Consolidated Financial Statements and Report of Independent Certified Public Accountants

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

March 31, 2021 and 2020

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Sun Pharmaceutical Industries, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Sun Pharmaceutical Industries, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheet as of March 31, 2021, and the related consolidated statements of income, shareholders' 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 Industries, 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 Pharmaceutical Industries, 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 29, 2020.

New York, New York
July 16, 2021

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

CONSOLIDATED BALANCE SHEETS

As of March 31,
(in thousands)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 33,825	$ 33,275
Accounts receivable, net	489,746	481,855
Due from related parties	249,409	385,078
Inventories, net	266,814	294,397
Prepaid expenses and other assets	11,642	12,261
Total current assets	1,051,436	1,206,866
Property, plant and equipment		
Land	1,417	1,805
Buildings and improvements	32,491	42,323
Equipment	73,691	68,212
Furniture and fixtures	3,099	3,186
Vehicles	24,487	15,700
Construction in process	2,657	13,948
Total	137,842	145,174
Less accumulated depreciation	65,523	64,658
Total property, plant and equipment, net	72,319	80,516
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	8,783	10,619
Goodwill	73,165	70,913
Other intangible assets, net	22,325	49,638
Deferred income taxes	21,024	26,924
Total assets	$ 1,574,355	$ 1,723,583

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

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

CONSOLIDATED BALANCE SHEETS - CONTINUED

As of March 31,
(in thousands)

	2021	2020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	$ 16,555	$ 230,000
Accounts payable - trade	81,923	95,630
Accrued expenses	228,519	240,651
Advances from affiliates, current	105,251	-
Allocation of income tax payable	2,528	52,686
Current portion of operating lease obligations	1,814	1,654
Current portion of finance lease obligations	5,097	3,877
Total current liabilities	441,687	624,498
Advances from affiliates, net of current portion	323,608	327,636
Operating lease obligations, net of current portion	7,265	9,544
Finance lease obligations, net of current portion	10,837	9,856
Total liabilities	783,397	971,534
Commitments and contingencies (Notes 1, 7, 11 and 15)		
Shareholders' equity		
Class A common stock, $0 par value; authorized 340,000,000 shares, issued and outstanding 228,098,308 shares	-	-
Additional paid-in capital	565,595	565,595
Retained earnings	225,363	186,454
Total shareholders' equity	790,958	752,049
Total liabilities and shareholders' equity	$ 1,574,355	$ 1,723,583

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

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

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31,
(in thousands)

	2021	2020
Sales, net	$ 922,366	$ 936,421
Other operating revenue	3,604	540
Total revenue	925,970	936,961
Cost of goods sold	594,383	572,721
Selling, general and administrative expenses	330,784	200,425
Research and development costs	15,146	5,690
Gain on sale of intangible asset	(1,729)	-
Loss on disposal of property, plant and equipment	39	364
Operating (loss) income	(12,653)	157,761
Other (expense) income		
Interest expense	(15,926)	(22,788)
Dividend and interest income	34,453	983
Gains (losses) on equity securities	14,250	(101,470)
Equity in earnings from equity method investments	22,637	8,972
Other income	48	2,937
Other (expense) income, net	55,462	(111,366)
Income before income tax allocation	42,809	46,395
Allocation of income tax expense	3,900	11,681
Net income	$ 38,909	$ 34,714

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

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31,
(in thousands)

	Common Stock Shares (*)	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance, March 31, 2019	228,098,308	$ 565,595	$ 152,054	$ 717,649
Net income	-	-	34,714	34,714
Cumulative effect of change in accounting principle (Note 1)	-	-	(314)	(314)
Balance, March 31, 2020	228,098,308	565,595	186,454	752,049
Net income	-	-	38,909	38,909
Balance, March 31, 2021	228,098,308	$ 565,595	$ 225,363	$ 790,958

* Note: The common stock of the Company has no stated par value, thus all stock transactions are reported in additional paid-in capital.

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31,
(in thousands)

	2021	2020
Cash flows from operating activities		
Net income	$ 38,909	$ 34,714
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	12,505	12,441
Amortization	27,557	38,220
Gains on equity securities - non-marketable	(7,702)	(8,895)
(Gains) loss on equity securities - marketable	(6,547)	110,365
Equity in earnings from equity method investments	(22,637)	(8,972)
Stock dividend from investee	(15,958)	-
Loss on disposal of property, plant and equipment	39	(1,628)
Gain on sale of intangible asset	(1,732)	-
Deferred income taxes	3,851	(31,300)
Provision (recovery) of doubtful accounts	466	(2,990)
Changes in operating assets and liabilities		
Accounts receivable	(8,357)	40,755
Due from related parties	140,295	(224,922)
Inventories	27,583	(23,936)
Prepaid expenses and other assets	619	(1,124)
Accounts payable	(13,707)	66,669
Accrued expenses	(12,132)	96,929
Allocation of income tax payable	(48,109)	21,073
Lease obligations	(2,364)	(1,024)
Net cash provided by operating activities	112,579	116,375
Cash flows from investing activities		
Purchases and construction of property, plant and equipment	(3,018)	(3,629)
Proceeds on disposal of property, plant, and equipment	22	3,060
Proceeds from sale of marketable securities	4,636	-
Contributions in equity investments - non-marketable	(2,277)	-
Contributions in equity method investments	(1,138)	(3,002)
Contributions in equity investments - marketable	(2,140)	-
Distributions from equity method investments	6,567	21,911
Issuance of convertible notes	-	(900)
Proceeds from sale of intangible assets	1,787	-
Net cash provided by investing activities	4,439	17,440
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	101,223	(9,618)
Repayment of capital lease obligations	(4,246)	(8,807)
Net cash used in financing activities	(116,468)	(158,425)
Net increase (decrease) in cash and cash equivalents	550	(24,610)
Cash and cash equivalents, beginning of year	33,275	57,885
Cash and cash equivalents, end of year	$ 33,825	$ 33,275

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 and Nature of Business

Sun Pharmaceutical Industries, Inc. ("Sun"), with headquarters in Princeton, New Jersey, is 96.32% owned by Sun Pharmaceutical Holdings USA, Inc. (“Sun Holding”) and 3.68% owned by Sun Pharmaceutical Industries Limited ("Sun Limited").

The Company develops, licenses, manufactures, markets and distributes generic and brand prescription 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. 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 (together with Sun hereafter referred to as "the Company"), all of which are wholly-owned, include:

Chattem Chemicals, Inc. (“Chattem”) 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”) 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 commencing 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”) 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”) 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”) 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 or 2020. Effective April 1, 2020, Morley & Company was dissolved, and all the assets and liabilities were simultaneously transferred to TDC.

PI Real Estate Ventures, LLC ("PI"), a wholly-owned subsidiary of Pharmalucence, was formed to hold the building and related debt in connection with Sun's acquisition of Pharmalucence. Any operating expenses incurred by PI are charged to Pharmalucence in the form of building rental, in such a manner that PI reports no profit or loss on its activities. Effective April 1, 2020, PI was dissolved, and all the assets and liabilities were simultaneously transferred to Sun.

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.

Principles of Consolidation

These 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 U.S. dollars and include the accounts of consolidated subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

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 State 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 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. 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. ASU 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. Management does not believe the Company is exposed to any significant interest rate or other financial risk as a result of these deposits.

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 statements of income; 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 investment in 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 and 2020, the Company has outstanding capital commitments of approximately $904 and $3,180 respectively, 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. 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. 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. 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 transactions bear no interest and are not collateralized. There are no specified due dates. These transactions are classified as current in the consolidated balance sheets as they are expected to be collected in the normal course of business. The related parties have agreed to offset its respective receivable and payable balances and, accordingly, the resulting net receivables have been included under due from related parties on the consolidated balance sheets as of March 31, 2021 and 2020.

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 on average between 60 and 90 days.

The Company’s customers consist primarily of large US 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 US.

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 intellectual property which is classified as “Gain on sale of intangible assets” within 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 Accounting Standards Codification ("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 which led management to make such determination include the following: (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.

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 deferred 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 $9,718 and $11,866 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 73% 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 under estimates the quantity of product that will ultimately be returned, there may be a material impact to 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.

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 $489,746 and $481,855, 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 first-in, first-out 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 assets are 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 (See Note 5).

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.

Allocation of Income Taxes

The Company is a party to a tax sharing arrangement with Sun Holding (see Note 10) and affiliates related through common ownership and management control. The Company reports income taxes in these consolidated financial statements using the separate return method. 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 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.

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 Fiscal 2021 or 2020.

Advertising and Promotion Costs

Advertising and promotion costs which are expensed as incurred and included in selling, general and administrative expenses, amounted to $11,567 and $2,590 in Fiscal 2021 and 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 definite lives 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).

(amounts in thousands)

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 No. 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 was immaterial to the consolidated income statements and consolidated statements of cash flows on an ongoing basis. See Note 11, Leases, for additional lease disclosures.

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
Liabilities			
Current portion of operating lease obligations	-	1,655	1,655
Operating lease obligations, net of current portion	-	11,197	11,197
Deferred tax liabilities	4,460	(84)	4,376
Equity			
Retained earnings	152,054	(314)	151,740

(amounts in thousands)

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 the convertible notes 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. Changes in fair value, whether realized or unrealized, are recorded through the consolidated statements of income.

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.

Assets 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 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 industry	$ 180,875	$ -	$ -	$ 180,875
Convertible notes	-	-	12,000	12,000
Total assets at fair value	$ 180,875	$ -	$ 12,000	$ 192,875

(amounts in thousands)

2020	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Marketable equity securities by industry				
Healthcare industry	$ 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

NOTE 3 - ACCOUNTS RECEIVABLE, NET

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

	2021	2020
Accounts receivable	$ 700,063	$ 625,477
Valuation allowances		
Chargebacks and shelf stock adjustments	168,091	105,061
Direct and indirect rebates (includes administrative fees, service fees and related allowances, etc.)	25,894	19,747
Cash discounts	15,603	13,409
Allowance for doubtful accounts	738	351
Other concessions	(9)	5,054
Total valuation allowances	210,317	143,622
Accounts receivable, net	$ 489,746	$ 481,855

(amounts in thousands)

NOTE 4 - INVENTORIES, NET

Inventories consist of the following components at March 31:

	2021	2020
Raw materials	$ 37,883	$ 23,845
Work in process	4,576	3,398
Goods in transit (distributed products)	22,584	19,571
Finished goods (company-owned products)	367,250	438,878
Finished goods (distributed products)	14,641	14,108
	446,934	499,800
Less: allowance for inventory reserve	(180,120)	(205,403)
Inventories, net	$ 266,814	$ 294,397

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.

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.

In addition, 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 loss on disposal of property, plant and equipment in the Fiscal 2020 consolidated statement of income.

Depreciation expense was $12,505 and $12,441 in Fiscal 2021 and Fiscal 2020, respectively.

(amounts in thousands)

NOTE 6 - OTHER INTANGIBLE ASSETS

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

	2021	2020
Patents and trademarks	$ 232,328	$ 338,364
Product rights and licenses	138,437	25,000
Technical know-how	15,511	3,028
Other	7,100	2,500
	393,376	368,892
Less accumulated amortization	371,051	319,254
Other intangible assets, net	$ 22,325	$ 49,638

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 $38,220 in Fiscal 2021 and Fiscal 2020, respectively.

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

Year Ended March 31,	Amount
2022	$ 7,638
2023	6,361
2024	5,366
2025	2,435
2026	525
Thereafter	-
Total	$ 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.

(amounts in thousands)

Activity in equity method investments account is summarized as follows:

Balance, March 31, 2019	$	107,565
Capital contributions		373
Proportionate share of equity in net income		8,972
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.

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 for the years ended March 31:

	2021	2020
Operating Income	$ 4,057	$ 1,323
Realized 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

(amounts in thousands)

NOTE 8 - ACCRUED EXPENSES

Accrued expenses consist of the following amounts at March 31:

	2021	2020
Sales returns	$ 81,423	$ 67,101
Medicaid rebates	19,624	25,031
Managed care rebates	42,933	46,873
Employee-related benefits	43,734	31,392
Royalties and profit sharing	17,097	21,522
Patient coupons	17,458	22,426
Income taxes	-	19,681
Other	6,250	6,625
Total	$ 228,519	$ 240,651

NOTE 9 - SHORT-TERM BANK BORROWINGS AND SUBSEQUENT EVENTS

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 $200,000 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.

(amounts in thousands)

NOTE 10 - ALLOCATION OF INCOME TAXES

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

	2021	2020
Current expense	$ 49	$ 42,981
Deferred (benefit) expense	3,851	(31,300)
Total income tax allocation	$ 3,900	$ 11,681

The allocation of income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income or loss before income taxes. The items causing the difference are summarized as follows for the years ended March 31:

	2021	2020
Federal tax at 21% statutory rate	$ 8,927	$ 9,743
State income tax expense (benefit), net of federal benefit	117	(1,778)
Research and development credit	(1,342)	(1,400)
Valuation allowance	-	210
Uncertain tax position	1,001	3,458
GILTI tax	1,545	-
Other	(6,348)	1,448
Total income tax allocation	$ 3,900	$ 11,681

The net deferred income tax asset (liability) consists of the following components at March 31:

	2021	2020
Deferred tax assets		
Net operating loss carryforwards (NOLs)	$ 17,116	$ 14,906
Account receivables	35,866	19,607
Intangibles	11,950	9,122
Inventories	8,408	7,679
Accrued expenses and other	23,435	25,051
Total deferred tax assets	96,775	76,365
Deferred tax liabilities		
Investments	60,680	49,028
Depreciation	15,071	413
Total deferred tax liabilities	75,751	49,441
Net deferred tax assets	$ 21,024	$ 26,924

The Company has a tax sharing arrangement with its Parent and affiliates related through common ownership and management control. The arrangement, among other stipulations, requires that a consolidated federal income tax return will be filed, and that the Parent will pay/receive monies due to/from the Company based on the Company's separate taxable results.

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. Excluding NOLs there are no such valuation allowances considered necessary as of March 31, 2021 or 2020. Based upon the level of projected future taxable income over the periods in which deferred tax assets are realizable, 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 $41,000, will expire and are not likely to be available for future benefit. Accordingly, the deferred tax asset related to the NOLs has been reduced by the amount of NOLs which the Company will likely not be in a position to utilize prior to their expiration between 2021 and 2033.

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 2018 to 2020) in these jurisdictions. The Company identified and recorded unrecognized tax benefits (“UTB”) of $3,458 as of March 31, 2020 as a result of the Internal Revenue Service (“IRS”) examinations. An interest expense of $1,001 was booked for the UTB reserve as of March 31, 2021. The Company does not expect the total amount of UTB to significantly increase or decrease in the next 12 months.

The IRS has completed its examination of Sun’s Fiscal 2016 and 2017 tax returns and issued tax return adjustments resulting in approximately $29,314 and $24,659 of additional tax expense, respectively. The Company is disputing the assessments and included $3,458 additional tax expense within the Fiscal 2020 tax provision to account for its uncertain tax positions.

(amounts 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 March 31, 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

(amounts 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:

	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 2020, royalty and profit share expense was $19,664 and $29,804, respectively. Of these amounts, $18,553 and $28,299, respectively, have been included in cost of goods sold and $1,111 and $1,505, respectively, have been included in selling, general and administrative expenses in the consolidated statements of income.

NOTE 13 - RETIREMENT PLAN

The Company maintains a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code (“IRC”). Under this plan, 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 the plan. The Company made contributions in the amounts of $5,289 and $5,195 to the plan for Fiscal 2021 and Fiscal 2020, respectively.

NOTE 14 - SALES CONCENTRATIONS

Major Customers

Shipments to four customers, including three wholesalers, accounted for approximately 61% and 54% of net revenues for Fiscal 2021 and Fiscal 2020, respectively. Balances due from these customers (gross outstanding amounts) represented approximately 87% 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 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 33% and 32% 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, anti-trust 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 don't 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 than 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 of 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.

US subsidiaries separately have received a Civil Investigative Demand from the U.S. Department of Justice pursuant to the False Claims Act seeking information relating to corporate and employee records, generic pharmaceutical products and pricing, communications and/or agreements with competitors and others regarding the sale of generic pharmaceutical products, and certain other related matters. The subsidiaries are in the process of responding to the requests.

On April 30, 2018, US subsidiaries separately have 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 CID 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 a named defendant in any of the bellwether cases.

Antitrust - Modanfinil

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.

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 US 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.

Regulatory Matters

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

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. Sales are solely based on the receipt and fulfillment of customers' orders.

(amounts in thousands)

NOTE 16 - SUPPLEMENTAL CASH FLOWS 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 amounted to the following during the years ended March 31:

	2021	2020
Interest	$ 6,300	$ 8,540

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 transactions and year-end balances with these affiliates as of and for the years ended March 31:

	2021	2020
Advances from affiliate	$ 428,859	$ 327,636
Due from affiliate	249,409	385,078
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 July 16, 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.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Sun Pharmaceutical Industries, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Sun Pharmaceutical Industries, Inc. (a Delaware corporation) and subsidiaries as of and for the year ended March 31, 2021, and our report thereon dated July 16, 2021 expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on these consolidated financial statements as a whole.

The accompanying consolidating information is presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other matter
The consolidated financial statements of Sun Pharmaceutical Industries, 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 29, 2020. Those auditors' report also stated that the consolidating supplementary information as of and for the year ended March 31, 2020 was fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

New York, New York
July 16, 2021

CONSOLIDATING SUPPLEMENTARY INFORMATION

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

CONSOLIDATING BALANCE SHEET

As of March 31, 2021
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	DUSA Pharmaceuticals, Inc.	Taro Development Corporation	Consolidating Entries	Total
ASSETS						
Current assets						
Cash and cash equivalents	$ 28,287	$ 4,862	$ 676	$ -	$ -	$ 33,825
Accounts receivable, net	469,618	4,835	15,293	-	-	489,746
Due from related parties	158,690	7,632	125,208	7,876	(49,997)	249,409
Inventories	254,688	9,354	2,772	-	-	266,814
Prepaid expenses and other assets	11,250	51	341	-	-	11,642
Total current assets	922,533	26,734	144,290	7,876	(49,997)	1,051,436
Property, plant and equipment						
Land	1,029	388	-	-	-	1,417
Buildings and improvements	16,641	15,850	-	-	-	32,491
Equipment	37,470	30,923	5,298	-	-	73,691
Furniture and fixtures	2,917	182	-	-	-	3,099
Vehicles	24,487	-	-	-	-	24,487
Construction in process	1,916	741	-	-	-	2,657
Total	84,460	48,084	5,298	-	-	137,842
Less accumulated depreciation	32,630	27,605	5,288	-	-	65,523
Net property, plant and equipment	51,830	20,479	10	-	-	72,319
Investments						
Marketable equity securities	31,512	-	-	149,363	-	180,875
Nonmarketable equity securities	20,221	-	-	-	-	20,221
Investment in unconsolidated subsidiaries	470,201	-	-	(41)	(357,953)	112,207
Convertible notes	12,000	-	-	-	-	12,000
Total investments	533,934	-	-	149,322	(357,953)	325,303
Operating lease assets	8,783	-	-	-	-	8,783
Goodwill	17,932	12,122	43,111	-	-	73,165
Other intangible assets, net	22,325	-	-	-	-	22,325
Deferred income taxes	54,180	(2,694)	905	(31,367)	-	21,024
Total assets	$ 1,611,517	$ 56,641	$ 188,316	$ 125,831	$ (407,950)	$ 1,574,355

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

CONSOLIDATING BALANCE SHEET - CONTINUED

As of March 31, 2021
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	DUSA Pharmaceuticals, Inc.	Taro Development Corporation	Consolidating Entries	Total
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term borrowings	$ 15,000	$ 1,555	$ -	$ -	$ -	$ 16,555
Accounts payable - trade	74,395	(201)	7,729	-	-	81,923
Accrued expenses	225,824	1,773	922	-	-	228,519
Advances from affiliates, current	105,251	-	-	-	-	105,251
Allocation of income tax payable	2,598	(90)	20	-	-	2,528
Current portion of operating lease obligations	1,814	-	-	-	-	1,814
Current portion of finance lease obligations	5,097	-	-	-	-	5,097
Total current liabilities	429,979	3,037	8,671	-	-	441,687
Advances from affiliates	372,478	-	-	1,128	(49,998)	323,608
Operating lease obligations, net of current portion	7,265	-	-	-	-	7,265
Finance lease obligations, net of current portion	10,837	-	-	-	-	10,837
Total liabilities	820,559	3,037	8,671	1,128	(49,998)	783,397
Shareholders' equity						
Common stock	-	34,433	10	-	(34,443)	-
Additional paid-in capital	565,595	-	-	-	-	565,595
Retained earnings	225,363	19,171	179,635	124,703	(323,509)	225,363
Total shareholders' equity	790,958	53,604	179,645	124,703	(357,952)	790,958
Total liabilities and shareholders' equity	$ 1,611,517	$ 56,641	$ 188,316	$ 125,831	$ (407,950)	$ 1,574,355

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

CONSOLIDATING BALANCE SHEET

As of March 31, 2020
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	Mutual Pharmaceutical Company, Inc.	DUSA Pharmaceuticals, Inc.	Pharmalucence, Inc.	Taro Development Corporation	Morley & Company, Inc.	PI Real Estate Ventures, LLC	Consolidating Entries	Total
ASSETS										
Current assets										
Cash and cash equivalents	$ 28,232	$ 3,998	$ -	$ 807	$ 238	$ -	$ -	$ -	$ -	$ 33,275
Accounts receivable, net	447,686	4,956	-	22,150	7,063	-	-	-	-	481,855
Due from related parties	162,433	(1,770)	90,563	118,060	15,792	-	-	-	-	385,078
Inventories	259,732	8,464	15,784	3,899	6,518	-	-	-	-	294,397
Prepaid expenses and other assets	11,214	86	314	220	427	-	-	-	-	12,261
Total current assets	909,297	15,734	106,661	145,136	30,038	-	-	-	-	1,206,866
Property, plant and equipment										
Land	-	322	-	-	-	-	-	1,483	-	1,805
Buildings and improvements	8,388	15,607	-	47	-	-	-	18,281	-	42,323
Equipment	9,515	28,223	-	9,217	21,257	-	-	-	-	68,212
Furniture and fixtures	1,101	182	-	1,152	642	-	-	109	-	3,186
Vehicles	15,700	-	-	-	-	-	-	-	-	15,700
Construction in process	536	2,211	-	39	11,162	-	-	-	-	13,948
Total	35,240	46,545	-	10,455	33,061	-	-	19,873	-	145,174
Less accumulated depreciation	16,119	25,897	-	10,364	9,884	-	-	2,394	-	64,658
Net property, plant and equipment	19,121	20,648	-	91	23,177	-	-	17,479	-	80,516
Investments										
Marketable equity securities	18,132	-	-	-	-	142,769	48	-	-	160,949
Nonmarketable equity securities	10,159	-	-	-	-	-	-	-	-	10,159
Investment in unconsolidated subsidiaries	648,659	-	-	-	32,054	41	-	-	(585,755)	94,999
Convertible notes	12,000	-	-	-	-	-	-	-	-	12,000
Total investments	688,950	-	-	-	32,054	142,810	48	-	(585,755)	278,107
Operating lease assets	10,619	-	-	-	-	-	-	-	-	10,619
Goodwill	-	12,422	-	43,111	15,380	-	-	-	-	70,913
Other intangible assets, net	11,490	-	621	16,416	21,111	-	-	-	-	49,638
Deferred income taxes	50,997	(2,239)	14,166	(3,085)	(978)	(31,926)	(11)	-	-	26,924
Advances to Parent	-	5,889	23,238	-	-	5,616	4	-	(34,747)	-
Total assets	$ 1,690,474	$ 52,454	$ 144,686	$ 201,669	$ 120,782	$ 116,500	$ 41	$ 17,479	$ (620,502)	$ 1,723,583

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

CONSOLIDATING BALANCE SHEET - CONTINUED

As of March 31, 2020
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	Mutual Pharmaceutical Company, Inc.	DUSA Pharmaceuticals, Inc.	Pharmulucence, Inc.	Taro Development Corporation	Morley & Company, Inc.	PI Real Estate Ventures, LLC	Consolidating Entries	Total
LIABILITIES AND SHAREHOLDERS' EQUITY										
Current liabilities										
Short-term borrowings	$ 230,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 230,000
Accounts payable - trade	67,195	1,328	227	25,535	1,345	-	-	-	-	95,630
Accrued expenses	233,302	-	-	3,969	3,380	-	-	-	-	240,651
Allocation of income taxes (receivable) payable	(20,614)	(244)	12,983	15,473	4,756	(896)				52,686
Current portion of operating lease obligations	1,654	-	-	-	-	-	-	-	-	1,654
Current portion of finance lease obligations	3,877	-	-	-	-	-	-	-	-	3,877
Total current liabilities	515,414	1,084	13,210	44,977	9,481	(896)	-	-	-	624,498
Advances from affiliates	362,383	-	-	-	14,575	-	-	(14,575)	(34,747)	327,636
Operating lease obligations, net of current portion	9,544	-	-	-	-	-	-	-	-	9,544
Finance lease obligations, net of current portion	9,856	-	-	-	-	-	-	-	-	9,856
Total liabilities	897,197	1,084	13,210	44,977	24,056	(896)	-	(14,575)	(34,747)	971,534
Shareholders' equity										
Common stock	-	34,433	1	10	-	-	3	-	(34,447)	-
Additional paid-in capital	565,595	-	65,670	-	87,348	-	-	9,002	(162,020)	565,595
Retained earnings	186,454	16,937	65,805	156,682	9,378	117,396	38	23,052	(389,288)	186,454
Total shareholders' equity	752,049	51,370	131,476	156,692	96,726	117,396	41	32,054	(585,755)	752,049
Total liabilities and shareholders' equity	$ 1,690,474	$ 52,454	$ 144,686	$ 201,669	$ 120,782	$ 116,500	$ 41	$ 17,479	$ (620,502)	$ 1,723,583

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

CONSOLIDATING STATEMENT OF INCOME

For the year ended March 31, 2021
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	DUSA Pharmaceuticals, Inc.	Taro Development Corporation	Consolidating Entries	Total
Sales, net	$ 836,372	$ 30,005	$ 61,888	$ -	$ (5,899)	$ 922,366
Other operating revenue	3,604	-	-	-	-	3,604
Total revenue	839,976	30,005	61,888	-	(5,899)	925,970
Cost of goods sold	570,100	11,154	19,028	-	(5,899)	594,383
Selling, general and administrative expenses	276,449	16,706	37,629	-	-	330,784
Research and development costs	14,076	-	1,070	-	-	15,146
Gain on sale of intangible asset	(1,729)	-	-	-	-	(1,729)
Loss on disposal of property, plant, and equipment	-	-	39	-	-	39
Operating income	(18,920)	2,145	4,122	-	-	(12,653)
Other (expense) income						
Interest expense	(16,111)	253	(68)	-	-	(15,926)
Dividend and interest income	34,135	318	-	-	-	34,453
(Losses) gains on equity securities	14,250	-	-	-	-	14,250
Equity in earnings from equity method investments	16,090	-	-	6,547	-	22,637
Other income (expense)	38	10	-	-	-	48
Other (expense) income, net	48,402	581	(68)	6,547	-	55,462
Income (loss) before allocated income taxes	29,482	2,726	4,054	6,547	-	42,809
Allocated income tax (benefit) expense	23,067	492	(18,899)	(760)	-	3,900
Net income	$ 6,415	$ 2,234	$ 22,953	$ 7,307	$ -	$ 38,909

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

CONSOLIDATING STATEMENT OF INCOME

For the year ended March 31, 2020
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	Mutual Pharmaceutical Company, Inc.	DUSA Pharmaceuticals, Inc.	Pharmalucence, Inc.	Taro Development Corporation	Morley & Company, Inc.	PI Real Estate Ventures, LLC	Consolidating Entries	Total
Sales, net	$ 759,279	$ 29,034	$ 41,268	$ 104,256	$ 39,979	$ -	$ -	$ 3,000	$ (40,395)	936,421
Other operating revenue	540									540
Total revenue	759,819	29,034	41,268	104,256	39,979	-	-	3,000	(40,395)	936,961
Cost of goods sold	564,533	11,408	31,233	3,675	2,267	-	-	-	(40,395)	572,721
Selling, general and administrative expenses	62,269	12,018	6,019	93,687	25,713	-	-	719	-	200,425
Research and development costs	3,595	123	-	993	979	-	-	-	-	5,690
Loss on disposal of property, plant, and equipment	358	-	-	6	-	-	-	-	-	364
Operating income	129,064	5,485	4,016	5,895	11,020	-	-	2,281	-	157,761
Other (expense) income										
Interest expense	(22,991)	(2)	-	(63)	-	-	-	-	268	(22,788)
Dividend and interest income	793	282	36	1	139	-	-	-	(268)	983
(Losses) gains on equity securities	8,896	-	-	-	-	(110,329)	(37)	-	-	(101,470)
Equity in earnings from unconsolidated subsidiaries	(51,159)	-	-	-	2,281	(28)	-	-	57,878	8,972
Gain on sale of intangible asset	-	-	-	-	-	-	-	-	-	-
Other income	5,020	-	-	137	(2,222)	2	-	-	-	2,937
Other (expense) income, net	(59,441)	280	36	75	198	(110,355)	(37)	-	57,878	(111,366)
Income (loss) before allocated income taxes	69,623	5,765	4,052	5,970	11,218	(110,355)	(37)	2,281	57,878	46,395
Allocated income tax (benefit) expense	34,909	1,922	2,126	(1,399)	586	(26,454)	(9)	-	-	11,681
Net income	$ 34,714	$ 3,843	$ 1,926	$ 7,369	$ 10,632	$ (83,901)	$ (28)	$ 2,281	$ 57,878	$ 34,714

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

CONSOLIDATING STATEMENTS OF SHAREHOLDERS' EQUITY

For the year ended March 31, 2021
(amounts in thousands)

	Sun Pharmaceutical Industries, Inc.	Chattem Chemicals, Inc.	Mutual Pharmaceutical Company, Inc.	DUSA Pharmaceuticals, Inc.	Pharmalucence, Inc.	Taro Development Corporation	Morley & Company, Inc.	PI Real Estate Ventures, LLC	Consolidating Entries	Total
Balance, March 31, 2019	$ 717,649	$ 47,527	$ 129,550	$ 149,323	$ 86,094	$ 201,297	$ 69	$ 29,773	$ (643,633)	$ 717,649
Net income	34,714	3,843	1,926	7,369	10,632	(83,901)	(28)	2,281	57,878	34,714
Cumulative effect of change in accounting principle (Note 1)	(314)	-	-	-	-	-	-	-	-	(314)
Balance, March 31, 2020	752,049	51,370	131,476	156,692	96,726	117,396	41	32,054	(585,755)	752,049
Net income	38,909	2,234	-	22,953	-	7,307	-	-	(32,494)	38,909
Merged subsidiaries into SPINC	-	-	(131,476)	-	(96,726)	-	(41)	(32,054)	260,297	-
Balance, March 31, 2021	$ 790,958	$ 53,604	$ -	$ 179,645	$ -	$ 124,703	$ -	$ -	$ (357,952)	$ 790,958