Consolidated Financial Statements and Report of Independent Certified Public Accountants

Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

Years ended March 31, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholder
Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Sun Pharmaceutical Holdings USA, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheet as of March 31, 2021, and the related consolidated statements of income, shareholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 the auditor's 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 entity'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 entity'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 financial position of Sun Pharmaceutical Holdings USA, Inc. and subsidiaries as of March 31, 2021 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter
The consolidated financial statements of Sun Pharmaceuticals Holdings USA, Inc. and subsidiaries as of and for the year ended March 31, 2020 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2020 consolidated financial statements in their report dated June 19, 2020.

New York, New York
June 23, 2021

Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries
(a wholly owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED BALANCE SHEETS

March 31,
(in thousands)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 33,387	$ 34,407
Accounts receivable, net	494,947	489,971
Due from related parties	200,376	278,407
Inventories, net	308,390	328,231
Refundable income taxes	-	518
Prepaid expenses and deposits	12,096	12,923
Total current assets	1,049,196	1,144,457
Property, plant and equipment		
Land	1,977	2,365
Buildings and improvements	113,904	108,913
Equipment	188,722	194,325
Furniture and fixtures	6,854	6,745
Vehicles	24,502	15,700
Construction in process	5,829	20,898
	341,788	348,946
Less accumulated depreciation	197,045	188,329
Total property, plant and equipment, net	144,743	160,617
Investments		
Marketable equity securities	180,875	160,949
Nonmarketable equity securities	20,221	10,159
Equity method investments	112,207	94,999
Convertible notes	12,000	12,000
Total investments	325,303	278,107
Operating lease assets, net	8,783	10,619
Goodwill	80,579	80,579
Other intangible assets, net	22,325	49,940
Deferred income taxes	23,945	29,282
Total assets	$ 1,654,874	$ 1,753,601

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 BALANCE SHEETS - CONTINUED

March 31,
(in thousands)

	2021	2020
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 16,555	$ 230,000
Income tax payable	2,480	-
Accounts payable - trade	89,441	101,758
Accrued expenses	237,462	228,177
Advances from affiliate, current	105,252	-
Current portion of operating lease obligations	1,814	1,654
Current portion of finance lease obligations	5,097	3,877
Total current liabilities	458,101	565,466
Advances from affiliate, net of current portion	323,608	320,304
Operating lease obligations, net of current portion	7,265	9,544
Finance lease obligations, net of current portion	10,837	9,856
Total liabilities	799,811	905,170
Commitments and contingencies (Notes 1, 7, 11, and 15)		
SHAREHOLDER'S EQUITY		
Controlling interest		
Common stock - $0 par value, 5,000 shares authorized and 1 share issued and 1 share outstanding	-	-
Additional paid-in capital	543,880	543,880
Retained earnings	286,252	280,773
Total controlling interest	830,132	824,653
Non-controlling interest	24,931	23,778
Total shareholder's equity	855,063	848,431
Total liabilities and shareholder's equity	$ 1,654,874	$ 1,753,601

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 INCOME

Years ended March 31,
(in thousands)

	2021	2020
Sales, net	$ 969,693	$ 987,245
Other operating revenue	3,604	8,571
Total revenue	973,297	995,816
Cost of goods sold	649,710	676,690
Selling, general and administrative expenses	345,557	158,869
Research and development costs	23,578	31,401
Gain on sale of intangible asset	(1,729)	-
Gain on disposal of property, plant, and equipment	(38)	(1,587)
Operating income	(43,781)	130,443
Other (expense) income		
Interest expense	(15,926)	(22,788)
Dividend and interest income	34,753	983
Gains (losses) on equity securities	14,250	(101,470)
Equity in earnings from equity method investments	22,637	8,639
Other income (expense)	48	(372)
Other income (expense), net	55,762	(115,008)
Income before income taxes	11,981	15,435
Income taxes	3,822	8,527
Net income	8,159	6,908
Net income attributable to non-controlling interest	1,153	1,032
Net income attributable to controlling interest	$ 7,006	$ 5,876

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

Sun Pharmaceutical Holdings USA, Inc. and Subsidiaries
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CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Years ended March 31, 2021 and 2020
(in thousands except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Total Shareholder's Equity
	Shares	Amount				
Balances, March 31, 2019	1	$ -	$ 543,880	$ 277,062	$ 22,755	$ 843,697
Net income	-	-	-	5,876	1,032	6,908
Cumulative effect of change in accounting principle (Note 1)	-	-	-	(305)	(9)	(314)
Distributions	-	-	-	(1,860)	-	(1,860)
Balances, March 31, 2020	1	-	543,880	280,773	23,778	848,431
Net income	-	-	-	7,006	1,153	8,159
Distributions	-	-	-	(1,527)	-	(1,527)
Balances, March 31, 2021	1	$ -	$ 543,880	$ 286,252	$ 24,931	$ 855,063

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

Years ended March 31,
(in thousands)

	2021	2020
Cash flows from operating activities		
Net income	$ 8,159	$ 6,908
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	20,643	20,794
Amortization	27,557	39,420
Gains on equity securities - non-marketable	(7,702)	(8,895)
(Gains) losses on equity securities - marketable	(6,547)	110,365
Equity in earnings from equity method investments	(22,637)	(8,639)
Stock dividend from investee	(15,958)	-
Gain on disposal of property, plant, and equipment	(38)	(1,587)
Gain on sale of intangible asset	(1,729)	-
Deferred income taxes	5,337	(13,289)
Allowance for doubtful accounts	466	233
Changes in operating assets and liabilities		
Accounts receivable	(5,442)	39,562
Due from related parties	85,209	(143,197)
Inventories	19,841	15,394
Income taxes payable/refundable	2,998	837
Prepaid expenses and deposits	827	2,397
Accounts payable	(12,317)	(12,529)
Accrued expenses	9,285	64,991
Lease obligations	(2,364)	(1,024)
Net cash provided by operating activities	105,588	111,741
Cash flows from investing activities		
Purchases and construction of property, plant and equipment	(3,403)	(10,883)
Contributions in equity investments - non-marketable	(2,277)	-
Contributions in equity method investments	(1,138)	(3,335)
Contributions in equity investments - marketable	(2,140)	-
Distributions from equity method investments	6,567	21,911
Issuance of convertible note	-	(900)
Proceeds on disposal of property, plant, and equipment	22	-
Proceeds from sale of intangible assets	1,787	-
Proceeds from sale of marketable securities	4,636	-
Net cash provided by investing activities	4,054	6,793
Cash flows from financing activities		
Proceeds from short-term bank borrowings	1,555	20,000
Net repayment of line of credit borrowings	(215,000)	(160,000)
Net advances from affiliates	108,556	7,917
Repayment of lease obligations	(4,246)	(8,807)
Distributions	(1,527)	(1,860)
Net cash used in financing activities	(110,662)	(142,750)
Net decrease in cash and cash equivalents	(1,020)	(24,216)
Cash and cash equivalents, beginning of year	34,407	58,623
Cash and cash equivalents, end of year	$ 33,387	$ 34,407

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

NOTE 1 - NATURE OF BUSINESS, BASIS OF PRESENTATION 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. and subsidiaries ("Sun"), which is 97% owned by Sun Holding and 3% by Sun Limited, and Ranbaxy, Inc. and subsidiaries ("Ranbaxy"), which is wholly owned by Sun Holding (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 that currently are primarily intended to treat patients related to dermatology. The Company has divisions for the distribution of various proprietary brand products in the therapeutic categories of ophthalmology, dermatology (biologics), oncology and neurology.

Subsidiaries of Sun Pharmaceutical Industries, Inc. 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 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. Effective April 1, 2020, Mutual was dissolved, and all the assets and liabilities were simultaneously transferred to Sun.

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. Effective April 1, 2020, Pharmalucence was dissolved, and all the assets and liabilities were simultaneously transferred to Sun.

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 had operating activity in Fiscal 2021 nor 2020. Effective April 1, 2020, Morley & Company was dissolved, and all the assets and liabilities were simultaneously transferred to TDC.

Sun's manufacturing and distribution facilities are located in Cranbury, New Jersey; Chattanooga, Tennessee; and Billerica, Massachusetts. The Company also has 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. Effective April 1, 2020, InSite was dissolved, and all the assets and liabilities were simultaneously transferred to Sun.

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 Sun Pharmaceutical Industries, Inc.

Principles of Consolidation

The 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 ("U.S. GAAP"). The consolidated financial statements are prepared in the functional currency of U.S. dollars and include the accounts of consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Economic Uncertainty

The outbreak of a novel coronavirus ("COVID-19"), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many United States Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most industries and businesses, having the effect of suspending or severely curtailing operations. The extent of the ultimate impact of the pandemic on the Company's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on customers, employees, and vendors, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the Company's consolidated financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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.

Recent Accounting Pronouncements - Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This ASU provides guidance for recognizing credit losses on financial instruments based on an estimate of current expected credit losses model. This new standard amends the current guidance on the impairment of financial instruments and adds an impairment model known as current expected credit loss (CECL) model that is based on expected losses rather than incurred losses. Under the new guidance, an entity will recognize as an allowance its estimate of expected credit losses. The FASB subsequently issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, derivatives and Hedging, and Topic 825, Financial Instruments,* and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses to clarify,* and address certain items related to the amendments in ASU 2016-13. Accounting Standards Codification ("ASC") 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim reporting periods within those fiscal years with early adoption permitted. The Company is evaluating this ASU but does not anticipate a significant impact on its consolidated financial statements based on its historical trend of bad debt expense relating to trade accounts receivable.

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

The Company invests in equity securities of public and private companies to promote business and strategic objectives. These investments, although long term, are generally focused on the development of these individual drugs and are not intended to be ongoing relationships.

Marketable equity securities are equity securities with readily determinable fair value that are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the consolidated statements of income. 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 such interests were acquired as strategic investments by Sun Limited and its subsidiaries.

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for using 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 noncorporate entities. Under the equity method of accounting, an investee's underlying accounts are not reflected within the Company’s consolidated balance sheets and consolidated income statements; rather, the Company’s share of the earnings or losses of the investee is reflected in the caption “Equity in earnings from equity method investments” in the consolidated statements of income. The Company’s carrying value in an equity method investee is reflected in the caption “Equity method investments” on the consolidated balance sheets.

Nonmarketable equity securities are equity securities without readily determinable fair values that are not accounted for under the consolidation or the equity method of accounting. Management has elected the measurement alternative for these investments that do not have readily determined fair values. Under this alternative, such investments are measured at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes in orderly transactions for an identical or similar investment of the same issuer. At March 31, 2021, the Company has outstanding capital commitments of approximately $904 to these investees.

Realized and unrealized gains and losses resulting from changes in fair value or the sale of equity investments are reported as “(Losses) gains on equity securities” on the consolidated statements of income. All (losses) gains recognized in Fiscal 2021 and 2020 are unrealized.

Convertible Notes

During Fiscal 2018, the Company converted a $7,000 advance to one of its development stage investees into a convertible note. The convertible note matured in February 2020. On April 30, 2020, an amendment was entered into, which extended the maturity date to December 31, 2021. Interest accrues at an annual rate of 12%. The investee may prepay the convertible note in $1,000 increments without penalty. The Company has the right to convert any outstanding principal into 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.

During Fiscal 2019, an addendum to the original convertible note agreement was signed. As a result, the Company agreed to invest an additional $5,000 of which $0 and $900 was invested in Fiscal 2021 and 2020, respectively. These convertible notes matured in December 2019. On April 30, 2020, an amendment was entered into, which extended the maturity date to December 31, 2021. Interest accrues at an annual rate of 12%. The investee may prepay the convertible note in $1,000 increments without penalty. The Company has the right to convert any outstanding principal into 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 these notes 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 Affiliates (Related by Common Ownership and Management Control)

The Company has received funds from Alkaloida Chemical Co. ZRT, Sun Pharma Netherlands B.V. and Sun Limited. These advances are considered unsecured operating loans. On an annual basis, any unpaid accrued interest is rolled into the principal balance. The Alkaloida Chemical Co. ZRT should be repaid by May 2026 unless the parties mutually agreed otherwise. The effective interest rates were 3.014% and 4.68% at March 31, 2021 and 2020, respectively. These advances have been classified as noncurrent in the consolidated balance sheets. Sun Pharma Netherlands B.V. should be repaid within six months. The effective interest rate is 0%. These advances have been classified as current in the consolidated balance sheets. Sun Limited should be repaid in one year from date of receipt. The effective interest rate was 1.46% at March 31, 2021.These advances have been classified as current in the consolidated balance sheets.

Due from Related Parties

The Company enters into transactions with related parties in the normal course of business. These balances bear no interest and are not collateralized and have no specified due dates. These balances are classified as current in the consolidated balance sheets as they are expected to be collected in the normal course of business.

Revenue Recognition

Revenue from product sales is recognized only when: the parties to the contract have approved it and are committed to perform their respective obligation, the Company can identify each party's rights regarding the distinct goods or services to be transferred (“performance obligations”), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

Revenues are recorded in the amount of consideration to which the Company expects to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes.

The amount of consideration the Company expects to be entitled varies as a result of rebates, chargebacks, returns, and other sales reserves and allowances the Company offers its customers and their customers, as well as the occurrence or nonoccurrence of future events, including milestone events. A minimum amount of variable consideration is recorded concurrently with the satisfaction of performance obligations to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimates of variable consideration are based on historical experience and the specific terms in the individual agreements. Rebates and chargebacks are the largest components of sales reserves and allowances. For further description of sales reserves and allowances and how they are estimated, see “Allowances for Sales Adjustments” below.

The Company does not adjust the promised consideration for the effects of a significant financing component as it is expected, at contract inception, that the period between the transfer of the promised goods or services to the customer and the time the customer pays for these goods or services to be generally one year or less. The Company's credit terms to customers are in average between 60 and 90 days.

The Company's customers consist primarily of large U.S. pharmaceutical wholesalers who sell directly into the retail channel, chain drug stores, distributors, managed care customers and radiopharmaceutical pharmacies. For the products being sold from DUSA the primary customers are physicians and hospitals.

Revenue from the sales of goods, including sales to wholesalers, is recognized when the customer obtains control of the product. This generally occurs when the products are received by the customers and they obtain the risks and rewards of ownership and the Company has a right to payment. The majority of the Company's revenues are made in the U.S.

Revenue for distinct intellectual property ("IP") rights is accounted for based on the nature of the promise to grant the license. In determining whether the Company's promise is to provide a right to access its IP or a right to use its IP, the Company considers the nature of the IP to which the customer will have rights. IP is either functional IP, which has significant standalone functionality or symbolic IP, which does not have significant standalone functionality. Revenue from functional IP is recognized at the point in time when control of the distinct license is transferred to the customer, when the Company has a present right to payment and risks and rewards of ownership are transferred to the customer. Revenue from symbolic IP is recognized over the access period to the Company's IP. In Fiscal 2021, the Company recognized a $1,729 gain from the sale of IP which is classified as "Gain on sale of intangible assets" within the consolidated statements of income.

Revenue from royalties promised in exchange for a license of IP is recognized at the point in time that the related products are sold by the third party. Revenues from licensing arrangements included royalty income of $1,120 and $326 in Fiscal 2021 and Fiscal 2020, respectively, and are included in "Other operating revenue" on the consolidated statements of income.

The Company makes sales of products under various marketing and distribution agreements. The Company recognizes revenue from such sales in accordance with FASB ASC Topic 606-10-55-37, *Principal versus Agent Considerations*. Management 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 management 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 responsible for fulfilling the promise to provide the specified good to customers; and (3) the Company has discretion in establishing the prices for the specific good.

InSite performs research and development activities on behalf of Sun Limited. These activities are undertaken with the prospect of gaining new scientific or technical knowledge and to plan or design for the production of new or substantially improved products or processes. Revenue related to these activities is recognized when the performance obligations outlined by Sun Limited are fulfilled. 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. These revenues amounted to $2,484 and $8,031 for Fiscal 2021 and Fiscal 2020, respectively, and are included in "Other operating revenue" on the consolidated statements of income.

Contract liabilities are mainly comprised of deferred revenues. 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. These amounts are $0 at March 31, 2021 and 2020.

Shipping and Handling Costs

Shipping and handling costs are considered to be a fulfillment cost. These costs are included in selling, general and administrative expenses and amounted to $10,941 and $13,244 in Fiscal 2021 and Fiscal 2020, respectively.

Allowances for Sales Adjustments

Variable consideration includes sales reserves and allowances. Chargebacks, customer rebates, shelf stock adjustments and sales discounts are netted against trade receivables. Sales returns, Medicaid and Medicare rebates, managed care rebates, and patient coupons are recorded within accrued expenses on the consolidated balance sheets. The Company recognizes these provisions at the time of the sale and adjusts them if the actual amounts differ from the estimated provisions. The following briefly describes the nature of each deduction and how the provisions are estimated:

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. 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.

Approximately 70% and 75% of the total allowance for trade receivables at March 31, 2021 and 2020, respectively, have been established to provide for estimated sales chargebacks (see Note 3).

Shelf-Stock Adjustments

General practices within the pharmaceutical industry include granting customers a shelf-stock adjustment based on the customers' existing inventory and decreases in the market price of the related product. The most significant of these adjustments relate to products for which an exclusivity period exists.

Management considers the following factors when recording an allowance for shelf-stock adjustments: 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 (see Note 3).

Rebates

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 (see Note 3).

Medicaid and Other Governmental Rebates

Medicaid rebates are earned by states based on the amount of the Company’s 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, 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, and fluctuations in sales volumes (see Note 8).

Product Returns

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 underestimates the quantity of product that will ultimately be returned, there may be a material impact on its consolidated financial statements (see Note 8).

Cash Discounts

Cash discounts percentage are provided for paying the invoice amount before the scheduled due date. The discount percentage ranges are 1% through 3% with substantially all customers receiving the 2% rate (see Note 3).

Other Allowances

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 the Company pays to its top wholesalers on a monthly basis. Administration fees are paid to certain wholesalers, buying groups, and other customers for stocking the Company's products and managing contracts and servicing other customers (see Note 3).

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 (see Note 8).

Allowance for 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 (see Note 3).

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. Accounts receivable totaled $494,947 and $489,971, at March 31, 2021 and 2020, respectively.

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.

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, as follows:

Asset Category	No. of Years
Buildings	39
Leasehold improvements on building	Shorter of term or useful lives
Buildings given under operating lease	Shorter of term or useful lives
Plant and equipment	7 or 8
Computer equipment	3
Vehicles under lease	Shorter of term or useful lives
Office equipment	7 or 8
Furniture and fixtures	8

Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets for impairment and believes the carrying value of these assets will be recovered through cash flow from operations.

Leases

The majority of the Company's lease obligations are real estate operating leases used in warehouse and distribution operations and vehicles used by the Company’s sales force. For any lease with an initial term in excess of 12 months, the related lease assets and liabilities are recognized on the consolidated balance sheets as either operating leases or finance leases at the inception of an agreement where it is determined that a lease exists. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets and the Company recognizes lease expense on these leases on a straight-line basis over the lease term.

Operating lease assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. The Company estimates the incremental borrowing rate on the date of the initial application for each lease, which was 2.5% for the years ended March 31, 2021 and 2020, based on an evaluation of the Company’s credit ratings and the prevailing market rates for collateralized debt in a similar economic environment with similar payment terms and maturity dates commensurate with the terms of the

lease. The Company's lease terms generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised. Fixed payments may contain predetermined fixed rent escalations. Related rent expense is recognized on a straight-line basis from the commencement date to the end of the lease term.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the consolidated 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. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense.

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 2021 and 2020.

Advertising and Promotion Costs

Advertising and promotion costs, which are expensed as incurred and included in selling, general and administrative expenses, amounted to $12,195 and $2,590 in Fiscal 2021 and Fiscal 2020, 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. The Company's goodwill measurement date is March 31, 2021. The Company concluded, based on management's assessment, that there was no impairment at March 31, 2021 or 2020.

Other Intangible Assets

Intangible assets with lives that are not finite are amortized over periods ranging from 3 to 15 years and are evaluated for impairment at least annually. Intangibles are included in the "Other intangible assets, net" caption on the consolidated balance sheets. The Company concluded, based on management's assessment, that there was no impairment at March 31, 2021 or 2020.

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; and

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.

Change in Accounting Principle

The FASB issued ASU 2016-02, *Leases*, in January 2016. The standard requires the recognition of lease assets and lease liabilities on the balance sheet. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Under the new standard, disclosures are required to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On April 1, 2019, the Company adopted the standard using the modified retrospective method. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed the Company to carry forward the historical lease classification as operating or capital leases. The Company also elected to combine lease and non-lease components and to exclude short-term leases from the consolidated balance sheets. The Company did not elect the hindsight practical expedient in determining the lease term for existing leases as of March 31, 2019.

The most significant impact of adoption was the recognition of operating lease assets and operating lease liabilities of $12,454 and $12,852, respectively, while accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The cumulative impact of these changes decreased equity by $314. The impact of adoption is immaterial to the Company’s consolidated income statements and consolidated statements of cash flows on an ongoing basis. See Note 11, Leases, for additional lease disclosures.

(Dollars in thousands)

The cumulative effect of the changes made to the consolidated balance sheets for the adoption of this standard was as follows:

	March 31, 2019 as Reported	ASU 2016-02 Adjustment on April 1, 2019	April 1, 2019 as Adjusted
Assets			
Operating lease assets	$ -	$ 12,454	$ 12,454
Deferred tax assets	15,909	84	15,993
Liabilities			
Current portion of operating lease obligations	-	1,655	1,655
Operating lease obligations, net of current portion	-	11,197	11,197
Equity			
Retained earnings	277,062	(305)	276,757
Non-controlling interest	22,755	(9)	22,746

NOTE 2 - FINANCIAL INSTRUMENTS AND 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 and convertible notes receivable 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 recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. As of March 31, 2021 and 2020, there are no financial liabilities recorded at fair value.

Marketable Equity Securities

Marketable equity securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices. 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 marketable equity security investments as of March 31, 2021 and 2020 are considered Level 1 securities.

Convertible Notes

As quoted prices in active markets or other observable inputs were not available for these notes, in order to measure them 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 notes; accordingly, the asset was categorized within Level 3 of the fair value hierarchy. At March 31, 2021 and 2020, it was determined that cost reasonably approximates the estimated fair value of the notes.

(Dollars in thousands)

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at estimated fair value on a recurring basis at March 31:

	Assets at Fair Value			
2021	Level 1	Level 2	Level 3	Total
Marketable equity securities by industry healthcare	$ 180,875	$ -	$ -	$ 180,875
Convertible notes	-	-	12,000	12,000
Total assets, at fair value	$ 180,875	$ -	$ 12,000	$ 192,875

	Assets at Fair Value			
2020	Level 1	Level 2	Level 3	Total
Marketable equity securities by industry healthcare	$ 160,949	$ -	$ -	$ 160,949
Convertible notes	-	-	12,000	12,000
Total assets, at fair value	$ 160,949	$ -	$ 12,000	$ 172,949

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

	2021	2020
Beginning balance of recurring Level 3 assets	$ 12,000	$ 11,100
Investment in convertible notes	-	900
Ending balance of recurring Level 3 assets	$ 12,000	$ 12,000

(Dollars in thousands)

NOTE 3 - ACCOUNTS RECEIVABLE, NET

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

	2021	2020
Accounts receivable	$ 709,062	$ 632,820
Valuation allowances		
Chargebacks and shelf stock adjustments	170,106	106,900
Direct and indirect rebates (includes administrative fees, service fees and related allowances, etc.)	25,951	20,750
Cash discounts	15,838	13,741
Allowance for doubtful accounts	738	351
Other concessions	1,482	1,107
Total valuation allowances	214,115	142,849
Accounts receivable, net	$ 494,947	$ 489,971

NOTE 4 - INVENTORIES, NET

Inventories consist of the following components at March 31:

	2021	2020
Raw materials	$ 79,530	$ 73,157
Work in process	22,460	17,910
Goods in transit (distributed products)	23,282	19,577
Finished goods (company-owned products)	379,864	457,407
Finished goods (distributed products)	14,652	14,108
	519,788	582,159
Less: allowance for inventory reserve	(211,398)	(253,928)
Inventories, net	$ 308,390	$ 328,231

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 purchased finished goods for distribution under various marketing agreements.

(Dollars in thousands)

During Fiscal 2021 and Fiscal 2020, the Company made net purchases of inventory components, consisting of raw materials and finished goods, of approximately $428,719 and $378,441, 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.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

In December 2019, the Company moved the DUSA Wilmington, Massachusetts operations into the Billerica, Massachusetts facility. The Wilmington facility lease ended in March 2020.

During Fiscal 2018, the Company closed its distribution facility in Jacksonville, Florida that was subject to a long-term lease. Effective October 26, 2018, the Company entered into a termination agreement with the landlord at which time $6,300 was paid into an escrow account. The escrow payment represented the maximum obligation of the Company if a substitute lease could not be executed prior to the termination date. The termination date was determined to be the earlier of either the execution of a substitute lease or October 5, 2019. As a result of this transaction, an approximate $3,000 gain was recognized within "(Gain) loss on disposal of property, plant and equipment" in the Fiscal 2020 consolidated statement of income.

Depreciation expense was $20,643 and $20,794 in Fiscal 2021 and Fiscal 2020, respectively.

NOTE 6 - OTHER INTANGIBLE ASSETS

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

	2021	2020
Patents and trademarks	$ 232,328	$ 232,123
Product rights and licenses	138,437	138,728
Technical know-how	15,511	17,161
Intellectual property	5,300	5,300
Other	1,800	1,800
	393,376	395,112
Less accumulated amortization	371,051	345,172
Other intangible assets, net	$ 22,325	$ 49,940

Intangible assets are amortized ratably over periods ranging from 3 to 15 years, which correspond with the expected periods of future economic benefit. The amortization expense was $27,557 and $39,420 in Fiscal 2021 and Fiscal 2020, respectively.

(Dollars in thousands)

Estimated annual amortization expense for each of the five years succeeding March 31, 2021 and thereafter, are summarized as follows:

Years Ending March 31,	
2022	$ 7,638
2023	6,361
2024	5,366
2025	2,435
2026	525
Thereafter	-
	$ 22,325

NOTE 7 - EQUITY METHOD INVESTMENTS

At March 31, 2021 and 2020, 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%), Atlas Venture Fund X L.P. (3.57%), and 5AM Ventures IV L.P. (3.33%). These investments are reflected in the caption “Equity method investments” on the Company’s consolidated balance sheets.

Activity in equity method investments account is summarized as follows:

Balance, April 1, 2019	$ 107,565
Capital contributions	706
Proportionate share of equity in net income	8,639
Distributions	(21,911)
Balance, March 31, 2020	94,999
Capital contributions	1,138
Proportionate share of equity in net income	22,637
Distributions	(6,567)
Balance, March 31, 2021	$ 112,207

At March 31, 2021, the Company has outstanding capital commitments of approximately $728 to these investees.

(Dollars in thousands)

Combined, condensed balance sheet information underlying the Company's equity method investments, is summarized as follows at March 31:

	2021	2020
Current assets	$ 47,481	$ 52,930
Investments at estimated fair value	2,620,941	2,089,558
Property and equipment	2,401	2,995
Total assets	$ 2,670,823	$ 2,145,483
Current liabilities	$ 83,527	$ 59,303
Noncurrent liabilities	-	10,304
Total equity	2,587,296	2,075,876
Total liabilities and equity	$ 2,670,823	$ 2,145,483

Combined, condensed income statement information underlying the Company's equity method investments is summarized as follows:

	2021	2020
Operating income	$ 4,057	$ 1,323
Gain on investments	1,244,260	366,723
Research and development	(65)	(64)
Management fees	(16,396)	(15,279)
Professional fees	(646)	(1,455)
Other expenses	(3,040)	(13,766)
Net income	$ 1,228,170	$ 337,482

NOTE 8 - ACCRUED EXPENSES

Accrued expenses consist of the following amounts at March 31:

	2021	2020
Sales returns	$ 81,432	$ 67,110
Medicaid rebates	20,211	25,292
Managed care	42,933	46,873
Employee-related benefits	51,866	38,590
Royalties and profit sharing	17,304	21,522
Patient coupons	17,459	22,426
Interest	7	114
Other	6,250	6,250
Total	$ 237,462	$ 228,177

NOTE 9 - SHORT-TERM BANK BORROWINGS

In March 2015, the Company entered into a line of credit ("credit agreement") with JP Morgan for $20,000. There is no balance outstanding under the credit agreement at March 31, 2021. The agreement has no fixed termination date, and thus will terminate at such time either party chooses.

In December 2016, the Company entered into an uncommitted revolving line-of-credit agreement (revolving agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan") for a maximum borrowing availability of $200,000, of which $15,000 and $180,000 was outstanding at March 31, 2021 and 2020, respectively. The agreement has no fixed termination date, and thus will terminate at such time either party chooses. The effective interest rate was 1.33% at March 31, 2021.

In September 2019, the Company entered into an uncommitted line of credit ("credit agreement") with JP Morgan for $50,000, of which $0 and $50,000 were outstanding at March 31, 2021 and 2020, respectively. The effective interest rate was 1.33% at March 31, 2021. As of June 2020, the Company paid off the loan in full, with interest in the amount of $1,014. The agreement has no fixed termination date, and thus will terminate at such time either party chooses.

In June 2020, the Company entered into an uncommitted line of credit agreement ("credit agreement") with Citibank with a termination date of June 2, 2021. The maximum available borrowings under the credit agreement is $45,000. There is no balance outstanding under the credit agreement at March 31, 2021.

In April 2020, Chattem entered into an uncommitted loan agreement under the Paycheck Protection Program ("PPP") authorized under the Coronavirus Aid, Relief and Economic Securities (CARES) Act ("Program") in the amount of $1,555. The effective interest rate was 1.00% at March 31, 2021. In January 2021, Chattem submitted a PPP Forgiveness Application Form 3508EZ. On April 20, 2021, Chattem was granted forgiveness on this loan.

(Dollars in thousands)

NOTE 10 - INCOME TAXES

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

	2021	2020
Current Tax		
Federal	$ (2,782)	$ 19,335
State	1,267	2,481
Total current tax	(1,515)	21,816
Deferred		
Federal	6,456	(7,522)
State	(1,119)	(5,767)
Total deferred tax	5,337	(13,289)
Total tax	$ 3,822	$ 8,527

The primary differences from the US statutory rate to the effective rate are permanent differences, federal tax credits, reserves for uncertain tax positions and federal tax on foreign subsidiary income.

As of March 31, 2021 and 2020, the Company's deferred tax assets were primarily the result of the timing of the recognition of expenses related to fixed asset depreciation, investments, federal and state net operating losses, intangibles, inventory and timing differences of certain accruals and reserves. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. As of March 31, 2021 and 2020, the Company continued to maintain that the realization of its deferred tax assets has a more-likely-than-not threshold. Therefore, at March 31, 2021, the Company has no valuation allowance against its deferred tax assets.

At March 31, 2021 and 2020, the Company had approximately $56,069 and $39,824 of federal net operating loss carryforwards respectively that will start expiring during 2023. Due to an ownership change under Section 382 which occurred in previous years, the net operating loss carryovers for Ranbaxy and DUSA are subject to annual limitations.

At March 31, 2021 and 2020, the Company had approximately $5,342 and $6,543 of state net operating loss carryforwards (tax-effected), respectively, in in various states with varying expiration dates beginning 2036.

As of March 31,2021 and 2020, the company identified and recorded unrecognized tax benefits ("UTB") of $3,500 as a result of Internal Revenue Service ("IRS") examinations. As of March 31, 2021, interest expense of $1,001 was recorded as a component of income tax expense. The Company does not expect the total amount of UTB to significantly increase or decrease in the next 12 months. As of March 31, 2021, the Company's tax returns remain open and subject to examination by the tax authorities for the tax years ending March 31, 2018 and after.

(Dollars in thousands)

NOTE 11 - LEASES (INCLUDING RELATED PARTY)

The Company conducts a portion of its operations with leased property and equipment, including rental of office and warehouse space in Cranbury, New Jersey, from an affiliated company, Taro.

Supplemental consolidated balance sheet information related to leases is as follows at March 31, 2021 and 2020:

	2021	2020
Lease assets		
Operating leases	$ 8,783	$ 10,619
Finance leases (included within property, plant and equipment)	15,507	13,189
Total lease assets	$ 24,290	$ 23,808
Lease liabilities		
Current:		
Operating leases	$ 1,814	$ 1,654
Finance leases	5,097	3,877
Noncurrent:		
Operating leases	7,265	9,544
Finance leases	10,837	9,856
Total lease liabilities	$ 25,013	$ 24,931
Components of total lease costs were as follows for Fiscal 2021 and 2020:		
Operating lease cost (included in administrative expenses)	$ 2,120	$ 2,879
Finance lease cost:		
Depreciation on lease assets (included in administrative expenses)	4,374	2,473
Interest on lease liabilities (included in interest expenses)	742	1,569
Total lease costs	$ 7,236	$ 6,921

(Dollars in thousands)

The following is a schedule of annual future minimum lease payments required under leases with initial or remaining noncancelable lease terms in excess of one year as of March 31, 2021:

Years ending March 31,	Finance Leases	Operating Leases (Including Affiliates)
2022	$ 5,768	$ 1,959
2023	4,756	2,023
2024	4,455	1,786
2025	2,246	918
2026	123	941
Thereafter	-	2,187
Total future undiscounted lease payments	17,348	9,814
Less amounts representing interest	1,414	735
Total reported lease liability	$ 15,934	$ 9,079

NOTE 12 - 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 2021 and Fiscal 2020, royalty and profit-share expense was $21,233 and $31,667, respectively. Of these amounts, $18,553 and $28,299, respectively, have been included in cost of goods sold and $2,680 and $3,368, respectively, have been included in selling, general and administrative expenses in the consolidated statements of income.

NOTE 13 - RETIREMENT PLAN

Each entity within the Company maintains a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code (“IRC”). Under these plans, eligible employees are permitted to contribute up to the maximum allowable amount determined by the IRC. The Company may make discretionary matching and profit-sharing contributions under the provisions of these plans. The Company made contributions in the amounts of $6,503 and $6,237 to the plans for Fiscal 2021 and Fiscal 2020, respectively.

NOTE 14 - SALES CONCENTRATIONS

Major Customers

Shipments to four customers, including three wholesalers, accounted for approximately 54% of net revenues for Fiscal 2021 and Fiscal 2020. Balances due from these customers (gross outstanding amounts) represented approximately 78% and 89% of gross accounts receivable at March 31, 2021 and 2020, 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 2021 or Fiscal 2020. The loss of any of these customers would have a materially adverse effect on short-term operating results.

Major Products

Shipments of four products accounted for approximately 32% and 41% of net sales for Fiscal 2021 and Fiscal 2020, respectively.

NOTE 15 - 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 and/or its subsidiaries are involved in various legal proceedings including product liability, contracts, employment claims, antitrust and other regulatory matters relating to conduct of its business. Some of the key matters are discussed below. Most of the legal proceedings involve complex issues, which are specific to the case and do not have precedents and, hence, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings and the overall length and the discovery process; the entitlement of the parties to an action to appeal a decision; the extent of the claims, including the size of any potential class, particularly when damages are not specified or are indeterminate; the possible need for further legal proceedings to establish the appropriate amount of damages, if any; the settlement posture of the other parties to the litigation and any other factors that may have a material effect on the litigation. The Company makes its assessment of likely outcome, based on the views of internal legal counsel and in consultation with external legal counsel representing the Company. The Company also believes that disclosure of the amount sought by plaintiffs, would not be meaningful because historical evidence indicates that the amounts settled (if any) are significantly different from those claimed by plaintiffs. Some of the legal claims against the Company, if decided against the Company, may result in significant impact on its results of operations for a given period during which the claim is settled.

Antitrust - Generic Drug Price Fixing Litigation

On April 1, 2016, subsidiaries in United States of America (“US subsidiaries”) separately received a grand jury subpoena from the United States Department of Justice, Antitrust Division, seeking documents relating to corporate and employee records, certain generic pharmaceutical products and pricing, potential communications with competitors and others regarding the sale of generic pharmaceutical products, and certain other related matters. On or before November 2017, the US subsidiaries provided documents and information related to three pharmaceutical products. The Antitrust Division has not asked for any additional information from US subsidiaries, or communicated with US subsidiaries, about its subpoena since that time.

On April 30, 2018, US subsidiaries separately has received a Civil Investigative Demand ("CID") from the U.S. Department of Justice in connection with a False Claims Act investigation, seeking information relating to corporate and employee records, certain generic pharmaceutical products and pricing, potential communications and certain other related matters. In response to the CID, US subsidiaries provided certain materials to the Civil Division in 2018. The Civil Division has not asked for any additional information from US subsidiaries, or communicated with US subsidiaries, about the subpoena since that time.

US subsidiaries, along with more than 70 other pharmaceutical companies and individuals, is named as a defendant in lawsuits brought by several putative classes, state Attorneys General, municipalities and individual company purchasers and payors alleging violations of antitrust and related laws. The majority of these cases have been transferred to the U.S. District Court for the Eastern District of Pennsylvania for coordinated pre-trial proceedings, while two separate cases filed in Pennsylvania state court have been paused, the federal cases are pending. The federal cases are now in discovery. The court intends to sequence the lawsuits into separate groups for purposes of further proceedings, identifying certain "bellwether" cases that will proceed before other cases advance. The court is currently evaluating cases for bellwether treatment. At present, US subsidiaries are not named defendant in any of the bellwether cases.

Opioids:

US subsidiaries is a defendant in the National Prescription Opiate Litigation that has been consolidated for pre-trial proceedings in the U.S. District Court for the Northern District of Ohio, as well as in state cases pending in Utah state court; separately, the Company and Sun Pharmaceuticals Canada are defendants in putative class actions pending in Canada. The U.S. and Canadian matters involve similar allegations and were brought against various manufacturers and distributors of opioid products seeking damages for alleged harms related to opioid use. Currently, all matters against US subsidiaries in the National Prescription Opiate Litigation are stayed; US subsidiaries obtained an order in the Utah matters dismissing all claims except public nuisance and negligence claims; and the Canadian matters are in the early stages of pleading.

Antitrust - Modafinil

Sun Limited and US subsidiaries were a defendant in a number of putative class action lawsuits and individual actions brought by purchasers and payors, as well as a generic manufacturer, in the U.S. alleging that the Company and its affiliates violated antitrust laws in connection with a 2005 patent settlement agreement with Cephalon concerning Modafinil. The cases were transferred to the U.S. District Court for the Eastern District of Pennsylvania for coordinated proceedings and, subsequently, the Company reached settlements in these coordinated federal proceedings. A follow-on action was filed by the state of Louisiana, which was dismissed by the trial court in December 2016. On February 8, 2018, the appellate court dismissed Louisiana's appeal, ruling that the trial court's orders did not constitute final appealable judgments. Since that time, the matter has remained dormant and Louisiana has not moved the district court to amend the order.

Antitrust - Lipitor

Sun Limited and US subsidiaries are a defendant in a number of putative class action lawsuits and individual actions brought by purchasers and payors in the U.S. alleging that the Company and its affiliates violated antitrust laws in connection with a 2008 patent settlement agreement with Pfizer concerning Atorvastatin. The cases have been transferred to the U.S. District Court for the District of New Jersey for coordinated proceedings. Discovery commenced in January 2020 but was stayed in spring 2020 and remains stayed at present.

(Dollars in thousands)

Antitrust - Ranbaxy Generic Drug Application

Sun Limited and US subsidiaries are a defendant in a number of putative class action lawsuits and individual actions brought by purchasers and payors in the U.S. alleging that the Company and its affiliates violated antitrust laws and the Racketeer Influenced and Corrupt Organizations Act, with respect to its ANDAs for Valganciclovir, Valsartan and Esomeprazole. The cases have been transferred to the U.S. District Court for the District of Massachusetts for coordinated proceedings. The cases are proceeding in discovery. The parties' class certification motions currently are pending before the court and have not yet been resolved. This lawsuit is currently scheduled for trial in January 2022.

Product Liability - Ranitidine/Zantac MDL

In June 2020, Sun Limited and U.S. subsidiaries were named as defendants in a complaint filed in the Zantac/Ranitidine Multi-District Litigation ("MDL") consolidated in the U.S. District Court for the Southern District of Florida. The lawsuits name over 100 defendants (including brand manufacturers, generic manufacturers, repackagers, distributors and retailers) involving allegations of injury caused by nitrosamine impurities. Discovery in the MDL is ongoing.

Product Liability and Insurance

The Company currently maintains a product liability insurance policy, which provides coverage on a claims-made basis and is subject to annual renewal. In addition, the Company maintains policies for property, workers' compensation and officers' 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.

NOTE 16 - SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing Activities

The Company financed the acquisition of vehicles by entering into capital leases totaling $9,280 and $6,008 in Fiscal 2021 and Fiscal 2020, respectively.

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

	2021	2020
Interest	$ 6,300	$ 8,540
Income taxes paid/(refund)	$ (4,532)	$ 25,505

(Dollars in thousands)

NOTE 17 - RELATED PARTY TRANSACTIONS INCLUDING NONCASH CAPITAL CONTRIBUTION

The Company conducts business with affiliates related through common ownership and management control, which involves the selling and purchasing of goods and cross utilization of resources. The following is a summary of the balances and transactions with these affiliates as of and for the years ended March 31:

	2021	2020
Advances from affiliate	$ 428,860	$ 320,304
Due from affiliate	200,376	278,407
Sales, net	9,812	8,332
Cost of goods sold	428,719	378,441
Brand-related expense recovery (recorded as a reduction of selling, general and administrative expenses)	114,712	401,761
Interest expense	9,955	14,428
Selling, general and administrative expense (including shared services)	13,371	13,293

In September 2020, certain machinery projects classified as part of construction in progress amounting to $7,178 were transferred to an affiliate and offset against related party balance.

NOTE 18 - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2021, the most recent consolidated balance sheet presented herein, through June 23, 2021, the date these consolidated financial statements were available to be issued. No such significant events or transactions were identified except as discussed in Note 9.