,858)**	**$ 669,549**
As originally reported, March 31, 2017	**$ 683,207**	**$ (39,267)**	**$ 62,694**	**$ 713,827**
Effect of restatement	(61,110)	61,110	-	-
Effect of restructure	(78,756)	126,809	(48,053)	-
Adjusted balances at March 31, 2017	**$ 543,341**	**$ 148,652**	**$ 14,641**	**$ 713,827**

22. SUBSEQUENT EVENT

In July 2018 the Company reached a decision to vacate its facility in Cranbury, New Jersey, in order to reduce costs and consolidate operations into other existing space. The financial impact of this decision is still being evaluated at the time of issuance of these consolidated financial statements.

■■■■■