LUPIN INC. AND SUBSIDIARIES

Consolidated Financial Statements
As of and for the Years Ended
March 31, 2023 and 2022

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Independent Auditors’ Report

The Board of
Directors Lupin Inc.
and Subsidiaries:

Opinion

We have audited the consolidated financial statements of Lupin Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated
statements of operations, changes in stockholder’s deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Baltimore, Maryland
May 3, 2023

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2023	March 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,092	$ 21,641
Accounts receivable, net	324,887	361,686
Intercompany receivables	20,892	19,259
Inventories	101,331	140,144
Income taxes receivable	1,766	2,948
Prepaid expenses and other current assets	15,985	10,636
Total current assets	489,953	556,314
Property, plant and equipment, net	68,066	68,581
Goodwill	95,089	95,089
Intangible assets, net	112,585	52,506
Other assets	21,567	23,998
Total assets	$ 787,260	$ 796,488
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	$ 24,666	$ 22,497
Accrued expenses	34,287	47,192
Intercompany payables	140,166	214,727
Intercompany payable -other	—	45,000
Income taxes payable	4,094	4,527
Short-term debt	400,000	350,000
Other current liabilities	84,178	68,562
Total current liabilities	687,391	752,505
Intercompany note payable	30,000	30,000
Other liabilities	22,652	33,149
Series A mandatorily redeemable preferred stock	280,000	280,000
Total liabilities	1,020,043	1,095,654
Stockholder's deficit:		
Common stock	896,000	811,000
Additional paid-in capital	230,050	230,050
Accumulated deficit	(1,362,934)	(1,344,127)
Total Lupin Inc. stockholder's deficit	(236,884)	(303,077)
Noncontrolling interest	4,101	3,911
Total stockholder's deficit	(232,783)	(299,166)
Total liabilities and stockholder's deficit	$ 787,260	$ 796,488

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(*in thousands*)

	Year Ended March 31,	
	2023	**2022**
Product revenues	$ 613,047	702,767
Service and other revenues	23,291	22,510
Profit sharing revenues	6,670	1,489
Total revenues	643,008	726,766
Costs and expenses:		
Cost of product revenues	505,621	574,686
Cost of service and other revenues	21,734	19,972
Selling, general and administrative	87,197	112,770
Research and development	17,721	67,246
Intangible asset impairment charges	2,408	125,697
Income (loss) from operations	8,327	(173,605)
Interest expense, net	24,695	13,465
Other income, net	(209)	(2,602)
Loss from operations before income taxes	(16,159)	(184,468)
Provision for income taxes	2,458	947
Net loss	(18,617)	(185,415)
Less: net income attributable to noncontrolling interest	190	720
Net loss attributable to Lupin Inc.	$ (18,807)	$ (186,135)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(*in thousands*)

	Stockholder's Deficit					
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholder's Deficit
	Shares	Amount				
Balance at April 1, 2022	81,100	$ 811,000	230,050	(1,344,127)	3,911	(299,166)
Common stock issued	8,500	85,000	—	—	—	85,000
Net loss attributable to Lupin Inc.	—	—	—	(18,807)	—	(18,807)
Net income attributable to noncontrolling interests	—	—	—	—	190	190
Balance at March 31, 2023	89,600	896,000	230,050	(1,362,934)	4,101	(232,783)

See accompanying notes to consolidated financial statements.

LUPIN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(*in thousands*)

	Year Ended March 31	
	2023	**2022**
Operating activities:		
Net loss	$ (18,617)	$ (185,415)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	7,127	9,066
Amortization of intangible assets	12,748	17,476
Amortization of operating lease right-of-use assets	1,917	2,140
Provision for doubtful accounts	—	(2,465)
Change in inventory provision	1,814	932
Amortization of debt issuance costs	—	60
Intangible asset impairment charges	2,408	125,697
Changes in operating assets and liabilities:		
Accounts receivable	36,799	68,670
Intercompany receivables	(1,633)	(6,354)
Inventory	41,735	4,353
Prepaid expenses and other assets	(1,817)	(5,318)
Accounts payable	2,169	(7,021)
Accrued expenses and other liabilities	1,770	11,033
Intercompany payables	(119,483)	(37,789)
Income taxes receivable/payable	749	131
Net cash used in operating activities	(32,314)	(4,804)
Investing activities:		
Purchases of property, plant, equipment	(6,690)	(15,461)
Sunovion asset purchase	(82,545)	—
Net cash used in investing activities	(89,235)	(15,461)
Financing activities:		
Proceeds from issuance of short-term debt	75,000	30,000
Issuance of common stock	85,000	234,000
Repayments of debt	(25,000)	(233,360)
Solosec acquisition milestone payment	(10,000)	(10,000)
Net cash provided by financing activities	125,000	20,640
Net change in cash and cash equivalents	3,451	375
Cash and cash equivalents-beginning of period	21,641	21,266
Cash and cash equivalents-end of period	$ 25,092	$ 21,641
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 14,896	$ 3,704
Cash paid for taxes	528	416
Intercompany PPE transfer	78	—
Noncash asset acquisition	10,000	45,000
Cash paid for preferred shares dividend	6,300	6,300

See accompanying notes to consolidated financial statements.

Note 1. Organization and Description of the Business

Lupin Inc., including its consolidated subsidiaries, (collectively, the Company) was incorporated in the United States of America (USA) under the Laws of the State of Maryland on June 27, 2013 as a Maryland Corporation and converted to a Delaware Corporation on March 8, 2016. The Company became a wholly owned subsidiary of Nanomi B.V. (Nanomi), effective March 31, 2020.

The Company's core business as a distributor is to trade in pharmaceutical products in addition to acquire, own intellectual properties, develop, manufacture pharmaceutical products and to render marketing and ancillary services related thereto.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB). Lupin Pharmaceuticals, Inc. (LPI) is owned 97% by the Company; the remaining 3% interest is owned by Lupin Limited (LL) directly and presented as a noncontrolling interest herein. The consolidated financial statements include the accounts of controlled subsidiaries after the elimination of intercompany accounts and transactions.

The Company incurred losses from operations during the fiscal year 2023 primarily attributable to lower sales and higher interest expense. As of March 31, 2023, the Company had a working capital deficit of $197 million, primarily due to third party loans of $400 million due within the next 12 months (see Note 10 for details). The Company's ultimate parent company, Lupin Limited, has provided guarantee towards these third-party loans of $400 million. Lupin Limited has also committed to fund the continued operations of the Company through May 4, 2024.

Use of Estimates

Management considers many factors in developing the estimates and assumptions that are used in the preparation of these consolidated financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes and management must select an amount that falls within that range of reasonable estimates. This process may result in actual results differing materially from those estimated amounts used in the preparation of the financial statements if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. The most significant estimates and assumptions relate to sales reserves and allowances, valuation of goodwill and intangible assets, contingencies, and the recoverability of deferred tax assets.

Revenue Recognition

The Company recognizes revenue pursuant to ASC 606. The Company derives its revenue from product sales, services and profit sharing. Under ASC 606, a contract with a customer only exists when the parties to the contract have approved it and are committed to perform their respective obligations; the Company can identify each party's rights regarding the goods or services to be transferred; the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We recognize revenue from the contracts meeting these criteria when we satisfy our performance obligations for such contracts by transferring control of the underlying promised goods or services to our customers. The amount of revenue we recognize reflects our estimate of the consideration we expect to be entitled to receive, excluding amounts collected on behalf of other third parties and sales taxes (if any). Payment terms of our contracts generally fall within 30 to 90 days of invoicing. The Company does not incur costs to obtain a contract or costs to fulfill a contract that would result in the capitalization of contract costs. The Company's revenue contracts do not generally give rise to contract liabilities, as we do not generally receive consideration until the performance obligation is satisfied. Shipping and handling costs after control over a product has been transferred to a customer are accounted for as a fulfillment cost (if any).

Product sales

The majority of the Company's contracts related to product sales include only one performance obligation, which is to deliver products to customers based on purchase orders received. Revenue from sales of products is recognized at a point in time when control of the

products is transferred to the customer, generally upon delivery, which the Company has determined is when physical possession, legal title, risks, and rewards of ownership of the products transfer to the customer and the Company is entitled to payment. The amount of consideration the Company expects to be entitled includes a fixed amount of the transaction price, net of accruals for estimated variable considerations including, but not limited to, wholesaler chargebacks, distribution service fees, returns and allowances, discounts, rebates, sales incentives and other allowances. The Company utilizes the expected value method when estimating the amount of variable consideration. Variable consideration is included in the transaction price only 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. Reductions to revenue relating to amounts expected to be settled in payments to customers are recorded within other current liabilities when estimated. Reductions to revenue that are expected to be netted against future outstanding customer accounts receivable are recorded as a reduction to accounts receivable. In addition, the Company reassesses variable consideration at each reporting period end.

The following describes the major variable consideration components and other reductions to the revenue and how they are estimated.

Chargebacks/Billbacks

Chargebacks are discounts that occur when a contracted customer purchases through an intermediary wholesaler (commonly referred to as indirect sales). In an indirect sale, the wholesalers are our customers, and the end customers who purchase products from the wholesalers are considered an extension of the customer. In the arrangement, the Company enters into a contract with its customers, establishing prices for certain products. While these arrangements are made between the Company and the customers, the customers independently select a wholesaler from which they purchase the product at their contracted prices. The wholesaler, in turn, charges the Company back for the difference between the price initially paid by the wholesaler and the contract price paid to the wholesaler by the customer. Billbacks also relate to indirect sales. The difference is the customers purchase the products from a wholesaler at the price agreed by the wholesaler, and then charge the Company back the difference between the price paid to the wholesaler and the contractual price with the Company. The provision for chargebacks/billbacks is based on expected sell-through levels by the Company's wholesale customers to contracted customers, as well as estimated wholesaler inventory levels.

Distribution Service Fees

Consistent with industry practices, the Company establishes contracts with wholesalers that provide services for fees under the wholesaler Distribution Services Agreements ("DSA fees"). Settlement of DSA fees generally occur monthly or quarterly based on net sales for the period. The DSA fees are accounted for as a reduction to transaction price. DSA fee accruals are based on contractual fees to be paid to the wholesale distributor when products are sold to the customer.

Right of Return

Consistent with industry practice, the Company maintains a return policy that allows its customers to return product within a specified period of time both subsequent to and prior to the product's expiration date. The Company's return policy generally allows customers to receive credit for expired products within six months prior to expiration and within one year after expiration. The primary factors considered in estimating potential product returns include: the shelf life or expiration date of each product, historical data of expired product returns, and external data with respect to inventory levels in the wholesale distribution channel. Due to the nature of the products, the Company's returned products cannot be re-sold and must be destroyed, the Company recognizes the estimated refund liability when product revenues are recognized and no expected returned assets are recorded in connection with those products.

Prompt Payment Discount

Prompt pay discounts are offered to some major customers to encourage timely payment. Discounts are estimated at the time of invoice based on historical discounts in relation to sales. Prompt pay discounts are almost always utilized by customers. As a result, the actual discounts do not vary significantly from the estimated amount.

Failure to Supply

Failure to supply penalties from major customers are primarily based on the difference between the substitution price the customers paid against the Company's contract price for the quantity that is not supplied. Failure to supply penalties are recorded as reductions to revenue and adjusted each reporting period based on the variable consideration guidance.

Services and other revenues

Service and other revenues primarily consist of management services and R&D services provided to the related parties under Lupin Limited, the Company's ultimate parent company. The service contracts are time and materials based. The Company elected to use the "as invoiced" practical expedient, under which the Company recognizes revenue over time in the amount to which it has a right to invoice after the services are provided. The invoice amount generally represents the costs incurred to provide the service plus a markup specified by the service contract.

Profit sharing revenues

Profit sharing revenues relate to product sales: 1) the Company provides contract manufacturing services to customers through its wholly owned subsidiary Novel Laboratories, Inc. ("Novel") receiving a percentage of profits of product sales and 2) the Company receives royalty payments on authorized generic products sold by other third-party pharmaceutical companies. Profit sharing revenues are recognized at a point in time when related product revenues are recognized. The amount of profit sharing revenue is estimated using the expected value method based on contract terms and historical experience 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. The Company reassesses profit sharing revenue at each reporting period end.

Acquisitions

In a business combination, the acquisition method of accounting requires that the assets acquired and liabilities assumed be recorded as of the date of the acquisition at their respective fair values with limited exceptions. Assets acquired and liabilities assumed in a business combination that arise from contingencies are recognized at fair value if fair value can reasonably be estimated. If the acquisition date fair value of an asset acquired or liability assumed that arises from a contingency cannot be determined, the asset or liability is recognized if probable and reasonably estimable; if these criteria are not met, no asset or liability is recognized. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs and costs to restructure the acquired company are expensed as incurred. The operating results of the acquired business are reflected in the Company's consolidated financial statements after the date of the acquisition.

If the Company determines the assets acquired do not meet the definition of a business under the acquisition method of accounting, the transaction will be accounted for, as an acquisition of assets rather than a business combination and, therefore, no goodwill will be recorded. Contingent consideration arising from the asset acquisition is recognized when probable and reasonably estimable and is recorded as an increase to the cost of the assets acquired.

Fair Value

The Company follows the provisions of FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*," for fair value measurement recognition and disclosure purposes for its financial assets and financial liabilities that are remeasured and reported at fair value each reporting period. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. Categorization is based on a three-tier valuation hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs that are other than quoted prices in active markets for identical assets and liabilities, inputs that are quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are either directly or indirectly observable; and

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying amount of certain financial instruments, including cash and cash equivalents, accounts receivable, intercompany payables/receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Debt and contingent consideration are not carried at fair value.

Collaboration and Research Arrangements

Payments to and from our collaboration partners are presented in our consolidated statements of operations based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable accounting guidance. The Company determined since their central operations are not consistent with regular performance of research and development services to outside customers, reimbursements from our collaboration partners for development costs are typically recorded as reduction in research and development expenses as these arrangements are under ASC 808, Collaborative Arrangements. During fiscal year 2022, the Company entered into one agreement whereby up to $38.4 million of research and development expenses will be reimbursed upon hitting developmental milestones, of which $3.9 million and $2. 6 million were recognized in the years ended March 31, 2023 and March 31, 2022, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in banks and all highly liquid investments with original maturities of three months or less.

Accounts receivable, net

Accounts receivables represent the Company's unconditional rights to consideration due from customers. Accounts receivables are recorded at the invoiced amount net of certain chargebacks, sales incentives and allowances, and do not bear interest.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. The cost of inventories is determined using the weighted average method. Inventories are recorded at the lower of cost or net realizable value, include materials, labor, direct costs and indirect costs. Any net realizable value adjustment related to purchased inventory from LL is recorded as a reduction to Intercompany payables. A net realizable value adjustment related to inventory manufactured by LI is recorded as an expense in cost of revenue. Inventories may also include certain finished goods produced in preparation for product launches that are considered to have a high probability of regulatory approval. In evaluating the recoverability of inventories produced in preparation for product launches, the Company considers the likelihood that revenue will be obtained from the future sale of the related inventory together with the status of the product within the regulatory approval process.

Intercompany Receivables and Payables

Intercompany receivables and payables represent balances due to and due from related parties which are consolidated subsidiaries of LL.

Property, Plant and Equipment

Property and equipment includes land, buildings, machinery and equipment, leasehold improvements, office equipment and computers, software, furniture and fixture, and construction in-progress. We record property and equipment at cost less accumulated depreciation. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets:

Buildings	25 - 40 years
Machinery and equipment	3 to 10 years
Leasehold improvements	5 - 7 years, not beyond the lease term
Office equipment and computers	2 - 3 years
Software	3 - 5 years
Furniture and fixtures	3 - 5 years

Maintenance and repairs are expensed as incurred. Upon disposal, retirement, or sale, the related cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations.

Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired when accounted for using the acquisition method of accounting for business combinations.

Intangible assets, net

The Company's intangible assets include both finite lived and indefinite lived assets. Finite lived intangible assets, consisting of Currently Marketing Products (CMPs), New Drug Applications (NDAs) and Approved Abbreviated New Drug Applications (ANDAs) are amortized on a straight-line basis over the estimated useful life of the assets. Indefinite-lived intangible assets consist of acquired in process research and development (IPR&D) product rights and filed ANDAs not yet approved by the Food and Drug Administration (FDA). IPR&D and Filed ANDA assets acquired in a business combination and those transferred in from entities under common control are recorded at fair value or at the transferring entity's historical cost basis at date of transfer, respectively. IPR&D and Filed ANDAs are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product's launch. Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

Goodwill and Other Indefinite-Lived Intangible Asset Impairment Testing

Goodwill and other indefinite-lived intangible assets are not amortized but are evaluated annually for impairment. The Company performs its evaluation of impairment for goodwill and other indefinite-lived intangible assets as of January 1, and when events or changes in circumstances indicate that the assets may be impaired. The Company may utilize a qualitative evaluation about the likelihood of impairment to determine whether it is necessary to perform the quantitative impairment test. If determined to be necessary, the quantitative impairment test shall be used to identify impairment and measure the amount of impairment loss to be recognized (if any). As part of our assessment, we estimate the fair values of our reporting unit and our intangible assets using an income approach that utilizes a discounted cash flow model. The discounted cash flow models are dependent upon our estimates of future cash flows and other factors. These estimates of future cash flows involve assumptions concerning (i) future operating performance, including future sales, long-term growth rates, operating margins, tax rates, variations in the amount and timing of cash flows and the probability of achieving the estimated cash flows and (ii) future economic conditions. The discount rates applied to the estimated cash flows are based on the overall risk associated with the particular assets and other market factors. If the fair value of the intangible asset is less than its carrying value, an impairment loss is recognized.

Long-Lived Asset Impairment Testing

Long-lived assets, including property, plant and equipment and finite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amounts of the assets may not be recoverable. Recoverability of an asset that will continue to be used in our operations is measured by comparing the carrying amount of the asset to the forecasted undiscounted future cash flows related to the asset. In the event the carrying amount of the asset exceeds its undiscounted future cash flows and the carrying amount is not considered recoverable, impairment may exist. An impairment loss, if any, is measured as the excess of the asset's carrying amount over its fair value, generally based on a discounted future cash flow method, independent appraisals or preliminary offers from prospective buyers. An impairment loss would be recognized in the consolidated statements of operations in the period that the impairment occurs.

Research and Development Expenses

Research and development costs are charged to expense as incurred. These costs include, but are not limited to, employee-related expenses, including salaries, benefits, and travel as well as expenses related to collaborations and contract research agreements; expenses incurred under agreements with contract research organizations and investigative sites that conduct preclinical and clinical studies; the cost of acquiring, developing and manufacturing clinical trial materials; facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies; and costs associated with preclinical and clinical activities and regulatory operations.

Costs for certain development activities, such as preclinical and clinical studies, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, preclinical site activations, or information provided to the Company by its vendors with respect to their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the consolidated financial statements as prepaid or accrued research and development expense, as the case may be.

Under a Product Development Agreement, certain research and development costs are cross charged as intercompany invoices to LL. These transactions are reflected in cost of service and other revenues with a 10% markup. The Company's remuneration for such services is subject to an annual transfer pricing study.

Other Income, Net

Other income is comprised of related party billings for reimbursements of management fees, and other miscellaneous income (expense) from non-core businesses.

Income Taxes

Income taxes are recorded in accordance with ASC Topic 740, *Income Taxes* (ASC 740), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if 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.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances.

Contingencies

The Company records accruals for contingencies expected to be incurred in connection with a loss contingency when it is probable that a liability has been incurred and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount is accrued. When no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued. For contingencies that may arise from a business combination, the Company generally obtains indemnification from the sellers of a business upon acquisition for various contingent liabilities related to pre-acquisition events in order to protect itself from economic losses arising from such exposures. We recognize an indemnification asset at the same time and on the same basis as the related indemnified item, subject to any contractual limitations and to the extent that collection is reasonably assured, in accordance with ASC 805. We assess the realizability of the indemnification assets each reporting period.

C**oncentration of Credit Risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are held by two financial institutions and the amounts on deposit were in excess of Federal Deposit Insurance Company insurance limits. The Company mitigates this risk by depositing its uninsured cash in major well capitalized financial institutions. Concentrations of credit risk with respect to accounts receivable are limited due to the number of customers, all of whom are creditworthy customers representing the FORTUNE 500. The Company derives the majority of revenue from sales to US-based supply chain distributors, pharmacies, etc. The following companies represent more than 10% of revenue for the year ended March 31, 2023 and 2022: Cardinal Health, CVS, AmerisourceBergen Health Corp, and McKesson Financial Center, The following companies represent more than 10% of accounts receivable as of March 31, 2023 and 2022: AmerisourceBergen Health Corp and McKesson Financial Center.

Leases

The Company determines if an arrangement is a lease considering whether there is an identified asset, and the contract conveys the right to control its use. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Right-to-Use (ROU) assets and lease liabilities are established on the consolidated balance sheets for leases with an expected term greater than one year. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate (IBR) at the commencement date in determining the present value of lease payments. The IBR is estimated based on our parent company LL's credit standing and is adjusted by the guarantee fees we make to LL as the Company does not have its own treasury function, and all of its borrowings are negotiated and guaranteed by LL centrally.
Our variable lease payments primarily consist of non-lease services related to the lease. We have elected the practical expedient to not separate non-lease components from lease components in calculating the amounts of ROU assets and lease liabilities for all underlying asset classes. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The Company generally does not provide residual value guarantees in the operating leases with the exception of the lease of a vehicle fleet. No amounts related to this residual value guarantee have been deemed probable.

The Company leases real estate, vehicle, and office equipment under non-cancelable operating leases for use in our operations. Our leases generally have lease terms of 1 to 10 years, some of which include options to renew for up to 5 to 10 years or on a month-to-month basis. We do not include the options in our minimum lease terms unless they are reasonably certain to be exercised.

Rental expense for lease payments related to operating leases is recognized on a straight-line basis over the lease term. On occasion, the Company subleases excess office facilities to third parties. Rental expense, net of sublease income, is included in the selling, general and administrative expense in the consolidated statements of operations.

Recent Accounting Pronouncements

Recently issued accounting pronouncements, not yet adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments. Subsequently, the FASB issued certain ASUs to update ASU 2016-13. The ASUs introduce the new current expected credit loss (CECL) approach to estimate credit losses on certain types of financial instruments, including, but not limited to, trade and other receivables, held-to-maturity debt securities, loans and net investments in leases. In November 2019, the FASB issued ASU 2019-10 to update the effective date for adopting the ASU for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for all entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect the adoption of this guidance to have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The guidance is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impacts of the adoption of this guidance on its consolidated balance sheet, statements of operations and cash flows.

In August 2020, the FASB issued ASU 2020-06, "*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*". ASU 2020-06 simplifies accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. ASU 2020-06 also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and early adoption is permitted in annual reporting periods ending after December 15, 2020. The Company does not expect the adoption of this guidance to have a material impact on the Company's consolidated financial statements.

In November, 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832)*. The new standard requires the disclosure of information about transactions with a government that are accounted for by applying a grant or contribution model by analogy. This

could include various forms of government assistance, but excludes transactions in the scope of specific U.S. GAAP, such as tax incentives accounted for under Accounting Standards Codification (ASC) 740, *Income Taxes*. For transactions in the scope of the new standard, information about the nature of the transaction, including significant terms and conditions, as well as the amounts and specific financial statement line items affected by the transaction are required to be disclosed. This guidance is effective for fiscal years beginning after December 15, 2022 on a prospective basis. The Company does not expect the adoption of this guidance to have a material impact on the Company's consolidated financial statements.

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Company as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Company has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on our consolidated balance sheets, statements of operations, or cash flows.

Note 3. Accounts Receivable, net

The composition of accounts receivable, net is as follows (*in thousands*):

	March 31, 2023		March 31, 2022	
Gross accounts receivable	$	461,476	$	499,769
Less: chargeback reserve		(109,817)		(121,422)
Less: indirect reserve		(9,908)		(2,044)
Less: price protection		(5,063)		(4,312)
Less: distribution services reserve		(2,688)		(360)
Less: discount reserve		(8,315)		(9,277)
Less: POS couponing		(798)		(668)
Accounts receivable, net	$	324,887	$	361,686

Note 4. Inventories

Inventories consist of (*in thousands*):

	March 31, 2023		March 31, 2022	
Raw materials	$	29,051	$	28,947
Work in process		4,934		6,554
Finished goods		83,405		124,517
		117,390		160,018
Less: valuation reserve		(16,059)		(19,874)
Inventories	$	101,331	$	140,144

Note 5. Property, Plant and Equipment, net.

Property, plant and equipment, net consists of the following (*in thousands*):

	March 31, 2023		March 31, 2022	
Land	$	3,740	$	3,740
Buildings		37,116		37,073
Machinery and equipment		50,523		48,736
Leasehold improvements		21,807		21,807
Office equipment and computers		6,051		7,397
Software		4,263		4,221
Construction in process		11,390		6,742
Furniture and fixtures		3,931		3,892
		138,821		133,608
Less: accumulated depreciation		(70,755)		(65,027)
Property, plant and equipment, net	$	68,066	$	68,581

Depreciation expense was $7.1 million and $9.1 million for the years ended March 31, 2023 and 2022, respectively.

Note 6. Accrued Expenses

Accrued expenses consist of the following (*in thousands*):

	March 31, 2023		March 31, 2022	
Selling, general and administrative	$	5,478	$	8,626
Bonus and incentives		10,617		9,056
Freight		3,637		7,663
Legal costs		3,464		4,901
Accrued interest		270		324
Payroll and benefits		1,672		1,806
Product costs		1,577		1,970
Research and development		1,146		1,569
Profit share		6,426		11,277
Accrued expenses	$	34,287	$	47,192

Note 7. Other Current Liabilities

Other current liabilities consist of the following (*in thousands*):

	March 31, 2023		March 31, 2022	
Accrued rebates	$	20,074	$	29,482
Accrued sales returns		18,739		9,631
Accrued medicaid		20,811		11,925
Accrued billback		2,670		2,311
Accrued failure to supply penalties		9,760		3,289
Solosec acquisition milestone payment		10,000		10,000
Current portion of operating lease liabilities		2,124		1,924
Other current liabilities	$	84,178	$	68,562

Note 8. Asset Acquisitions

Solosec™ Franchise

On October 10, 2017, the Company acquired all of the outstanding equity of Symbiomix Therapeutics LLC (Symbiomix), a privately held company focused on bringing innovative therapies to market for gynecologic infections that can have serious health consequences. The acquisition of Symbiomix's Solosec™ franchise was accounted for as an asset acquisition. The total consideration was $124.1 million, of which the Company made a $57.5 million upfront cash payment, and discounted future time-based payments of $66.6 million through 2026. As of March 31, 2023, the Company made time-based payments totaling $57.5 million, including $30 million in fiscal 2019, $7.5 million in fiscal 2021, $10 million in fiscal 2022 and $10 million in fiscal 2023. As of March 31, 2023, the discounted balance of other time-based payments was $24.3 million, of which the current portion of $10 million as of March 31, 2023, has been classified as other current liabilities and the remaining balances not due within twelve months were included in other liabilities on the consolidated balance sheet.

In addition to the total acquisition purchase price, the agreement also requires the Company to pay additional consideration contingent upon net sales of Solosec™ for a term not to exceed five years after the expiration of product's market exclusivity, which will be recognized when probable and estimable. Payment of additional consideration will be recorded within costs of revenue each period.

Future undiscounted time-based payments are as follows (*in thousands*):

	12 Month Period Ended March 31,
2024	10,000
2025	10,000
2026	7,500
Total	27,500

Brovana® and Xopenex HFA®

On November 1, 2022, the Company entered into an asset purchase agreement with Sunovion Pharmaceuticals Inc. (Sunovion or Seller) to acquire all of Seller's right, title and interest in two inhalation medicines (including the authorized generic): Brovana® (arformoterol tartrate) Inhalation Solution and Xopenex HFA® (levalbuterol tartrate) Inhalation Aerosol. Brovana (arformoterol tartrate) Inhalation Solution is indicated for long-term (maintenance) treatment to prevent and decrease wheezing and shortness of breath caused by breathing problems such as chronic obstructive pulmonary disease, including chronic bronchitis and emphysema. Xopenex HFA (levalbuterol tartrate) is a short-acting inhalation aerosol indicated for treatment or prevention of bronchospasm in patients 4 years of age and older with reversible obstructive airway disease.

The transaction was accounted for as an asset acquisition with the total purchase price of $82.5 million comprising of $65 million paid for the Xopenex NDA, $10 million for the Brovana NDA and $7.5 million related to the fair value of available product inventory. In addition to the purchase price, the Company incurred around $0.5 million in legal fees related to the agreement. The Company has classified the purchased NDAs for Brovana and Xopenex as finite lived intangible assets to be amortized over their estimated useful lives of three years and ten years respectively.

Lupin Limited & Boehringer Ingelheim Inc. (BII) IPR&D Agreement

On September 3, 2019, Lupin Limited entered into a License, Development and Commercialization Agreement with Boehringer Ingelheim Inc. (BII). On March 29, 2022, the Company entered into an agreement with Lupin Limited for $45 million obtaining the rights for all future milestone payments and revenue share on the sale of the product globally, excluding India, from BII under the original agreement between Lupin Limited and BII.

The Company accounted for the transaction as an asset acquisition between entities under common control. As a result, the Company recorded a $45 million research and development expense as part of the transaction and a deferred tax asset to that extent with a full valuation allowance as of March 31, 2022.

Partial ownership transfer of asset Agreement with Lupin Limited

On December 26, 2022, the Company entered into an agreement with Lupin Limited to acquire a partial ownership of 9 assets/IPs at various stages of development for $10 million to acquire 16% of its rights, title and interest in and to the products, application and all intellectual property in the products and for the development and commercialization of the products in the United States.

The Company accounted for the transaction as an asset acquisition between entities under common control. As a result, the Company recorded a $10 million research and development expense.

Product Funding Agreement with Novaquest

On December 30, 2022, the Company entered into a project funding agreement with Novaquest, an external party, pursuant to which Novaquest will fund the Company's eligible research and development expenses. Novaquest will fund up to $10 million and upon commercialization of products, will initially receive sales based revenue share of 18.5% until twice their initial investment is recovered and thereafter, reduced shares. The Company invoiced NovaQuest $10 million for incurred research and development expenses, which was recorded as a reduction to research and development expenses. $5 million is outstanding at March 31, 2023 and is recorded in the consolidated balance sheet as of March 31, 2023.

Note 9. Goodwill and Other Intangibles

Goodwill

The table below provides a roll-forward of the goodwill balance (*in thousands*):

Goodwill balance at April 1, 2021	$	95,089
Fiscal 2022 activity		—
Goodwill balance at March 31, 2022		95,089
Fiscal 2023 activity		—
Goodwill balance at March 31, 2023	$	95,089

Other Intangibles

The following tables summarize the components of the Company's other intangible assets (*in thousands*):

Period Ended March 31, 2023		**Currently Marketed Products**		**Approved ANDAs**		**Filed ANDAs**		**In-process R&D**		**Total**
Balance at April 1, 2022	$	405,939	$	6,343	$	55,559	$	27,571	$	495,412
Fiscal 2023 activity		75,235		—		—		—		75,235
Balance at March 31,2023		481,174		6,343		55,559		27,571		570,647
Less: accumulated amortization		(137,808)		(3,616)		—		—		(141,424)
Less: impairment provision		(249,053)		—		(40,014)		(27,571)		(316,638)
Net carrying amount at March 31, 2023	$	94,313	$	2,727	$	15,545	$	—	$	112,585

Period Ended March 31, 2022		**Currently Marketed Products**		**Approved ANDAs**		**Filed ANDAs**		**In-process R&D**		**Total**
Balance at April 1, 2021	$	405,460	$	6,822	$	55,559	$	27,571	$	495,412
Fiscal 2022 activity		479		(479)		—		—		—
Balance at March 31,2022		405,939		6,343		55,559		27,571		495,412
Less: accumulated amortization		(125,771)		(2,905)		—		—		(128,676)
Less: impairment provision		(248,047)		—		(38,612)		(27,571)		(314,230)
Net carrying amount at March 31, 2022	$	32,121	$	3,438	$	16,947	$	—	$	52,506

Amortization expense was $12.7 million and $17.5 million for the years ended March 31, 2023 and 2022, respectively.

During the annual impairment test during the fourth quarter of fiscal year 2023, the Company determined certain assets failed the recoverability test and subsequently performed a discounted cash flow evaluation and recorded an intangible asset loss of $2.4 million, ($1.4 million relating to indefinite lived filed assets and $1.0 million due to CMPs that are considered dormant and no longer actively marketed by the Company).

The approximate estimated future amortization expense at March 31, 2023 is as follows (*in thousands*):

	12 Month Period Ended March 31,
2024	18,387
2025	18,387
2026	18,387
2027	17,942
2028	17,596
Thereafter	6,341
Total	$ 97,040

Note 10. Debt

A summary of outstanding debt is as follows (*in thousands*):

	March 31, 2023	March 31, 2022
LAHSA Loan	30,000	30,000
Line of credit - SMBC	150,000	125,000
Line of credit - MUFG	250,000	225,000
Total debt	430,000	380,000
Short-term debt	400,000	350,000
Long-term debt, net	$ 30,000	$ 30,000

In August 2018, the Company entered into a $75 million uncommitted short-term revolving line of credit facility (RLOC) with Sumitomo Mitsui Banking Corporation Singapore Branch (SMBC). The RLOC was amended to increase the limit to $125 million in March 2021 and $150 million in June 2022. Borrowings under the facility are uncommitted and the credit facility can be terminated by SMBC on written notification. Upon such termination, all outstanding amounts under the facility shall be paid to SMBC. Advances made under the amended RLOC bear interest at corresponding SOFR plus 0.79% per annum. The revolving loans are interest-only with principal due at maturity. The Company repaid $25 million and borrowed $50 million, respectively, during the year. The outstanding balances were $150 million and $125 million as of March 31, 2023 and 2022, respectively. The current loans mature in the first quarter of fiscal year 2024.

In November 2018, the Company entered into a $100 million short-term credit facility (the Facility) with MUFG Bank, Ltd., Singapore Branch. The Facility, which is guaranteed by Lupin Limited , was first amended in March 2020 to increase the limit to $200 million, and further amended in March 2021 to increase the limit to $250 million. Loan advances drawn under the Facility bear interest rate of corresponding SOFR plus 1.00% per annum. The company borrowed $25 million from the short-term revolving line of credit during the year. The principal, plus interest is due at maturity. The outstanding balances were $250 million and $225 million as of March 31, 2023 and 2022, respectively. The current loans mature in the first quarter of fiscal year 2024.

In November 2021, the Company entered into an agreement with its affiliate LAHSA, to finance its working capital needs with a credit line of up to $30 million. Loan advances drawn under the Facility bear interest at the rate of one and forty-five hundredths percent (1.45%) per annum, determined based on an independent third-party interest benchmarking assessment. The principal, plus interest is due at maturity unless prepaid earlier at the Company’s election. The Company drew down the full amount of the credit line on March 31, 2022 and had an outstanding balance of $30 million as of March 31, 2023. The credit line has a duration of thirty-six months and will mature in the third quarter of fiscal year 2025.

The Company recorded interest expense of $14.8 million and $3.5 million during the years ended March 31, 2023 and 2022, respectively. The aggregate outstanding principal and accrued interest balance at March 31, 2023 and 2022 were $430.3 million and $380.3 million, respectively.

Note 11. Leases

For operating leases, the ROU assets and liabilities are presented in the consolidated balance sheet as follows (*in thousands)*:

	Balance Sheet Classification		Balance at March 31, 2023
Right-of-use assets	Other assets	$	8,897
Lease Liabilities – current	Other current liabilities		2,124
Lease Liabilities – noncurrent	Other liabilities		8,311

The components of operating lease costs are as follows (*in thousands)*:

		For the Year Ended March 31, 2023		For the Year Ended March 31, 2022
Operating lease cost	$	2,889	$	2,767
Variable lease cost		302		564
Sublease income		(414)		(437)
Total lease cost	$	2,777	$	2,894

Supplemental balance sheet information related to leases is as follows:

	March 31, 2023
Weighted average remaining lease terms (in years)	5.70
Weighted average discount rate	4.8%

Other supplemental information includes the following (*in thousands)*:

Cash paid for amounts included in the measurement of lease liabilities:

		For the year ended March 31, 2023	For the year ended March 31, 2022
Operating cash flows from operating leases	$	2,004	2,246
Leased assets obtained for new operating lease liabilities		444	134

The table below reconciles the undiscounted cash flows for the first five years and total of the remaining years to the operating lease liabilities recorded in the consolidated balance sheet as of March 31, 2023 *(in thousands)*:

		For the year ended March 31,
2024	$	2,565
2025		2,165
2026		1,773
2027		1,624
2028		1,628
Thereafter		2,177
Total undiscounted lease payments		11,932
Less: imputed interest		1,497
Present value of minimum lease payments	$	10,435
Less: current portion		2,124
Noncurrent portion	$	8,311

Note 12. Contingencies

Legal Proceedings

Government Investigations

The Company is involved in government investigations and litigation arising from the marketing and promotion of its pharmaceutical products in the United States.

Starting in fiscal 2018, the Company was named in both class action and individual cases based on allegations of anticompetitive behavior related to certain products. On April 17, 2018, Lupin and one of its employees received a non-party subpoena from the state of Connecticut Attorney General (CAG) related to a civil antitrust case they filed in 2016, requesting documents and other information. On May 10, 2019, 43 state attorneys general, led by the CAG, filed a second lawsuit against 19 companies (including Lupin Pharmaceuticals, Inc.) and 15 individuals (including the Lupin employee) with allegations of violations of federal and state antitrust laws. The states claim to have been injured by paying supra-competitive prices for the products they purchased or reimbursed. These civil lawsuits were combined into the collection of similar cases referred to as In Re Generic Pharmaceuticals Antitrust Litigation, located in Philadelphia, Pennsylvania. As the case is still in the early stage, an estimate of the possible loss or range of loss, if any, cannot be made.

On February 1, 2023, Lupin was named as a defendant in a claim related to the sales of Loestrin, a low-dose birth control pill, in the state , Lupin was named as a defendant in a claim related to the sales of Loestrin, a low-dose birth control pill, in the state of Louisiana. Similar to other pay-for-delay complaints, this claim alleges that the six defendants, including Lupin, used pay-to-delay tactics in order to keep competitors from entering the marketplace. As the cases are still in the early stage, an estimate of the possible loss or range of loss, if any, cannot be made.

Note 13. Income Taxes

The Company provides for income taxes under ASC 740. Under ASC 740, the asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The impact on deferred assets and liabilities of a change in tax rates is recognized in the period that the rate change is enacted. Valuation allowances are recorded when it is determined that it is more likely than not that a deferred tax asset will not be realized.

The Company's loss before income taxes was $15.8 million and $184.5 million for the years ended March 31, 2023 and 2022, and was generated entirely in the United States.

Income tax provision consists of (*in thousands*):

	2023	2022
Current provision:		
U.S. federal	$ 1,172	$ —
U.S. state and local	106	124
Foreign	1,180	823
Total current provision	$ 2,458	$ 947
Deferred benefit:		
U.S. federal	—	—
U.S. state and local	—	—
Total deferred benefit	—	—
Total current and deferred benefit	$ 2,458	$ 947

Income tax provision differed from the amounts computed by applying the U.S. federal income tax rate of 21.00% to pretax income as a result of the following (*in thousands*):

	Year Ended March 31,	
	2023	**2022**
Loss before income tax	$ (16,159)	$ (184,468)
Statutory tax rate	21.00%	21.00%
Income tax benefit at statutory rate	(3,393)	(38,738)
U.S. state tax provision	84	98
	(3,309)	(38,640)
Increase (decrease) in income tax provision resulting from:		
Non-deductible expenses	1,411	1,534
R&D tax credits (net of reserve)	(2,035)	(1,761)
Valuation allowance	6,553	39,481
Foreign taxes	1,180	824
BEAT taxes	1,172	—
Other	(2,514)	(491)
Income tax provision	$ 2,458	$ 947

In addition to foreign withholding and state income taxes, the Company incurred $1.2 million of base erosion anti-avoidance tax (BEAT). Under the 2017 Tax Act, the Company is subject to BEAT for modified taxable income generated by addbacks to regular taxable income or loss for expenses incurred with foreign affiliates. The main component included in the base erosion tax benefit addback was related to tax amortization for IP acquired from one of the Company’s foreign affiliate in March 2020, resulting in the $1.2 million BEAT taxes for fiscal year ended March 31, 2023.

The Company is currently under an Internal Revenue Service (IRS) examination for its fiscal year ended March 31, 2019. There have been no proposed changes by the IRS through the current fiscal year end.

Deferred taxes arise out of basis differentials between financial statement accounting and tax amounts. The components of our deferred tax assets and liabilities include the following (*in thousands*):

		March 31, 2023		March 31, 2022
Deferred tax assets:				
Accounts receivable returns and allowances	$	5,595	$	3,542
Inventory reserve		3,308		2,755
Research and development, net of reserve		17,425		14,952
State tax credits		3,389		3,389
Net operating loss		71,370		76,065
Accrued payroll		397		671
Acquisition costs		4,425		2,245
Chargebacks		22,762		26,902
IP		220,075		210,393
BII asset		11,380		11,380
IRC Section 163(j)		21,179		20,079
R&D Capitalized		6,696		-
Transaction Costs		4,783		3,527
Other		1,689		1,908
Total deferred tax assets	$	394,473	$	377,808
Valuation allowance:		(316,617)		(309,377)
Deferred tax liabilities:				
Goodwill amortization		(2,980)		(3,147)
Depreciation/amortization		(71,703)		(61,448)
Deferred interest		(1,681)		(1,814)
Other		(1,492)		(2,022)
Total net deferred tax liabilities	$	(77,856)	$	(68,431)
Net deferred tax liability	$	-	$	-

The Company has carryforward net operating losses (NOLs) related to our operations, which are available to reduce U.S. federal and/or state income taxes payable in future periods. Under the CARES Act NOL carryback provisions, the Company used $132 million of NOLs to offset fiscal years ended March 31, 2015 through 2017 taxable income. In the case of NOL carryforwards, and tax years beginning before 2021, we will be entitled to an NOL deduction of 100% of taxable income. This NOL carryforward balance includes an indefinite life. NOL deductions from tax years beginning after 2021 will be limited to 80% of taxable income. However, these NOLs also have an indefinite life as well. The Company has NOL carryforward balance of $274 million as of March 31, 2022, including $18.9 million of separate return limitation year, and a cumulative balance of $282 million as of March 31, 2023.

The Company provides for a valuation allowance when it believes that deferred tax assets are not realizable based upon an assessment of future taxable income, and/or tax planning strategies implemented to realize the deferred tax assets. Based upon the Company's cumulative losses, we established a valuation allowance on our deferred tax accounts in fiscal year ended March 31, 2018. We will continue the valuation allowance through fiscal year ended March 31, 2023.

ASC Topic 740 prescribes a minimum recognition threshold and measurement attribute methodology for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company has evaluated all uncertain tax positions in accordance with ASC Topic 740. As of March 31, 2023 and 2022, the Company evaluated its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions, which have been deemed reasonable by management. The Company has immaterial uncertain tax provisions and does not expect changes in unrecognized tax benefits, if any, within the next twelve months to have a material impact on the provision from income taxes or the effective tax rate.

Note 14. Common Stock

On October 25, 2022, the Company issued 8,500 ordinary shares of its common stock to Nanomi, B.V. and received $85 million in cash which it utilized to settle the asset acquisition of Brovana® and Xopenex HFA® from Sunovion as discussed in Note 8.

Note 15. Intellectual Assets Purchase and Preferred Stock

On March 31, 2020, the Company entered into an intercompany Asset Purchase Agreement (APA) with LAHSA to acquire certain intellectual property rights regarding various pharmaceutical products (Purchased Assets) for $280 million. A valuation analysis was performed by an independent third-party to assess the implications of the transfer pricing and it was concluded that the transfer price is substantially representative of the fair value of the Purchased Assets in an arm's length transaction. The consideration of the Purchased Assets was paid by issuing 28,000 shares of the Company's Series A Preferred Stock, with par value of $10,000 per share (Par Value) and a dividend rate of 5% of Par Value per annum, to LAHSA.

In March 2021, the Board of Directors (the Board) of the Company approved a resolution to amend certain terms of the Series A Preferred Stock, including a reduction, effective as of January 1, 2021, in the dividend rate of the Series A Preferred Stock from 5% of Par Value per annum, to 2.25% of Par Value per annum, and a reduction in the maximum term of the Series A Preferred Stock from 15 years to 5 years. As a result of the amendment, we assessed the value of the stock immediately prior to, and immediately after, the effective date of the amendment, and determined that the modification did not result in a substantial change to the terms of the original Series A Preferred Stock. Under US GAAP, a new effective interest rate was determined and the carrying value of the Series A Preferred Stock remained unchanged.

Pursuant to the Certificate of Designations of Series A Preferred Stock governing the terms of the Series A Preferred Stock, these Preferred Stocks cannot be convertible into shares of the Company's Common Stock, and have no voting rights. The term of the Preferred Stocks commenced on March 31, 2020 and ends on March 31, 2025; at the Company's option, these Preferred Stocks may be redeemed at an earlier date (collectively, Redemption Date). In March 2023, the Board declared cash dividends of $6.3 million to holders of the Series A Preferred Stock based on the applicable coupon rates for stocks held during the twelve months ended March 31, 2023. Future dividends will be accrued at the amended coupon rate of 2.25% and will be cumulative regardless of whether the Company has earnings, whether there are funds legally available therefore and/or whether declared. Upon redemption, the Preferred Stocks will be redeemed at an amount equal to the Par Value of such Preferred Stocks plus any dividends accrued but unpaid through the Redemption Date (Redemption Price).

The Preferred Stocks are accounted for as mandatorily redeemable financial instruments under ASC 480 and are classified as liabilities. These Preferred Stocks are initially recognized at Par Value, which approximate their fair value and will be subsequently measured at their Redemption Price as of each reporting date.

The outstanding balance of the Preferred Stocks was $280 million at March 31, 2023 and 2022.

Note 16. Related Party Transactions

The Company enters into transactions with related parties. Related parties are:

Companies where control exists:

- Lupin Limited, India (LL-Ultimate Parent Company)
- Nanomi BV, The Netherland (Direct Parent Company)

Other Related Parties having transactions with the Company's fellow subsidiaries:

- Lupin Pharma Canada Ltd., Canada (LPCL)
- Lupin Atlantis Holdings S.A. Switzerland (LAHSA)
- Laboratories Grin S.A. de C.V. Mexico (Labs Grin)
- Medquimica Industria Farmaceutica LTDA, Brazil (MIFL)
- Multicare Pharmaceuticals Inc., Philippines (Multicare)
- Generic Health Pty Ltd Australia (Generic)
- Lupin Oncology Inc. (LOI)
- Lupin GmbH, Switzerland (GmbH), Merged with (LAHSA)

Transactions, which take place at an arm's length between entities, range from clinical service charges, capital contributions, dividend payments, expense reimbursement, guarantee fees, management fees, research services, short term borrowings and asset transfers.

The following represents related party sales (*in thousands*):

	Year Ended March 31,	
	2023	**2022**
Sales to LL	$ 20,768	$ 15,194
Sales to LAHSA	820	3,413
Sales to MIFL	556	406
Sales to Labs Grin	611	451
Sales to Nanomi BV	963	1,779
Sales to Generic	123	358
Sales to Multicare	427	303
Sales to LPCL	119	106
Related party sales	$ 24,387	$ 22,010

In addition to the related party sales noted above, the Company earned an additional $3.4 million and $4.3 million in other revenues from related party sales for management services for the years ended March 31, 2023 and 2022, respectively.

The following represents related party purchases (*in thousands*):

	Year Ended March 31,	
	2023	**2022**
Purchases from LL	$ 283,947	$ 352,926
Purchases from LAHSA	11	30
Purchases from LPCL	1	80
Purchases from Labs Grin	33	—
Related party purchases	$ 283,992	$ 353,036

The following represents due from/to balances with related parties (*in thousands*):

	March 31, 2023		March 31, 2022	
Due from LL	$	19,532	$	15,125
Due from LAHSA		256		2,790
Due from MIFL		167		321
Due from Labs Grin		206		177
Due from Multicare		96		84
Due from LPCL		60		28
Due from Generic		47		141
Due from Nanomi BV		516		578
Due from LOI		12		15
Intercompany receivables	$	20,892	$	19,259

	March 31, 2023		March 31, 2022	
Due to LL	$	139,942	$	259,668
Due to LAHSA		104		21
Due to LPCL		—		38
Due to Labs Grin		33		—
Due to LOI		87		—
Intercompany payables	$	140,166	$	259,727

Note 17. Employee Benefit Plan

The Company maintains a 401(k) plan, pursuant to which employees may make contributions, which are not to exceed statutory limits. Employer matching contributions are equal to 100% of the first 3%, and 50% of the second 3% of employee contributions. For the years ended March 31, 2023 and 2022, the Company made matching contributions of $1.7 million and $1.9 million, respectively.

Note 18. Subsequent Events

The Company evaluates events or transactions that occur after the consolidated balance sheet date but prior to the issuance of consolidated financial statements and concluded that no subsequent events have occurred through May 3, 2023 that require adjustment to or disclosure in the consolidated financial statements.