ALEMBIC PHARMACEUTICALS, INC. AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

ALEMBIC PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONTENTS

ACS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder of
Alembic Pharmaceuticals, Inc.
Bridgewater, New Jersey

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Alembic Pharmaceuticals Inc. and Subsidiaries** (collectively, the "Company"), which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alembic Pharmaceuticals Inc. and Subsidiaries as of March 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Acquavella, Chiarelli, Shuster, LLP

Iselin, New Jersey
April 21, 2020

ALEMBIC PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	As of March 31,	
	2020	2019
ASSETS		
Current assets:		
Cash	$ 479,257	$ 2,699,316
Restricted cash	-	351,915
Accounts receivable, net	213,552,065	94,201,723
Inventory, net	14,740,435	21,310,192
Prepaid expenses	656,421	639,136
Prepaid taxes	3,023,094	-
Total current assets	232,451,272	119,202,282
Property and equipment, net	1,771,289	1,874,965
Intangible assets, net	-	8,161,688
Goodwill, net	-	521,499
Deferred tax asset, net	4,429,858	3,797,033
Other assets	409,639	383,016
Total assets	$ 239,062,058	$ 133,940,483
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Line of credit	$ -	$ 8,000,000
Accounts payable and accrued expenses	22,563,514	12,200,550
Taxes payable	-	1,499,291
Accrued chargebacks and other sales deductions	113,081,112	68,866,358
Escrows payable	-	351,915
Due to related parties	90,361,182	32,435,636
Total current liabilities	226,005,808	123,353,750
Deferred lease liability	2,733	8,197
Employee related obligations	5,660,000	4,053,923
Total liabilities	231,668,541	127,415,870
Stockholder's equity:		
Preferred stock, $1.00 par value, 200,000 shares authorized, 0 shares issued and outstanding	-	-
Common stock, $1.00 par value, 1,000,000 shares authorized, 120,000 shares issued and outstanding	120,000	120,000
Additional paid-in capital	4,000,000	4,000,000
Retained earnings	3,273,517	2,404,613
Total stockholder's equity	7,393,517	6,524,613
Total liabilities and stockholder's equity	$ 239,062,058	$ 133,940,483

The notes to consolidated financial statements are an intergral part of these statements.

ALEMBIC PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended March 31,	
	2020	2019
Net revenues	$ 278,162,084	$ 159,370,495
Cost of sales	245,359,925	139,663,611
Gross profit	32,802,159	19,706,884
Operating expenses		
Selling, general and administrative expenses	24,760,410	17,528,404
Income from operations	8,041,749	2,178,480
Other income (expenses)		
Other income	327,053	-
Interest income	3,281	27,784
Intangible assets write down	(7,382,680)	-
Interest expense	(42,645)	(303,117)
Total other expenses, net	(7,094,991)	(275,333)
Income before provision for income taxes	946,758	1,903,147
Provision for income taxes	77,854	399,889
Net income	$ 868,904	$ 1,503,258
Basic and diluted earnings per share	$ 7.24	$ 12.53
Weighted average shares outstanding	120,000	120,000

The notes to consolidated financial statements are an intergral part of these statements.

ALEMBIC PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

For the Years Ended March 31,

	Common Stock								
	Shares		**Amount**		**Additional Paid-in Capital**		**Retained Earnings**		**Total Stockholder's Equity**
Balance, April 1, 2018	120,000	$	120,000	$	4,000,000	$	901,355	$	5,021,355
Net income	-		-		-		1,503,258		1,503,258
Balance, March 31, 2019	120,000		120,000		4,000,000		2,404,613		6,524,613
Net income	-		-		-		868,904		868,904
Balance, March 31, 2020	120,000	$	120,000	$	4,000,000	$	3,273,517	$	7,393,517

The notes to consolidated financial statements are an intergral part of these statements.

ALEMBIC PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended March 31,	
	2020	2019
Cash flows from operating activities		
Net income	$ 868,904	$ 1,503,258
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred lease payments	(5,464)	(5,465)
Deferred tax benefit	(632,825)	(2,449,776)
Reserve for bad debts	1,132,750	475,104
Intangible assets written off	7,382,680	-
Depreciation	111,614	78,332
Amortization	1,300,507	1,300,508
(Increase) Decrease in operating assets:		
Restricted cash	351,915	248,483
Accounts receivable	(120,483,092)	(5,667,833)
Inventory	6,569,757	(3,812,839)
Prepaid expenses	(17,285)	(106,731)
Prepaid taxes	(3,023,094)	225,711
Advances to vendors	(26,892)	-
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	10,362,963	1,357,846
Accrued chargebacks and other sales deductions	44,214,754	18,380,311
Employee related obligations	1,606,077	1,887,259
Escrow payable	(351,915)	(248,483)
Taxes payable	(1,499,291)	1,499,291
Due to related parties	57,925,546	(16,722,829)
Net cash provided by (used in) operating activities	5,787,609	(2,057,853)
Cash flows from investing activities:		
Employee advances	269	(269)
Purchase of equipment	(7,937)	(630,899)
Net cash used in investing activities	(7,668)	(631,168)
Cash used in financing activities:		
Repayment of bank loan	(8,000,000)	-
Net decrease in cash	(2,220,059)	(2,689,021)
Cash, beginning of year	2,699,316	5,388,337
Cash, end of year	$ 479,257	$ 2,699,316
Supplement discloure of cash flow information		
Cash paid during the year for:		
Income taxes	$ 5,233,064	$ 1,124,663
Interest	$ 25,003	$ 270,002

The notes to consolidated financial statements are an intergral part of these statements.

1. Nature of Operations

Nature of Operations

Alembic Pharmaceuticals, Inc. and Subsidiaries (the "Company"), a Delaware corporation, is a wholly owned subsidiary of Alembic Pharmaceuticals Limited ("APL"). On March 1, 2020, in an internal reorganization, APL acquired 100% interest in the Company from its subsidiary Alembic Global Holding S.A.("AGH"). The Company is engaged in the marketing and distribution of generic pharmaceutical products for resale by others. While the Company was incorporated in 2012, operations began in 2015. The Company sells its products directly to wholesalers, retail drug store chains, drug distributors, mail order pharmacies and other direct purchasers as well as customers that purchase its products indirectly through the wholesalers, including independent pharmacies, non-warehousing retail drug store chains, managed health care providers and other indirect purchasers.

The Company has three separate lines of business – **Alembic Pharmaceuticals, Inc**. ("API") [Distribution], **Orit Laboratories, LLC** ("Orit") [Research & Development] and **Okner Realty, LLC**, ("Okner") [Real Estate management]. Net revenues from API, Orit and Okner were 99.9%, 0.1% and 0%, respectively, for the years ended March 31, 2020 and 2019.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification. The consolidated financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (Orit and Okner). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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 period.

Actual results could differ from those estimates because of the uncertainty inherent in such estimates. The Company makes significant estimates in many areas of its accounting, including but not limited to the following: sales returns, chargebacks, allowances and discounts, inventory obsolescence, the useful lives of property and equipment and its impairment and accruals.

Reclassification

The presentation of certain prior year balances has been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents are highly liquid debt instruments with original maturities of three months or less. As of March 31, 2020 and 2019, the Company did not have any cash equivalents.

Inventory Valuation

Inventories consist of finished goods including goods in transit that are stated at the lower of cost or net realizable value, with cost being determined by the weighted average cost method. The Company considers obsolescence, excessive levels, deterioration and other factors in evaluating net realizable value. There was no allowance for inventory obsolescence during the years ended March 31, 2020 and 2019.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed and recorded on a straight-line basis over the assets' estimated service lives which range from three to thirty-nine years. Repairs and maintenance expenditures, which do not extend the useful lives of the related assets, are expenses as incurred.

Deferred Lease

Rent of its office in Bridgewater, NJ is being recognized on a straight-line basis over the life of the lease as required by generally accepted accounting principles. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred liability (See Note 10). The deferred lease liability at March 31, 2020 and 2019 was $2,733 and $8,197, respectively.

Impairment of Long-Lived Assets

The Company evaluates and records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired using the undiscounted cash flows estimated to be generated by those assets. Long-lived assets to be disposed of are reported at the lower of their carrying amounts or fair values less disposal costs. There was no impairment of long-lived assets during the years ended March 31, 2020 and 2019.

Intangible Assets other than Goodwill

The Company amortizes intangible assets that were acquired with acquisition of Orit (See Note 15) using the straight-line method over their estimated period of benefit. If the associated research and development effort is abandoned, the related assets will be written-off and the Company will record a noncash impairment loss on its consolidated statements of income.

2. Summary of Significant Accounting Policies (Continued)

Intangible Assets other than Goodwill (Continued)

The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There were no intangible assets as of March 31, 2020; $6,921,937 was written off during the year. These assets were transferred at fair value to APL effective March 31, 2020 for Abbreviated New Drug Application (ANDA) maintenance and reporting purposes.

Goodwill

The Company has adopted ASU 2014-02, Accounting for Goodwill, which allows the option of amortizing goodwill over ten years, or a shorter period if that period is more appropriate. Entities making the election will test goodwill for impairment only when a triggering event occurs, instead of annually. In that situation, entities will elect to perform the test either at an entity-wide level or the reporting unit level. The amount of impairment, if any, would be determined by comparing the fair value of the entity (or reporting unit) to its carrying amount. A hypothetical purchase-price allocation (also commonly referred to as “Step 2”) does not apply. Goodwill of $460,742 was written off during the year ending March 31, 2020.

Research and Development

Costs incurred for research and product development are expensed as incurred The Company recognizes research and development expenses in the period in which it becomes obligated to incur such costs.

Revenue Recognition

Revenue is recognized for product sales at the time of shipment of the product to the customer. Provisions are recorded for discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks and other potential adjustments when they are reasonably determinable.

Consistent with industry practice, the company maintains a return policy that allows customers to return product within a specified period of time prior and subsequent to the expiration date. The Company’s estimate of the provision for returns is based on industry experience and current evaluation.

Accounts Receivable and Credit Policy

Accounts receivable are due under the normal terms which generally range from thirty to sixty days from the invoice date. Accounts receivable are stated at amounts billed less chargebacks submitted by the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer’s remittance advice.

2. Summary of Significant Accounting Policies (Continued)

Chargebacks

The Company enters into contractual agreements with certain third parties such as pharmacies and group-purchasing organizations to sell certain products at predetermined prices. The parties have elected to have these contracts administered through wholesalers that buy products from the Company and subsequently sell them to these third parties. When a wholesaler sells products to one of these third parties that are subject to a contractual price agreement, the difference between the price paid to the Company by the wholesaler and the price under the specific contract is charged back to the Company by the wholesaler. The Company tracks sales and submitted chargebacks by product number and contract for each wholesaler. Utilizing this information, the Company estimates a chargeback percentage for each product. The Company reduces gross sales and increases the chargeback allowance by the estimated chargeback amount for each product sold to a wholesaler. When an actual chargeback request is received from a wholesaler, the Company reduces the chargeback allowance when it processes the chargeback. Actual chargebacks processed by the Company can vary materially from period to period based upon actual sales volume through the wholesalers. However, the Company's expense provision for chargebacks is recorded at the time when sales revenues are recognized. (See Note 12)

Management obtains periodic wholesaler inventory reports to aid in analyzing the reasonableness of the chargeback allowance. The Company evaluates the reasonableness of its chargeback allowance by applying the product chargeback percentage based on historical activity to the quantities of inventory on hand based on each wholesaler's inventory reports and an estimate of inventory in transit to the wholesaler at the end of the period. In accordance with its accounting policy, the Company's estimate of the percentage amount of wholesaler inventory that will ultimately be sold to a third party that is subject to a contractual price agreement is based on the trend of such sales through wholesalers. The Company uses the established percentage estimate based on industry experience and evaluation of current trends.

Risks and Uncertainties

The Company's business may be affected by a variety of events. These risks potentially may have a material impact on Company's consolidated financial position, results of operations and/or reputation. The risks are as follow:

Product launches – Launching a new pharmaceutical product takes time and can involve significant investment in product inventories before launch and other types of expense. There is a risk that launches of new products on existing or new markets are unsuccessful which may have a negative impact on the Company.

Competitive market – A large number of companies that provide pharmaceutical products, or are active in research and development of compounds, may compete with the products of the Company. More intense competition may imply a risk that the Company is unable to maintain its current margins on its products, which may exert a negative impact on the Company.

Rapid changes in the pharmaceutical industry – One of the distinguishing features of the Industry where the Company is active is its changeability and rapid rate of development. This means that product and improved therapeutic methods are continuously emerging. If the Company does not develop at the same rate, or its products do not satisfy the standards the market is applying, there is a risk of adverse impact on the Company.

2. Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties (Continued)

> Regulatory consideration and product standards – Research and development work, as well as the production and marketing of pharmaceuticals, is subject to the control of several regulators. There is a risk of adverse impact on the Company if its products have to be withdrawn from the market as a result of restrictions from regulatory authorities.

The extent of the impact of the coronavirus (“COVID-19”) outbreak on operations of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, government actions, the impact on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company’s operations may be affected. However, the Company does not expect that the outbreak will have a material adverse effect on consolidated operations or financial results at this time.

Advertising Costs

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the consolidated statements of income. Advertising expense for the years ended March 31, 2020 and 2019 were $442,967 and $397,050, respectively, and are included under the line item selling, general and administrative expenses on the consolidated statements of income.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses are comprised primarily of salaries, benefits and other staff-related costs associated with sales and marketing, finance, and other administrative personnel; facilities and overhead costs; outside marketing, distribution costs, advertising and legal expenses and other general and administrative costs, as well as customer shipping costs.

Freight

Freight billed on purchases of inventory is included in the cost of sales.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, (Topic 842) Leases, which establishes a right of use model (“ROU”) that requires a lessee to record a ROU asset and a lease liability on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risks and rewards or control, then the lease would be classified as an operating lease. The new standard requires a modified retrospective approach to adoption and is effective for nonpublic companies with annual periods beginning after December 15, 2020 (i.e. calendar periods beginning on January 1, 2021) and interim periods thereafter. The Company is currently evaluating the impact Topic 842 will have on its consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASC 606"), and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption. For nonpublic companies the new guidance was effective for annual reporting periods beginning after December 15, 2018 and interim and annual reporting periods after those reporting periods

Revenues 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 party and sales taxes. The Company adopted ASC 606 and all related amendments using the modified retrospective transition method. The Company is not materially impacted by this standard and concluded that the adoption of the new standard did not require an adjustment to the opening retained earnings.

Income Taxes

The Company files federal and state tax returns as a "C" Corporation.

Deferred income taxes arise as a result of timing differences between income per books and income reported for tax purposes. The components with temporary difference that impact the deferred taxes are accounts receivable, accrued sales deductions, deferred compensation, deferred lease payments and deferred acquisition costs. The Company is liable for federal, state and local taxes as applicable. The amount of current and deferred taxes payable or receivable is recognized as of the date of the consolidated financial statements, utilizing currently enacted tax laws and rates. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more than likely not be realized. The net deferred tax assets on March 31, 2020 and 2019 were $4,429,858 and $3,797,033 respectively.

3. Inventory

The components of inventory consist of the following at March 31st:

	2020	2019
Finished goods	$ 14,740,435	$ 18,789,770
Finished goods - In transit	-	2,520,422
	$ 14,740,435	$ 21,310,192

4. Prepaid Expenses

Prepaid expenses consist of the following at March 31st:

	2020	2019
Prepaid insurance	$ 170,380	$ 143,818
Prepaid conference expense	-	57,765
Membership dues and other	486,041	437,553
	$ 656,421	$ 639,136

5. Property and Equipment

Property and equipment consist of the following at March 31st:

	Estimated Useful Life (Years)	2020	2019
Land	Indefinite	$ 200,000	$ 200,000
Building	39	800,000	800,000
Furniture and equipment	3-6	70,076	62,138
Leasehold improvements	15-39	308,128	308,128
Plant and machinery	10-11	619,722	619,722
		1,997,926	1,989,988
Less: Accumulated depreciation		226,637	115,023
		$ 1,771,289	$ 1,874,965

Depreciation expense charged to operations amounted to $111,614 and $78,332 for the years ended March 31, 2020 and 2019, respectively.

6. Income Taxes

The Company is required to file consolidated income tax returns for the federal and various state jurisdictions. Orit and Okner are disregarded entities for tax purposes and are included in Company's consolidated tax returns.

Total income tax provision for the years ended March 31st:

	2020	2019
Current - federal	$ 562,870	$ 2,387,262
Current - state	147,809	462,404
Deferred - federal, benefit	(499,433)	(2,022,904)
Deferred - state, befenit	(133,392)	(426,873)
Total income tax provision	$ 77,854	$ 399,889

The effective tax rates for the years ended March 31, 2020 and 2019 were 24.60% and 24.39%, respectively.

The components of the Company's deferred tax assets, net consist of the following as at March 31st:

	2020	2019
Current deferred tax assets:		
Accounts receivable	$ 574,781	$ 293,622
Prepaid expenses	-	1,608
Total current deferred tax assets	$ 574,781	$ 295,230
Non current deferred tax assets (liabilites):		
Property, plant and equipment	$ (139,031)	$ -
Goodwill / intangibles	-	63,019
Accrued liabilities	2,643,794	2,493,697
Deferred compensation	1,392,272	988,715
Deferred lease payments	672	1,999
Deferred acquisiton cost	(42,630)	(45,627)
	$ 3,855,077	$ 3,501,803
	$ 4,429,858	$ 3,797,033

An Internal Revenue Service examination is in progress for the tax year ended March 31, 2017. Management does not anticipate significant effect on its consolidated financial statements as a result this examination and therefore has not accrued for any adjustments.

7. Lines of Credit

The Company had a line of credit agreement with a financial institution for $8,000,000 in connection with the acquisition Orit and Okner. The line bears interest at 3-month LIBOR (1.1024%) plus 1%. The line of credit is renewed annually on June 11th. The line is also due on demand and secured by the corporate guarantee provided by the parent company based in India. The limit on this line of credit was reduced to $1,000,000 on August 29, 2019. As of March 31, 2020, and 2019, the outstanding balance on this line was $0 and $8,000,000, respectively. This line was fully paid off on April 30, 2019.

The Company has an additional a line of credit agreement with a bank for $10,000,000. The line bears interest at LIBOR (1.1024%) plus 1%. This line is renewed annually on August 31st and is secured by the Company's current assets. This line is reviewed annually and is due on demand. As of March 31, 2020, and 2019, the outstanding balance on this line was $0 and $0, respectively.

8. Related Party Transactions

The Company entered into the following transactions with its related parties during the years ended March 31st:

	2020	2019
Inventory purchases from related parties	$ 218,448,498	$ 123,245,095
Total due to related parties	$ 90,361,182	$ 32,435,636

The outstanding balance due to the related parties does not accrue interest and has a term of 180 days.

9. Leased Employees

As of March 31, 2020, the Company leased its employees from Extensis, Inc. ("Extensis"), under a renewable leasing arrangement, that charges the Company for the cost of compensating leased employees plus the costs of the related taxes, benefits, vacation pay, and an administrative fee.

10. Commitments and Contingencies

Lease Commitments

The Company leases office space at 750 Highway 202, Bridgewater, New Jersey. The lease requires minimum annual rentals plus operating expenses through September 30, 2020. Rent expenses incurred for the years ended March 31, 2020 and 2019 were $102,742 and $102,742, respectively, and are included under the line item selling, general and administrative expenses on the consolidated statements of income.

Minimum future rental commitments at March 31, 2020 for the year ending through March 31, 2021 is $54,104.

11. Accounts Receivable

Accounts receivable is comprised of the following at March 31st:

	2020	2019
Accounts receivable	$ 215,888,720	$ 95,405,628
Less: Allowance for doubtful accounts	2,336,655	1,203,905
Accounts receivable, net	213,552,065	94,201,723
Less: Sales-related deductions (see Note 12)	105,359,778	54,304,269
Net receivables	$ 108,192,287	$ 39,897,454

During the year ending March 31, 2020, reserve of $1,132,751 was created and $0 of reserve was utilized.

During the year ending March 31, 2019, reserve of $487,864 was created and $12,760 of reserve was utilized.

12. Accrued Chargebacks and Other Sales Deductions

Accrued chargebacks and other sales deductions are comprised of the following at March 31st:

	2020	2019
Accrued chargebacks	$ 77,481,506	$ 39,676,126
Other sales deductions	27,878,272	14,628,143
Sales-related deductions (see Note 11)	105,359,778	54,304,269
Rebates and administration fees	7,721,334	8,450,664
Sales returns	-	6,111,425
Total accrued chargebacks and other sales deductions	$ 113,081,112	$ 68,866,358

13. Significant Concentrations and Contingencies

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents.

Concentration of credit risk

The Company maintains its cash in bank deposit accounts that, at times, may exceed the federally insured limit up to $250,000 per depositor per bank. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Customers

For the year ended March 31, 2020, sales to three major pharmaceutical wholesale customers were approximately 36%, 35% and 14% respectively. These customers represented approximately 86% of the accounts receivable at March 31, 2020.

For the year ended March 31, 2019, sales to three major pharmaceutical wholesale customers were approximately 39%, 29% and 11% respectively. These customers represented approximately 82% of the accounts receivable at March 31, 2019.

Vendors

The Company has contracted with Life Science Logistics ("LSL") for warehousing and distribution services since October 2015. If these services were interrupted, the Company would need to engage another service provider to replace LSL. While there are a number of options available to the Company, such an interruption of services could cause a delay in processing customer orders.

The Company utilizes services of iContracts, Inc. who provides software to facilitate the gross-to-net revenue recognition. Discontinuity or disruption could affect the Company's ability to process chargebacks and recognize revenue in a timely and accurate manner.

API purchases majority of its inventory from its parent company, Alembic Pharmaceuticals Limited.

14. Employee Related Obligations

The Company has a deferred compensation plan for its highly compensated associates. Under the plan, a certain amount is accrued each year based on the performance of the Company. The amount deferred for each fiscal year will be paid after four years.

For other key employees, the company has adopted an employee retention plan.

These accrued amounts have been included in the consolidated balance sheets under Employee Related Obligations and the related expenses have been included in Selling, General and Administrative Expenses. The total employee related obligation balances as of March 31, 2020 and 2019 were $5,660,000 and $4,053,923, respectively.

15. Intangible Assets Other Than Goodwill

Intangible assets other than goodwill consist of the following as of March 31st:

	2020	2019
Intellectual property	$ 9,918,000	$ 9,918,000
Less : Accumulated amortization	2,996,062	1,756,312
Less : Write offs	6,921,938	-
	$ -	$ 8,161,688

Amortization expenses were $1,239,750 and $1,239,750 for the years ended March 31, 2020 and 2019, respectively.

There were no intangible assets as of March 31, 2020; $6,921,937 as written off during the year. These assets were transferred at fair value to APL effective March 31, 2020 for ANDA maintenance and reporting purposes.

16. Goodwill

Goodwill consists of the following as of March 31:

	2020	2019
Goodwill	$ 607,572	$ 607,572
Less: Accumulated amortization	146,830	86,073
Less: Write offs	460,742	-
	-	$ 521,499

Amortization expense were $60,757 and $60,758 for the years ended March 31, 2020 and 2019, respectively.

17. Subsequent Events

For the year ended March 31, 2020, the Company has evaluated subsequent events for potential recognition and disclosure through April 21, 2020, the date the consolidated financial statements were available to be issued. The Company has determined that there were no subsequent events that would require disclosure in the consolidated financial statements except the following:

Effective April 1, 2020, Orit will be exclusively developing products for APL. All intellectual properties developed by Orit will be owned by APL. Under this arrangement, APL will compensate Orit for these research and development services.

On April 7, 2020, the facility with a bank was increased from $1,000,000 to $4,000,000 with the same terms and conditions.