Consolidated Financial Statements of

ADVANZ PHARMA Corp. Limited

December 31, 2019 and 2018

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Independent auditor's report

To the Shareholders of ADVANZ PHARMA Corp. Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ADVANZ PHARMA Corp. Limited and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity (deficit) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ross Sinclair.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 25, 2020

ADVANZ PHARMA Corp. Limited

Consolidated Balance Sheets

(Stated in thousands of U.S. Dollars, except where otherwise stated)

As at	Dec 31, 2019	Dec 31, 2018
Assets		
Current		
Cash and cash equivalents	261,138	224,438
Restricted cash (Note 6)	2,922	3,265
Accounts receivable (Note 7)	109,920	115,092
Inventory (Note 8)	71,104	73,930
Prepaid expenses	8,025	9,393
Income taxes recoverable (Note 13)	2,046	2,018
Other current assets	14,627	16,001
	469,782	444,137
Intangible assets (Note 9)	885,371	1,146,692
Goodwill (Note 10)	224,538	232,784
Fixed assets	1,616	2,550
Right-of-use assets (Note 3)	10,195	—
Deferred income tax assets (Note 13)	1,508	4,781
Total Assets	1,593,010	1,830,944
Liabilities		
Current		
Trade payables, accrued liabilities and interest payable (Note 11)	107,957	105,640
Provisions (Note 12)	17,393	25,877
Income taxes payable (Note 13)	53,178	48,375
Current portion of long-term debt (Note 14)	20,987	21,089
Current portion of lease liabilities (Note 3)	2,488	—
	202,003	200,981
Long-term debt (Note 14)	1,302,091	1,328,074
Lease liabilities (Note 3)	9,701	—
Deferred income tax liabilities (Note 13)	60,555	104,377
Other liabilities	3,546	848
Total Liabilities	1,577,896	1,634,280
Shareholders' Equity (Deficit)		
Share capital (Note 15)	1,915,000	1,915,000
Contributed surplus	59,221	55,278
Accumulated other comprehensive loss	(277,436)	(289,309)
Deficit	(1,681,671)	(1,484,305)
Total Shareholders' Equity (Deficit)	15,114	196,664
Total Liabilities and Shareholders' Equity (Deficit)	1,593,010	1,830,944

Commitments and Contingencies (Note 18)
Subsequent Events (Note 26)

Approved and authorized for issue by the Board of Directors on March 24, 2020.

"Elmar Schnee"	**"Graeme Duncan"**
Director (Signed)	Director (Signed)

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

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Income (Loss)

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	For the year ended	
	Dec 31, 2019	**Dec 31, 2018**
Revenue (Note 12)	508,321	536,986
Cost of sales (Notes 8 & 24)	171,509	175,889
Gross profit	336,812	361,097
Operating expenses (Note 24)		
General and administrative	39,597	44,220
Selling and marketing	34,513	36,875
Research and development	29,121	29,708
Restructuring related, acquisition and other (Note 24)	33,841	100,972
Share-based compensation (Note 17)	3,943	2,537
Amortization of intangible assets (Note 9)	204,349	250,382
Impairments (Notes 9 & 10)	129,281	57,560
Depreciation expense	2,201	1,720
Fair value loss	—	425
Total operating expenses	476,846	524,399
Operating income (loss) for the year	(140,034)	(163,302)
Other income and expense		
Interest and accretion expense (Note 14)	105,683	257,655
Interest income	(2,195)	(2,229)
Gain on debt and purchase consideration settlement (Note 14)	—	(1,931,828)
Foreign exchange (gain) loss	(820)	6,100
Unrealized foreign exchange (gain) loss (Note 24)	(24,677)	38,257
Income (loss) for the year before tax	(218,025)	1,468,743
Income taxes (Note 13)		
Current	22,469	16,980
Deferred	(44,476)	(15,540)
Net income (loss) for the year	(196,018)	1,467,303
Earnings (loss) per share (Note 16)		
Basic earnings (loss) per share	(4.01)	93.69
Diluted earnings (loss) per share	(4.01)	93.69

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

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Comprehensive Income (Loss)

(Stated in thousands of U.S. Dollars, except where otherwise stated)

	For the year ended	
	Dec 31, 2019	**Dec 31, 2018**
Net income (loss) for the year	(196,018)	1,467,303
Other comprehensive income (loss), net of tax		
Amounts that will be reclassified to net income (loss)		
Cumulative translation adjustment	11,873	(23,932)
Net investment hedge of GBP denominated loans (net of taxes of $nil (2018 - $1,945))	—	29,368
Other comprehensive income (loss) for the year, net of tax	11,873	5,436
Total comprehensive income (loss) for the year	(184,145)	1,472,739

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

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Changes in Equity (Deficit)

(Stated in thousands of U.S. Dollars, except where otherwise stated)

	Share Capital					
	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity/ (Deficit)
Balances, January 1, 2018	51,282,901	1,283,083	52,757	(294,745)	(2,951,608)	(1,910,513)
Consolidation of common shares (300:1) and re-designation as limited voting shares (Note 15)	(51,112,868)	—	—	—	—	—
Issuance of shares (Note 15)	48,742,558	631,897	—	—	—	631,897
Exercise / vesting of share-based compensation	899	20	(20)	—	—	—
Share-based compensation expense (Note 17)	—	—	2,541	—	—	2,541
Net income for the year	—	—	—	—	1,467,303	1,467,303
Net investment hedge of GBP denominated loans (net of taxes of $1,945)	—	—	—	29,368	—	29,368
Cumulative translation adjustment	—	—	—	(23,932)	—	(23,932)
Balances, December 31, 2018	48,913,490	1,915,000	55,278	(289,309)	(1,484,305)	196,664
Change in accounting policy for IFRS 16 (Note 3)	—	—	—	—	(1,348)	(1,348)
Restated balances, January 1, 2019	48,913,490	1,915,000	55,278	(289,309)	(1,485,653)	195,316
Share-based compensation expense (Note 17)	—	—	3,943	—	—	3,943
Net loss for the year	—	—	—	—	(196,018)	(196,018)
Cumulative translation adjustment	—	—	—	11,873	—	11,873
Balances, December 31, 2019	48,913,490	1,915,000	59,221	(277,436)	(1,681,671)	15,114

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

ADVANZ PHARMA Corp. Limited

Consolidated Statements of Cash Flows

(Stated in thousands of U.S. Dollars, except where otherwise stated)

	For the year ended	
	Dec 31, 2019	Dec 31, 2018
Cash flows from (used in) operating activities		
Net income (loss) for the year	(196,018)	1,467,303
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Interest and accretion expense (Note 14)	105,683	257,655
Interest income	(2,195)	(2,229)
Depreciation and amortization (Note 9)	206,550	252,102
Share-based compensation expense (Note 17)	3,943	2,537
Fair value loss	—	425
Impairments (Notes 9 & 10)	129,281	57,560
Income tax expense (recovery) (Note 13)	(22,007)	1,440
Gain on debt and purchase consideration settlement (Note 14)	—	(1,931,828)
Unrealized foreign exchange (gain) loss (Note 24)	(24,677)	38,257
Income taxes paid	(25,077)	(18,796)
Income tax refunds	110	87
Decrease (increase) in restricted cash (Note 6)	343	(3,265)
Other non-cash items	818	(929)
Changes in non-cash working capital (Note 25)	11,423	21,299
Net cash flows from operating activities	188,177	141,618
Cash flows from (used in) investing activities		
Purchase of development costs and fixed assets (Note 9)	(5,773)	(4,137)
Purchase consideration paid (Notes 5 & 9)	(30,000)	—
Proceeds from sale of assets	7	943
Interest earned	1,519	1,220
Net cash flows used in investing activities	(34,247)	(1,974)
Cash flows from (used in) financing activities		
Repayment of long-term debt prior to Recapitalization Transaction (Note 14)	—	(22,267)
Repayment of long-term debt and cross currency swap liability as part of Recapitalization Transaction (Notes 2 & 14)	—	(604,910)
Repayment of long-term debt subsequent to Recapitalization Transaction (Note 14)	(20,973)	(5,248)
Proceeds from issuance of shares (Note 15)	—	587,311
Equity issuance costs paid (Note 15)	—	(44,197)
Purchase consideration paid	—	(1,500)
Repayment of lease liabilities	(1,597)	—
Interest paid on lease liabilities	(1,113)	—
Interest paid (Note 14)	(106,250)	(113,494)
Interest paid prior to Recapitalization Transaction (Note 14)	—	(20,370)
Net cash flows used in financing activities	(129,933)	(224,675)
Net change in cash and cash equivalents	23,997	(85,031)
Effects of exchange rate changes on cash and cash equivalents	12,703	(17,561)
Cash and cash equivalents, beginning of year	224,438	327,030
Cash and cash equivalents, end of year	261,138	224,438

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

1. Description of Business and General Information

ADVANZ PHARMA Corp. Limited (formerly known as ADVANZ PHAMA Corp.) (the "**Company**", "**ADVANZ PHARMA**", and together with its subsidiaries, the "**Group**") is an international specialty pharmaceutical company, owning or licensing, through its subsidiaries, a diversified portfolio of branded and generic prescription products. The Group has two reportable segments, which consist of ADVANZ PHARMA International and ADVANZ PHARMA North America, as well as a corporate cost centre. Refer to Note 22 for a further description on the Group's segments.

On December 17, 2019, the Company held a special meeting of the holders of limited voting shares to vote on a special resolution to authorize the Board of Directors ("the Board") to change the domicile by way of continuance of the Company from Canada to Jersey, Channel Islands and amend the Company's articles to effect the change of name of the Company from "ADVANZ PHARMA Corp." to "ADVANZ PHARMA Corp. Limited". The shareholders of the Company approved the resolution and accordingly the name of the Company changed from "ADVANZ PHARMA Corp." to "ADVANZ PHARMA Corp. Limited". The name change and change in domicile took effect on January 1, 2020.

The Group's business does not experience a significant amount of seasonal variation in demand.

The Company's shares are listed for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "ADVZ". On March 27, 2020, the Company expects to delist its shares from the TSX. Refer to subsequent events for further information (Note 26).

Effective January 1, 2020, the registered and head office of the Company is located at 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.

These consolidated financial statements include trademarks that are protected under applicable intellectual property laws and are the property of ADVANZ PHARMA or its affiliates or its licensors. Solely for convenience, the trademarks of ADVANZ PHARMA, its affiliates and/or its licensors referred to in these financial statements may appear with or without the ® or ^{TM} symbol, but such references or the absence thereof are not intended to indicate, in any way, that the Company or its affiliates or licensors will not assert, to the fullest extent under applicable law, their respective rights to these trademarks. Any other trademarks used in these consolidated financial statements are the property of their respective owners.

2. Recapitalization Transaction

In 2017, the Company announced as part of its long-term strategy an objective to realign its capital structure, which included an intention to significantly reduce the Company's existing secured and unsecured debt obligations. On October 20, 2017, as part of the Company's efforts to realign its capital structure, the Company and one of its wholly-owned direct subsidiaries commenced a court proceeding (the "**CBCA Proceedings**") under the *Canada Business Corporations Act* (the "**CBCA**"). The CBCA is a Canadian corporate statute that includes provisions that allow Canadian corporations to restructure certain debt obligations, and is not a bankruptcy or insolvency statute. In connection with the CBCA Proceedings, the Group's Currency Swaps (defined below), which the Group entered into in August and November of 2016, and the revolving commitments under its credit agreement were terminated.

On May 2, 2018, the Company announced a proposed transaction to realign its capital structure (the "**Recapitalization Transaction**") that included, among other things, a new equity capital raise of $586.5 million, and reduction of the Company's total outstanding debt by approximately $2.4 billion. In addition, as part of the Recapitalization Transaction, the Company confirmed the amount payable as a result of the termination of the Group's cross currency swap agreements ("**Currency Swaps**") of $114,431.

The plan of arrangement under the CBCA pursuant to which the Recapitalization Transaction was implemented (as amended, the "**CBCA Plan**") was approved by secured and unsecured debtholders and shareholders of the Company at the debtholders' and shareholders' meetings held on June 19, 2018. On June 26, 2018, the Company obtained a final court order (the "**Final Order**") from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") approving the CBCA Plan.

In connection with the Recapitalization Transaction, the Company continued from the *Business Corporations Act* (Ontario) to the *Canada Business Corporations Act* on June 22, 2018.

On September 6, 2018, the Recapitalization Transaction was implemented by the Company.

The Recapitalization Transaction included, among other things, the following key elements:

(a) the Group's total debt was reduced by approximately $2.4 billion;
(b) $586.5 million in equity, excluding $44 million of fees, was invested pursuant to a private placement (the "**Private Placement**") by certain parties that executed the subscription agreement with ADVANZ PHARMA, dated May 1, 2018, in exchange for new limited voting shares (refer to Note 15 for details of the limited voting shares) of ADVANZ PHARMA representing in the aggregate approximately 87.69% of the outstanding limited voting shares of ADVANZ PHARMA upon implementation of the Recapitalization Transaction, but prior to the issuance of the limited voting shares issued in connection with the Management Co-Invest (defined in Note 15);
(c) the Company's secured debt (the "**Secured Debt**"), including the Cross Currency Swap Liability (together, the "**Exchanged Secured Debt**") in the aggregate principal amount of approximately $2.1 billion, plus accrued and unpaid interest was repaid with (i) cash in the amount of approximately $19 million equal to outstanding accrued and unpaid non-compound interest (calculated at contractual non-default rates) in respect of the Exchanged Secured Debt, (ii) cash in the amount of approximately $605 million (taking into account early consent cash consideration for holders of Exchanged Secured Debt entitled to early consent cash consideration under the CBCA Plan), and (iii) approximately $1.36 billion of new secured debt (the "**New Secured Debt**") comprised of new senior secured term loans (approximately $1.06 billion, denominated in U.S. dollars and European Euros) and new senior secured notes (approximately $300 million, denominated in U.S. dollars). Refer to Note 14 for a description of the New Secured Debt;
(d) the Company's unsecured debt (the "**Unsecured Debt**") in the aggregate principal amount of approximately $1.6 billion, plus accrued and unpaid interest, was repaid with new limited voting shares of ADVANZ PHARMA representing in the aggregate approximately 11.96% of the outstanding limited voting shares of ADVANZ PHARMA upon implementation of the Recapitalization Transaction (taking into account early consent shares for holders of Unsecured Debt entitled to early consent consideration under the CBCA Plan), but prior to the issuance of the limited voting shares issued in connection with the Management Co-Invest (defined in Note 15);

(e) the Company's existing common shareholders retained their common shares, subject to a 1-for-300 common share consolidation (the "**Share Consolidation**") and a re-designation of such shares as limited voting shares pursuant to the CBCA Plan, representing approximately 0.35% of the outstanding limited voting shares of ADVANZ PHARMA upon implementation of the Recapitalization Transaction, but prior to the issuance of the limited voting shares issued in connection with the Management Co-Invest (defined in Note 15);
(f) all other equity interests in ADVANZ PHARMA, including all options, warrants, rights or similar instruments, were cancelled pursuant to the CBCA Plan, and all equity claims, other than the Company's existing equity class action claims (the "**Existing Equity Class Action Claims**"), were released pursuant to the CBCA Plan and the Final Order, provided that any recovery in respect of such Existing Equity Class Action Claims was limited pursuant to the CBCA Plan and the Final Order to recovery from any applicable insurance policies maintained by the Company, subject to certain exceptions;
(g) any and all (i) defaults resulting from the CBCA Proceedings, and (ii) third party change-of-control provisions that may have otherwise been triggered by the Recapitalization Transaction, have been permanently waived pursuant to the CBCA Plan and the Final Order;
(h) obligations to customers, suppliers and employees (other than the cancellation of certain equity interests, described above) were not affected by the Recapitalization Transaction; and
(i) pursuant to the CBCA Plan, certain amendments were made to the Company's articles to, among other things, amend ADVANZ PHARMA's authorized capital and provisions attaching to its shares, and the Company's existing by-laws were repealed and a new general by-law of ADVANZ PHARMA was adopted and approved.

The Share Consolidation completed as part of the Recapitalization Transaction reduced the number of issued and outstanding ADVANZ PHARMA common shares to 170,932 (prior to taking into account the issuance of the limited voting shares pursuant to the Recapitalization Transaction and the Management Co-Invest (defined in Note 15)). Together with the new limited voting shares issued pursuant to the Recapitalization Transaction and the Management Co-Invest (defined in Note 15), the Company now has a total of 48,913,490 limited voting shares issued and outstanding, which commenced trading on the TSX on September 11, 2018.

In connection with the implementation of the CBCA Plan, ADVANZ PHARMA finalized and entered into an investor rights agreement (the "**Investor Rights Agreement**") with the parties that participated in the Private Placement. The Company has also amended its articles to reflect certain aspects of the governance arrangements which became effective upon implementation of the CBCA Plan.

As part of the Recapitalization Transaction, a new management incentive plan (the "**MIP**") was adopted pursuant to the CBCA Plan, pursuant to which a maximum of up to 7.59% of the limited voting shares outstanding upon implementation of the CBCA Plan could be issued, as approved in connection with approval of the CBCA Plan. If such limited voting shares are issued, they will dilute the ownership percentage of holders of limited voting shares of ADVANZ PHARMA. Refer to Note 17 for a further description of the MIP.

The Company recorded a gain on settlement of debt of $1,924,520. Refer to Note 14 for a further description of the gain on debt settlement.

3. Significant Accounting Policies

(a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as described in (p) below, if any. The accounting policies have been consistently applied throughout the year unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Company to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements are prepared on a going concern basis and have been presented in U.S. dollars, which is also the Company's functional currency.

(b) Basis of Consolidation

The wholly owned subsidiaries of the Company are consolidated to produce the financial results for the consolidated corporation. All intercompany transactions, balances, income and expenses on transactions between the subsidiaries are fully eliminated. Profits and losses resulting from intercompany transactions that were recognized are also fully eliminated.

These consolidated financial statements include the following wholly owned material subsidiaries of the Company: Concordia Laboratories, Inc. S.à R.L., Concordia Pharmaceuticals, Inc. S.à R.L., ADVANZ PHARMA Investment Holdings (Jersey) Limited, ADVANZ PHARMA Financing (Jersey) Limited, ADVANZ PHARMA (Jersey) Limited, Amdipharm Holdings S.à R.L., Amdipharm AG, Amdipharm BV, Amdipharm Limited, Amdipharm Mercury Holdco UK Ltd., Amdipharm Mercury UK Ltd., ADVANZ PHARMA Holdings (Jersey) Limited, Amdipharm Mercury International Limited, ADVANZ PHARMA Investment Holdings (UK) Limited, Mercury Pharma Group Limited, Boucher and Muir Pty Limited, Abcur AB, ADVANZ PHARMA Services (UK) Limited, Focus Pharma Holdings Limited, Focus Pharmaceuticals Limited, ADVANZ PHARMA Generics (UK) Limited, Mercury Pharmaceuticals (Ireland) Limited, Mercury Pharma International Limited, and Mercury Pharmaceuticals Limited.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those followed by other members of the Group.

(c) Comparative Financial Information

Certain prior period balances have been re-classified to conform with the current period financial statement presentation.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker ("**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

(e) Business Combinations

Acquisitions have been accounted for as business combinations using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are recognized in income (loss) and comprehensive income (loss) as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are initially recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Changes in fair value that are not considered measurement adjustments are recognized through the consolidated statements of income (loss). Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration that is classified as a financial asset or a financial liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognized in the consolidated statements of income (loss).

(f) Foreign Currency Translation

The Company's consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. All of the Company's significant subsidiaries report in U.S dollars ("**USD**") with the exception of subsidiaries within the ADVANZ PHARMA International segment which report primarily in Great British Pounds ("**GBP**" or "**£**") and certain others in Indian Rupees, European Euros ("**EUR**"), South African Rand, Hong Kong Dollars, Australian Dollars and Swedish Krona. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at the balance sheet dates. All differences are taken to the consolidated statements of income (loss). Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates in effect at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the balance sheet dates, and their consolidated statements of income (loss) are translated at exchange rates prevailing at the average exchange rate for the period. The exchange differences arising on the translation are taken directly to a separate component of equity (accumulated other comprehensive income (loss)). On disposal or dissolution of a foreign operation, the deferred cumulative amount recognized in equity relating to the particular foreign operation is recognized in the consolidated statements of income (loss).

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with maturities of three months or less or that are readily convertible to cash, and which are subject to an insignificant risk of changes in value.

Cash equivalents as at December 31, 2019 includes deposits held with major financial institutions of $16,523 (2018 - $14,771).

(h) Inventory

Inventories consist of raw materials, work-in-progress and finished goods. Inventory, other than inventory acquired through a business combination, is valued at the lower of cost based on weighted average cost and net realizable value. Net realizable value is the estimated selling prices less applicable selling expenses and costs to complete the sale. If the carrying value exceeds the net realizable value, a write-down is recognized. A reserve is taken on inventory for quantities not expected to be consumed. This reserve offsets the inventory balance. Inventories acquired through business combinations are initially recognized at fair value.

(i) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. The assets are amortized using the straight line method over their estimated useful life, or using a declining balance approach if such method is more appropriate based on the pattern in which the assets future economic benefits are expected to be consumed by the Group. The declining balance rate used by the Group for certain acquired product rights ranges between 10% and 50% annually. Amortization recorded on all other intangibles applied on a straight line basis is as follows:

Acquired product rights and manufacturing processes	7-28 years
Intellectual property	20 years
Customer list	4 years
Supplier contracts	5 years
Distribution contracts	5 years
Software and other intangibles	3-5 years

The estimated useful life is reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

In-process research & development ("**IPR&D**") acquired in a business combination is capitalized as an indefinite-lived intangible asset and accordingly is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that IPR&D may be impaired. When IPR&D is completed, the asset will be assigned a useful life and amortized, or when abandoned, written off as an impairment. Indefinite life intangible assets, including IPR&D, are measured at cost less accumulated impairment losses.

Costs incurred on development projects are recognized as intangible assets when technical feasibility has been met, the Group's resources and intention to develop are committed, expenditures can be measured reliably and there is an expectation of future economic benefits. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Intellectual property acquired in a business combination is recognized separately as an intangible asset if it meets the definition of an intangible asset in accordance with IAS 38, "Intangible Assets", and its fair value can be measured reliably.

All development costs with a finite useful life that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

(j) Goodwill

Goodwill represents the excess fair value of consideration transferred over the fair value of the underlying net assets in a business combination and is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is tested for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units ("**CGU**") or group of CGU's, that are expected to benefit from the synergies of the acquisitions. If the recoverable amount of the CGU or group of CGU's is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to other assets of the CGU or group of CGU's.

(k) Impairment of Non-Financial Assets

The Group reviews assets such as property and equipment and intangible assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with indefinite lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Recoverable amount is the higher of an asset's fair value less the cost of disposal and value in use, (being the present value of the expected future cash flows of the relevant asset or CGU), as determined by the Group.

Any impairment losses are recognized immediately in the consolidated statements of income (loss). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Lease and Right-of-use assets

IFRS 16, "Leases" ("**IFRS 16**"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees, thereby removing the distinction between operating and finance leases. IFRS 16 requires a lessee to recognize an asset (right-to-use the leased item) and a financial liability to pay rentals on the consolidated balance sheets with terms of more than 12 months, unless the underlying asset is of low value.

From January 1, 2019, with the adoption of IFRS 16, the Group adopted the following accounting policies for leases and right-of-use assets:

As lessee, the Group assesses whether a contract contains a lease at inception of a contract and upon modification of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of 12 months or less and low-value leases. For these leases, payments are recognized on a straight-line basis as general and administrative expenses in the consolidated statements of income (loss). The lease liability is initially measured at the present value of the future lease payments as from the commencement date of the lease to end of the lease term. The lease term includes the period of any lease extension that in management's assessment is highly probable to be exercised by the Group. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change to the lease terms or expected payments under the lease, or a modification that is not accounted for as a separate lease. The portion of the lease payments attributable to the repayment of lease liabilities and interest is recognized in cash flows used in financing activities.

Right-of-use assets are initially recognized on the balance sheet at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease and any lease incentive received. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are assessed for impairment whenever there is an indication that the balance sheet carrying amount may not be recoverable using cash flow projections for the useful life.

Prior to January 1, 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The section "recent accounting pronouncements adopted" included in (t) below provides additional disclosures on the impact of adoption of IFRS 16 - Leases.

(m) Provisions

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at the Group's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The provision level is also subject to factors such as product mix and customer mix which may result in higher levels of gross to net adjustment. Refer to Note 4, which provides further detail regarding the estimates involved in determining provisions.

The Group performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability has been recognized.

(n) Net Investment Hedge

The Company had designated its GBP denominated term loan (refer to Note 14) as a net investment hedge with respect to its investment in the ADVANZ PHARMA International segment as this loan was entered into at the time of the acquisition of the ADVANZ PHARMA International segment and formed part of the consideration transferred. This term loan was carried at amortized cost, however foreign currency translation adjustments of the financial liability were recorded in other comprehensive income (loss) at each reporting period on a net of tax basis, along with the associated cumulative translation adjustment associated with the hedged investment. There were no amounts recorded in the consolidated statements of income (loss) with respect to ineffective portions of the hedge or subsequent changes from the initial designation of the net investment hedge.

(o) Income Taxes

Income taxes are comprised of current and deferred taxes. These taxes are accounted for using the liability method.

Current tax is recognized in connection with income for tax purposes, unrealized tax benefits, excluding interest in respect thereof, and the recovery of tax paid in a prior period. The determination of income for tax purposes requires interpretation of the relevant rules and judgment, therefore an unrealized tax benefit may arise in connection with taxation years that have not yet been reviewed by the relevant tax authority. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Group determines that realization is not in doubt. Current tax is measured at the tax rate applicable to the taxation period during which the income for tax purposes arose.

Deferred tax is recognized on the difference between the carrying amount of an asset or a liability, as reflected in the financial statements, and the corresponding tax base, used in the computation of income for tax purposes ("**temporary difference**"). A deferred tax liability is generally recognized for any temporary difference in respect of an asset where the carrying amount exceeds the tax base and in respect of a liability where the tax base exceeds the carrying amount. A deferred tax asset is generally recognized for any temporary difference in respect of an asset where the tax base exceeds the carrying amount, in respect of a liability where the carrying amount exceeds the tax base and to the extent that it is probable that income for

tax purposes will be available from which the temporary difference can be deducted. Deferred tax is not recognized if a temporary difference arises in connection with goodwill or the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither income for tax purposes nor income for accounting purposes.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available from which the temporary difference can be deducted. Deferred taxes are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that are enacted or substantively enacted during the reporting period and reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to realize the asset or settle the liability that gave rise to the temporary difference.

Income taxes are recognized in the consolidated statements of income (loss), except when they relate to an item that is recognized in other comprehensive income (loss) or directly in equity, in which case, the taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively. Where income taxes arise from the initial accounting for a business combination, these are included in the accounting for the business combination.

(p) Financial Instruments

Financial assets held with an objective to hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest are measured at amortised cost using the effective interest method. Debt investments held with an objective to hold both assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of fair value are measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are classified and measured at fair value through profit or loss ("**FVTPL**"). Financial liabilities are classified as either FVTPL or other financial liabilities, and the portion of the change in fair value that relates to the Company's credit risk is presented in other comprehensive income (loss). Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Accounts receivables are initially recognized at their invoiced amounts. Provisions for doubtful accounts receivables, recorded as allowance for doubtful accounts, are established using an expected credit loss (**"ECL"**) model. Impairment is measured using a 12-month expected credit loss method to recognize an allowance. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in consolidated net income (loss).

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the Group transfers substantially all risks and rewards of ownership or the contractual rights to the cash flows expire. Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

The following table illustrates the classification and measurement of the Group's financial instruments:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Financial Instruments	Financial assets at amortized cost	Liabilities at amortized cost	As at Dec 31, 2019
Cash and cash equivalents	261,138	—	261,138
Restricted cash	2,922	—	2,922
Accounts receivable	109,920	—	109,920
Trade payables, accrued liabilities and interest payable	—	(107,957)	(107,957)
Provisions	—	(17,393)	(17,393)
Lease liabilities	—	(12,189)	(12,189)
Long-term debt	—	(1,323,078)	(1,323,078)
	373,980	(1,460,617)	(1,086,637)

Financial Instruments	Financial assets at amortized cost	Liabilities at amortized cost	As at Dec 31, 2018
Cash and cash equivalents	224,438	—	224,438
Restricted Cash	3,265		3,265
Accounts receivable	115,092	—	115,092
Trade payables, accrued liabilities and interest payable	—	(105,640)	(105,640)
Provisions	—	(25,877)	(25,877)
Long-term debt	—	(1,349,163)	(1,349,163)
	342,795	(1,480,680)	(1,137,885)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

(q) Share-based Compensation

In connection with the Recapitalization Transaction, the Group adopted the MIP as described in Notes 2 and 17. The MIP involves participants acquiring shares in a subsidiary of the Company which will be exchangeable for limited voting shares of the Company in certain circumstances. The MIP is subject to certain market based exchange conditions and has been valued using a Monte Carlo valuation model. The fair value of the MIP shares are recognized as a compensation expense over time and the related credit is recorded as a reserve for share-based compensation within contributed surplus. The share-based compensation expense is adjusted for subsequent changes in the Group's estimate of timing of when the exchange may occur. The effect of these are recognized in the period of change.

Prior to the Recapitalization Transaction, the Company had a stock option plan that allowed for the issuance of stock options to employees, directors, officers, and others as determined by the Company's board of directors. Under IFRS, each option installment was treated as a separate option grant with graded-vesting features, forfeitures were estimated at the time of grant and revised if actual forfeitures were likely to differ from previous estimates, and options granted to parties other than employees were measured at their fair value on the date goods or services were received. Over the vesting period of the option grants, the fair value was recognized as compensation expense and a related credit was recorded as reserve for share-based compensation. The reserve for share-based compensation was reduced as options were exercised through a credit to share capital. The consideration paid by option holders was credited to share capital when the options were exercised.

Prior to the Recapitalization Transaction, the Company had a long term incentive plan. For each Restricted Share Unit ("**RSU**"), Deferred Share Unit ("**DSU**") or Performance Based RSU ("**Performance Based RSU**") granted under the long-term incentive plan, the Company recognized an expense equal to the market value of an ADVANZ PHARMA common share at the date of grant based on the number of RSUs, DSUs and Performance Based RSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to reserve for share based compensation anticipated to be equity settled or a corresponding credit to a liability for those anticipated to be cash settled. Additional RSUs, DSUs or Performance Based RSUs were issued to reflect dividends declared on the common shares. Certain Performance Based RSUs were subject to market based vesting conditions and had been valued using a Monte Carlo valuation model. Compensation expense was adjusted for subsequent changes in management's estimate of the number of RSUs, DSUs or Performance Based RSUs that were expected to vest and, for RSUs, DSUs or Performance Based RSUs anticipated to be cash settled, changes in the market value of ADVANZ PHARMA common shares. The effect of these changes was recognized in the period of the change. Vested RSUs, DSUs and Performance Based RSUs were settled either in ADVANZ PHARMA common shares or in cash or a combination thereof at the discretion of the Company.

(r) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated by dividing the applicable net earnings by the sum of the weighted average number of shares outstanding during the year and all additional shares that would have been outstanding if potentially dilutive shares had been issued during the year.

(s) Revenue Recognition

Revenue is recorded as net revenue and is recognized in the consolidated statement of income (loss) when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, generally at the point in time of shipment to or receipt of the products by the customer. The amount of revenue to be recognized is based on the consideration the Group expects to receive in exchange for its goods. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The Group operates in a number of different geographical segments, with different markets. Further detail by segment related to revenue recognition is described below:

ADVANZ PHARMA North America segment

Revenue within the ADVANZ PHARMA North America segment is primarily derived from two customer groups, those being authorized generic partners ("**AG Partners**") and wholesalers. Revenue from AG Partners is recognized at the time of sale to the AG Partners as this is the point of transferring control over the promised goods to the customer, based on the following; 1) the AG Partners are responsible for setting their sales price to the final customer and collecting on their receivables; 2) the Group can reliably measure the amount of revenue to be recognized (this includes the impact of gross to net adjustments, including expected returns, wholesaler and retail inventory levels, prescription data, current market trends, competitor activity and historical experience); 3) the AG Partners are responsible for managing their customers; and 4) costs associated with the sale have been incurred at the time the product is sold to the AG Partner. Revenue recognition on sales to wholesalers is similar to AG Partners, however, sales to wholesalers are initially invoiced to one wholesaler partner and then subsequently sold to the other wholesalers, at which point revenue is recognized consistent with that of AG Partner revenue recognition. Revenue related to Photofrin® is concentrated primarily within the United States ("**U.S.**") and is sold through distributors. The point of revenue recognition is at the time the distributors receive the product. Revenue is recognized at this time as the distributor has obtained control over the promised goods since they have no right of return, except for expired product (at which point they are entitled only to a replacement product), and full risk of ownership of the product has been transferred.

The Group also earns revenue from licensing and profit-sharing arrangements. Under these arrangements revenue is recognized as earned in accordance with the substance of the relevant agreement. Arrangements determined over time are recognized on a straight-line basis over the period of the agreement. Arrangements that are based on production, sales and other measures are recognized at a point in time once the performance obligations are satisfied by reference to the underlying arrangement.

Royalty income is recognized over a period of time as the performance obligations are satisfied in accordance with royalty agreements.

ADVANZ PHARMA International segment

Revenue within the ADVANZ PHARMA International segment is recognized at the time of sale to the wholesalers, hospitals and pharmacies, as this is the point of transferring control over the promised goods to the customer. The ADVANZ PHARMA International segment is not subject to significant levels of gross to net adjustments. Revenue is recognized on either shipment or receipt by the customer depending on the contractual terms of the sales agreement.

(t) Recent Accounting Pronouncements

(i) Recent accounting pronouncements adopted

Lease

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees, thereby removing the distinction between operating and finance leases. IFRS 16 requires a lessee to recognize an asset (right-to-use the leased item) and a financial liability to pay rentals on the consolidated balance sheets with terms of more than 12-months, unless the underlying asset is of low value.

The impact of the adoption of IFRS 16 on the Group's financial statements that has been applied from January 1, 2019 is outlined below.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparative information, as permitted under the specific transitional provisions in the standard in accordance with the modified retrospective approach for adoption. The reclassifications and the adjustments arising from the new leasing standard are therefore recognized in the opening consolidated balance sheet on January 1, 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group has relied on its assessment made applying IAS 17 and IFRIC 4, "Determining whether an Arrangement contains a Lease".

i. Adjustments Recognized on Adoption of IFRS 16

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8.00%.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	2019
Operating lease commitments disclosed as at December 31, 2018	9,623
Operating lease commitments discounted using the lessee's incremental borrowing rate at the date of initial application (January 1, 2019)	9,270
Add: adjustments as a result of a different treatment of extension options	6,536
(Less): short-term leases recognized on a straight-line basis as expense	(259)
Lease liability recognized as at January 1, 2019	15,547

The balance sheet shows the following amounts related to lease liabilities:	Dec 31, 2019	Jan 1, 2019
Current lease liabilities	2,488	2,481
Long-term lease liabilities	9,701	13,066
	12,189	15,547

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied.

There was one existing onerous lease contract which required an adjustment to the right-of-use asset at the date of initial application. Accordingly, the onerous lease provision in the amount of $1,296 was reclassified from trade payables, accrued liabilities and interest payable to a reduction in the right-of-use assets on the date of initial application. The remaining value of the right-of-use asset associated with this onerous lease contract was $nil on January 1, 2019.

The recognized right-of-use assets relate to the following types of items:

As at	Dec 31, 2019	Jan 1, 2019
Offices	10,195	12,903
Total right-of-use assets	10,195	12,903

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:

	Increase (decrease)
Right-of-use assets	12,903
Lease liabilities	15,547
Trade payables, accrued liabilities and interest payable	(1,296)
Retained earnings	(1,348)

The segmental impact of the change in accounting policy is primarily related to ADVANZ PHARMA International.

Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("**IFRIC 23**"). IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. The IFRIC 23 interpretation specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 was effective for annual periods beginning on or after January 1, 2019, and has been applied by the Group with no significant impact on these consolidated financial statements.

(ii) Recent accounting pronouncements not yet adopted

On October 22, 2018, the IASB issued a narrow scope amendment to IFRS 3, Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. This amendment effective on January 1, 2020 and is to be applied prospectively. The Company intends to adopt the amendment to IFRS 3 in its consolidated financial statements for the annual period beginning January 1, 2020.

4. Critical Accounting Estimates and Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements requires the Group to make a number of judgments, estimates and assumptions regarding recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about the judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Revenue Recognition

i. **Chargebacks**

The provision for chargebacks is a significant and complex estimate used in the recognition of revenue and represents variable consideration under IFRS 15. In the United States, the Group sells its products directly to wholesale distributors. The wholesale distributors sell directly to independent pharmacies, managed care organizations, hospitals and group purchasing organizations ("**indirect customers**"). The difference between what price the Group sells to the wholesaler and what price the wholesaler sells to the indirect customer is called a chargeback. The provision for chargebacks is based on the historical sales mix of the wholesalers for their government and retail customers. As sales are made to large wholesale customers, the Group continually monitors the provision for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated provisions.

ii. **Returns**

The provision for returns is a significant and complex estimate used in the recognition of revenue and represents variable consideration under IFRS 15. The Group has a returns policy that allows wholesalers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognized in the period in which the underlying revenue is recognized, as a reduction of the transaction price at the inception of the contract. The Group estimates provisions for returns based upon historical experience, representing the Group's best estimate. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves.

iii. **Rebates**

The provision for rebates is a significant and complex estimate used in the recognition of revenue and represents variable consideration under IFRS 15. Rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States are covered by various programs (such as Medicaid and Medicare) under which products are sold at a discount. The Group estimates its provisions for rebates based on current contractual terms and conditions as well as the historical experience, changes to business practices and credit terms. While such experience has allowed for reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provision for rebates and makes adjustments when it believes that actual rebates may differ from established provisions. All rebates are recognized in the period in which the underlying sales are recognized as a reduction of sales revenue.

iv. **Other transaction price adjustments**

The provision for other transaction price adjustments is a significant and complex estimate used in the application of IFRS 15. Other price adjustments are credits issued by the wholesaler to reflect various decreases in the selling price. The price that the Group sells to the wholesaler is called the Wholesale Acquisition Cost (or "**WAC**"). Decreases to WAC are discretionary decisions made by the wholesalers to reflect competitive market conditions. Amounts recorded for other transaction price adjustments are initially estimated at the inception of the contract with the wholesaler, based upon an estimated decline in market prices. The Group regularly monitors these and other factors and re-evaluates the adjustment to the transaction price as additional information becomes available.

v. **Prompt pay**

The provision for prompt pay is an estimate used in the recognition of revenue and represents variable consideration under IFRS 15. Prompt pay are discounts offered to customers for making early payments on their invoices within a defined period of time, prior to the payment due date under the Group's normal payment terms. The Group estimates provisions for prompt pay based upon historical experience, representing the Group's best estimate. The Group continually monitors provisions for prompt pay and makes adjustments when it believes that actual prompt pay discounts may differ from established reserves.

Share-based payments and compensation

The compensation expense related to share-based payments under the MIP is determined using the Monte Carlo option pricing model. The assumptions used in the model are: (i) weighted average probability of expected time to maturity; (ii) share volatility; (iii) risk free rates; and (iv) the assumption that the Company will not pay dividends.

Impairment of non-financial assets

The Group reviews amortized non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. It also reviews annually non-financial assets with indefinite life for impairment. If the recoverable amount of the respective non-financial asset is less than its carrying amount, it is considered to be impaired. In the process of measuring the recoverable amount, the Group makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments.

Amortization of intangible and other assets

The amortization expense related to intangible and other assets is determined using estimates relating to the useful life of the related assets.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Income taxes

The Group is subject to income taxes in numerous jurisdictions. The integrated nature of the Group's global operations gives rise to many transactions in the ordinary course of business in respect of which the determination of income for tax purposes may be uncertain. The Group uses judgment to determine its income for tax purposes which may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense during the reporting period. The Group evaluates these judgments based upon historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in the circumstances.

The evaluation by the Group may result in an unrealized tax benefit in connection with taxation years that have not yet been reviewed by the relevant tax authority. The Group believes that the amount of unrealized tax benefits appropriately reflects the uncertainty of items that are or may in the future be under discussion, audit, dispute or appeal with a tax authority or which may otherwise result in uncertainty in the determination of income for tax purposes. The unrealized tax benefit is determined based on the Group's estimate of the potential outcomes and is reviewed during each reporting period. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Group determines that realization is not in doubt. Where the finally determined outcome is different from the Group's estimate, such difference will impact the Group's income taxes in the reporting period during which such determination is made.

A deferred tax asset is generally recognized for any temporary difference in respect of an asset where the tax base exceeds the carrying amount and to the extent that it is probable that income for tax purposes will be available from which the temporary difference can be deducted and in respect of a liability where the carrying amount exceeds the tax base. The amount of the deferred tax asset recognized could be reduced if income or temporary differences from which the asset can be deducted do not materialize, which might occur due to various factors, including adverse business conditions. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient income for tax purposes will be available from which the temporary difference can be deducted. The magnitude of any reduction of the amount of any temporary difference recognized is significantly influenced by the Group's forecast of income for tax purposes.

5. Acquisitions

On March 31, 2019, the Company, through wholly owned subsidiaries, completed the acquisition of international rights to Salagen® tablets (pilocarpine hydrochloride) (excluding Japanese rights) and Panretin® (alitretinoin) gel 0.1% for $30 million in cash plus $3.3 million for inventory and related prepayments (the "**Products Acquisition**"). The Company settled this obligation of $33.3 million using cash on hand on April 15, 2019.

The acquisition has been accounted for as an asset acquisition.

6. Restricted Cash

As at	Dec 31, 2019	Dec 31, 2018
Cash secured letters of credit and bonds	2,922	3,265
Total	2,922	3,265

7. Accounts Receivable

As at	Dec 31, 2019	Dec 31, 2018
Accounts receivable	110,840	117,281
Loss allowance	(920)	(2,189)
Total	109,920	115,092

Bad debt write-offs of $1,555 were recorded during the year ended December 31, 2019 (2018 - $1,207).

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

An aging of accounts receivable balances past due but not impaired is as follows:

As at	Dec 31, 2019	Dec 31, 2018
Amounts past due (net of loss allowance)		
Past due 1 - 30 days	9,621	8,046
Past due 31 - 60 days	1,273	2,997
Past due 61 - 120 days	3,049	986
Past due more than 120 days	2,186	2,642
Total	16,129	14,671

Amounts past due represent accounts receivable past due based on the customer's contractual terms. The net amounts past due of approximately $16 million, which is equivalent to 15% of the net accounts receivable balance as at December 31, 2019, has been assessed for recoverability by the Group. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable.

8. Inventory

As at	Dec 31, 2019	Dec 31, 2018
Finished goods	66,516	63,264
Raw materials	21,420	19,334
Work in process	8,401	13,911
Obsolescence reserve	(25,233)	(22,579)
Total	71,104	73,930

Inventory costs charged to cost of sales during the year ended December 31, 2019 were $140,663 (2018 - $136,946). The Group increased its reserve for obsolete inventory by $2,654 (2018 - $90) during the year ended December 31, 2019. Write-down of inventories of $10,409 were recorded during the year ended December 31, 2019.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

9. Intangible Assets

	Acquired Product Rights and Manufacturing Processes	Intellectual Property	Distribution Contracts	Supplier Contracts	IPR&D	All Other Intangibles	Total
Balances, January 1, 2018	1,381,631	26,185	16,683	68,805	9,269	1,305	1,503,878
Additions	39	—	—	—	3,024	67	3,130
Transfer from IPR&D	24	—	—	—	(24)	—	—
Amortization	(217,818)	(1,640)	(5,926)	(24,253)	—	(745)	(250,382)
Impact of foreign exchange	(48,236)	—	(647)	(2,650)	(772)	(69)	(52,374)
Impairments	(52,650)	—	—	—	(4,910)	—	(57,560)
Balances, December 31, 2018	1,062,990	24,545	10,110	41,902	6,587	558	1,146,692
Additions (Note 5)	30,000	—	—	—	3,178	323	33,501
Transfer from IPR&D	153	—	—	—	(153)	—	—
Amortization	(173,446)	(1,640)	(5,659)	(23,162)	—	(442)	(204,349)
Impact of foreign exchange	22,326	—	146	594	189	71	23,326
Impairments	(113,371)	—	—	—	(428)	—	(113,799)
Balances, December 31, 2019	828,652	22,905	4,597	19,334	9,373	510	885,371

Impairment of intangible assets

In accordance with the Group's accounting policy, IPR&D is tested for impairment annually, and also when there is an indicator of impairment. The remaining intangible assets are tested for impairment when events or changes in business circumstances indicate that the carrying amount may not be recoverable.

Summary of impairments

For the year ended December 31, 2019 the Group recorded total impairment losses of $113,371 (2018 - $52,650) with respect to acquired product rights and manufacturing processes and $428 with respect to IPR&D (2018 - $4,910). Details of significant impairments are described below.

There have been no reversals of impairment losses or any previous impairments recorded with respect to acquired product rights and manufacturing processes intangible assets.

Impairments

ADVANZ PHARMA North America

Third quarter of 2019

During the third quarter of 2019, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA North America segment.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

With respect to Donnatal®, the triggering event was a sustained decline in market share as a result of competition which has resulted in lower forecasted revenue. The Group has experienced a sustained higher level of competition from unapproved products being sold as a substitutable products for the Group's Donnatal® tablets and elixir, which has resulted in the Group lowering its revenue forecasts. Refer to Note 18 for further details on the Group's current lawsuits related to Donnatal®. For the remaining products, the triggering event primarily related to the development of revised forecasts for these products, resulting in lower forecasted revenue.

The total impairment recorded on acquired product rights during the third quarter of 2019 was $103,679. Details of significant impairments were as follows :

	Impairment	Remaining carrying value as at Sep 30, 2019
Donnatal®	64,108	39,650
Lanoxin®	18,421	14,295
Dibenzyline®	15,887	2,397

The calculation of the recoverable amount was determined using discounted cash flows projections based on financial forecasts approved by the Company (level 3 of fair value hierarchy).

Key assumptions of the models are as follows:

• Discount rate: 14.5%; and,
• Estimated future product cash flows, including price and volume assumptions based on historical trends.

The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Donnatal®	735	(801)	(531)	498
Lanoxin®	404	(446)	(308)	285
Dibenzyline®	52	(58)	(39)	35

ADVANZ PHARMA International

Fourth quarter of 2019

During the fourth quarter of 2019, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA International segment. The triggering events included market pricing pressures, sustained issues experienced with respect to product supply, and/or increased product competition resulting in a decrease to future forecasts.

The total impairment recorded on acquired product rights during the fourth quarter of 2019 was $5,090. Details of significant impairments recorded during the fourth quarter were as follows:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Impairment	Remaining Carrying Value as at Dec 31, 2019
Dipipanone + Cyclizine	1,478	6,098
Trifluoperazine	1,237	6,136

Key assumptions of the models are as follows:

- Discount rate: 12.5%; and,
- Estimated future product cash flows, including price and volume assumptions based on historical trends.

The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Dipipanone + Cyclizine	291	(326)	(156)	139
Trifluoperazine	320	(360)	(177)	158

Third quarter of 2019

During the third quarter of 2019, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA International segment. The triggering events included market pricing pressures, sustained issues experienced with respect to product supply, and/or increased product competition resulting in a decrease to future forecasts.

The total impairment recorded on acquired product rights during the third quarter of 2019 was $4,602. Details of significant impairments were as follows:

	Impairment	Remaining Carrying Value as at Sep 30, 2019
Hydrocortisone	1,897	733
Dicycloverine	1,352	—

Key assumptions of the models are as follows:

- Discount rate: 12.5%; and,
- Estimated future product cash flows, including price and volume assumptions based on historical trends.

The following table presents a sensitivity to show the impact on the impairments for changes in certain assumptions:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	Discount Rate		Terminal revenue growth assumption	
	+1%	-1%	+1%	-1%
Hydrocortisone	38	(43)	(19)	17
Dicycloverine	-	-	-	-

Fourth quarter of 2018

In the fourth quarter of 2018, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA International segment. The triggering events included market pricing pressures, sustained issues experienced with respect to product supply, and/or increased product competition resulting in a decrease to future forecasts. The Group recorded impairments using a fair value less costs of disposal model in the consolidated statement of income (loss). The calculation of the recoverable amount was determined using discounted cash flow projections based on financial forecasts approved by the Company (level 3 of fair value hierarchy).

The total impairment recorded on acquired product rights during the fourth quarter of 2018 was $44,715. Details of significant impairments were as follows:

	Impairment	Remaining Carrying Value as at Dec 31, 2018
Carbimazole	14,624	34,642
Biperiden Hydrochloride	8,151	12,040
Alimemazine Tartrate	2,366	2,162
Trazodone	2,514	402
Flumethasone + Clioquinol	2,490	6,951

Key assumptions of the models are as follows:

- Discount rate: 12.5% ; and
- Estimated future product cash flows, including price and volume assumptions based on historical trends.

The following table presents a sensitivity analysis to show the impact on significant impairments for changes in certain assumptions:

	Discount rate		Terminal revenue growth assumption	
	+0.5%	-0.5%	+0.5%	-0.5%
Carbimazole	979	(923)	(416)	440
Biperiden Hydrochloride	326	(308)	(137)	146
Alimemazine Tartrate	19	(18)	—	—
Trazodone	3	(3)	—	—
Flumethasone + Clioquinol	212	(200)	(91)	96

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Second quarter of 2018

In the second quarter of 2018, the Group determined that certain triggering events had occurred with respect to certain products within the ADVANZ PHARMA International segment. These triggering events included product supply challenges, and/or increased product competition resulting in a decrease to future revenue forecasts. The Group recorded impairments using a fair value less costs of disposal model in the consolidated statement of income (loss). The calculation of the recoverable amount was determined using discounted cash flow projections based on financial forecasts approved by the Company (level 3 of fair value hierarchy).

The total impairment recorded on acquired product rights during the second quarter of 2018 was $7,935, within the ADVANZ PHARMA International segment, primarily related to an impairment on Dicycloverine of $4,855 due to product supply interruption resulting in a current and future loss of market share. The key assumptions and estimates used in determining the value were related to estimated future product cash flows, including price and volume assumptions based on historical trends, and the discount rate of 13.5% applied to the cash flow projections.

IPR&D

Annual Impairment test

The Group completes its annual impairment testing on IPR&D during the fourth quarter.

The Group recorded an impairment on IPR&D during the fourth quarter of 2019 in the amount of $428. The impairment relates to projects that have been abandoned, or certain IPR&D projects with lower present day future forecasts compared with those at the time of the acquisition of the ADVANZ PHARMA International segment. The calculation of the recoverable amount of IPR&D was determined using the discounted cash flow projections based on financial forecasts.

Fourth quarter of 2018

The Group recorded an impairment on IPR&D during the fourth quarter of 2018 in the amount of $4,910. The impairment relates to projects that have been abandoned, or certain IPR&D projects with lower present day future forecasts compared with those at the time of the acquisition of the ADVANZ PHARMA International segment. The calculation of the recoverable amount of IPR&D was determined using discounted cash flow projections based on financial forecasts.

10. Goodwill

As at	Dec 31, 2019	Dec 31, 2018
Opening balance	232,784	244,957
Impairment	(15,482)	—
Impact of foreign exchange	7,236	(12,173)
Total	224,538	232,784

A segment-level summary of the goodwill allocation is presented within Note 22.

In accordance with the Group's accounting policy, the carrying value of goodwill is assessed annually as well assessed for impairment triggers at each reporting date to determine whether there exists any indicators of impairment.

Summary of Impairments

For the year ended December 31, 2019, the Group recorded goodwill impairment losses of $15,482 (2018 - $nil) associated with the Orphan Drugs group of CGUs (which forms part of the ADVANZ PHARMA North America segment).

Annual Impairment Test

The Group completed its annual goodwill impairment testing on the goodwill remaining in the ADVANZ PHARMA International group of CGUs and the Orphan Drugs group of CGUs, which have goodwill carrying values of $212,054 and $12,484, respectively, post the impairment recorded on the Orphan Drugs group of CGUs, (2018 - $204,818 and $27,966, respectively). The recoverable amount of the ADVANZ PHARMA International group of CGUs was calculated using fair value less costs of disposal ("**FVLCD**"), and the Orphan Drugs group of CGUs recoverable amount was calculated based on value in use ("**VIU**").

ADVANZ PHARMA International

2019

The calculation of recoverable amount of the ADVANZ PHARMA International group of CGUs was determined using discounted cash flow projections based on financial forecasts approved by the Group covering a five-year period (level 3 of fair value hierarchy) and a terminal growth assumption of 1.5%. The key assumptions and estimates used in determining the FVLCD are related to revenue and gross margin assumptions, which are based on the most recently approved financial forecasts and assumed growth rates, working capital assumptions, the effective tax rate of 13% and the discount rate of 11% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the ADVANZ PHARMA International group of CGUs of $957,933 exceeded the carrying value of the ADVANZ PHARMA International group of CGUs of $792,211.

The recoverable amount would decrease by $42,355 if the discount rate were to increase by 0.5% and would increase by $46,569 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by $30,172, or decrease by $27,429, respectively.

2018

The calculation of recoverable amount of the ADVANZ PHARMA International group of CGUs was determined using discounted cash flow projections based on financial forecasts approved by the Group covering a five-year period (level 3 of fair value hierarchy) and a terminal growth assumption of 1.5%. The key assumptions and estimates used in determining the FVLCD are related to revenue and gross margin assumptions, which are based on the most recently approved financial forecasts and assumed growth rates, working capital assumptions, the effective tax rate of 13% and the discount rate of 12% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the ADVANZ PHARMA International group of CGUs of $1,067,792 exceeded the carrying value of the ADVANZ PHARMA International group of CGUs of $1,013,969.

The recoverable amount would decrease by $47,545 if the discount rate were to increase by 0.5% and would increase by $52,518 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by $35,892, or decrease by $32,474, respectively.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Orphan Drugs

2019

During the fourth quarter of 2019, the Group completed its annual goodwill impairment testing within the Orphan Drugs group of CGUs. As a result of the impairment testing performed, the Group recorded an impairment loss of $15,482 on goodwill. The reason for the impairment is primarily related to the development of revised forecasts for the product.

The Group recorded an impairment charge using a VIU model, in the consolidated statement of income (loss) in the fourth quarter of 2019. The calculation of recoverable amount of the Orphan Drugs group of CGUs was determined using discounted cash flow projections based on financial budgets approved by the Group covering a five-year period (level 3 of fair value hierarchy). The key assumptions and estimates used in determining the VIU are related to revenue and gross margin assumptions, which are based on the financial forecasts and assumed growth rates, and the discount rate of 15% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the Orphan Drugs group of CGUs is $37,539.

The recoverable amount of the Orphan Drugs group of CGUs would decrease by $1,252 if the discount rate were to increase by 0.5%, and would increase by $1,339 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by $727, or decrease by $680, respectively.

2018

The calculation of recoverable amount of the Orphan Drugs group of CGUs was determined using discounted cash flow projections based on financial budgets approved by the Group covering a five-year period (level 3 of fair value hierarchy). The key assumptions and estimates used in determining the VIU are related to revenue and gross margin assumptions, which are based on the financial forecast and assumed growth rates, and the discount rate of 15% applied to the cash flow projections. As a result of the impairment testing performed, it was determined that the recoverable amount of the Orphan Drugs group of CGUs of $82,981 exceeded the Orphan Drugs group of CGUs carrying value of $53,832.

The recoverable amount of the Orphan Drugs group of CGUs would decrease by $2,998 if the discount rate were to increase by 0.5%, and would increase by $3,209 if the discount rate were to decrease by 0.5%. If the terminal growth rate were to increase or decrease by 0.5%, the recoverable amount would increase by $1,643, or decrease by $1,756, respectively.

11. Trade payables, accrued liabilities and interest payable

As at	Dec 31, 2019	Dec 31, 2018
Trade payables	16,241	22,270
Accrued liabilities	83,683	70,613
Interest payable on long-term debt	8,033	12,757
Total	107,957	105,640

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

12. Provisions

The following table describes movements in the Group's provisions balance by nature of provision:

	Chargebacks /Rebates/ Co-pay	Returns	Inventory management	Prompt pay	**Total**
Balance, January 1, 2018	16,595	11,066	5,883	552	34,096
Additions	100,447	9,239	15,794	4,764	130,244
Utilization	(101,904)	(13,910)	(17,817)	(4,832)	(138,463)
Balance, December 31, 2018	15,138	6,395	3,860	484	25,877
Additions	28,843	14,221	11,569	3,082	57,715
Utilization	(39,458)	(11,304)	(12,342)	(3,095)	(66,199)
Balance, December 31, 2019	4,523	9,312	3,087	471	17,393

The closing balance relates to provisions made to estimate the liabilities arising from chargebacks, rebates, returns and other price adjustments recorded as a reduction of revenue, as explained in Note 4. Payments are expected within 12 months from the balance sheet date. Invoices received for such charges and estimates are shown in the accounts payable when received. The provision is for the uninvoiced portion of the charges and estimates.

13. Income Taxes

Significant components of the current and deferred income tax reflected in the consolidated statements of income (loss) are as follows:

For the year ended	**Dec 31, 2019**	**Dec 31, 2018**
Current income tax expense	22,469	16,980
Deferred income tax expense (recovery)	(44,476)	(15,540)
Provision for (recovery of) income taxes	(22,007)	1,440

Current and deferred income tax referred to above is recognized based on the Group's best estimate of the tax rates expected to apply to the income, loss or temporary difference.

The Group is subject to income tax in numerous jurisdictions with varying tax rates. During the current year ended, there were no material changes to the statutory tax rates in the taxing jurisdictions where the majority of the Group's income for tax purposes was earned or where its material temporary differences or losses are expected to be realized or settled.

On March 11, 2020, the UK announced that there would no longer be a corporate tax rate reduction from 19% to 17% effective April 1, 2020. This change is expected to be substantively enacted before the end of March 2020 via a Budget Resolution. Had this been substantively enacted on December 31, 2019, the Group estimates that there would be a net increase in its deferred tax liabilities of $6.4 million.

Although statutory tax rates may not have changed materially, except if noted above, the impact of commercial decisions and market forces result in changes to the distribution of income for tax purposes amongst taxing jurisdictions that may result in a change of the effective tax rate applicable to such item of income or temporary difference.

During the year, the Group undertook certain internal restructuring transactions to centralise the Group’s intellectual property in the United Kingdom. This included the internal sale of certain assets, including intellectual

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

property related to ADVANZ PHARMA North America segment to Mercury Pharma Group Limited, a company registered in the United Kingdom. The internal restructuring also included the migration of tax residence of Amdipharm Mercury International Limited, a company registered in Jersey to the United Kingdom. As a consequence of above, the Group had recognised a deferred tax asset of $17.6 million.

During the year, the Company announced its intention to change its domicile from Canada to Jersey and becoming a tax resident in the United Kingdom. Refer to Note 1 for further details. There was no prior deferred tax asset recognized related to these losses in Canada, as such, there was no impact to the income statement of their elimination as a result of the change in domicile.

The Group continues to believe the amount of unrealized tax benefits appropriately reflects the uncertainty of items that are or may in the future be under discussion, audit, dispute or appeal with a tax authority or which otherwise result in uncertainty in the determination of income for tax purposes. If appropriate, an unrealized tax benefit will be realized in the year in which the Group determines that realization is not in doubt. Where the final determined outcome is different from the Group's estimate, such difference will impact the Group's income taxes in the year during which such determination is made.

A reconciliation of the amount of income taxes reflected above compared to the amount of income taxes that would result by multiplying income (loss) before income taxes by the legislated tax rate applicable to the Company in Canada is as follows:

For the year ended	**Dec 31, 2019**	**Dec 31, 2018**
Income (loss) for the year before tax	(218,025)	1,468,743
Expected expense (recovery) at the Company's Canadian tax rate 26.5%	(57,777)	389,217
Gain on debt and purchase consideration settlement that does not give rise to current or deferred income tax expense	—	(356,152)
Recognition of deferred tax assets	(22,590)	—
Change in deferred income tax assets not recognized (utilized)	24,845	(37,330)
Effect of tax rates outside of Canada	(11,652)	(2,223)
Change in tax rates during the year	25	(1,555)
Other items	227	591
Updated estimate of current tax on account of interest deductibility	9,058	—
Non-deductible and non-taxable items	35,857	8,892
Provision for (recovery of) income taxes	(22,007)	1,440

Significant components of the deferred income tax assets and liabilities reflected in the consolidated balance sheets are as follows:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

As at	Dec 31, 2019	Dec 31, 2018
Deferred income tax assets (liabilities) in respect of:		
Losses and credits	—	356
Intangible assets	(56,679)	(98,025)
Other items	(2,368)	(1,927)
Deferred income tax assets (liabilities), net	(59,047)	(99,596)
Deferred income tax assets	1,508	4,781
Deferred income tax liabilities	(60,555)	(104,377)
Deferred income tax assets (liabilities), net	(59,047)	(99,596)

The change in the balance of net deferred tax assets (liabilities) includes a $3,789 increase that arises as a result of the required revaluation of certain balances denominated in currencies other than USD. This reduction has been reflected as a component of accumulated other comprehensive income (loss) and not as part of the deferred income tax expense (recovery).

A deferred income tax asset has not been recognized for certain temporary differences that may be available to reduce income subject to tax in a taxation period subsequent to the period covered by these financial statements. The amount of such temporary differences, that is the amount before applying the relevant tax rate, which is not recognized in the consolidated balance sheets or consolidated statements of income (loss), is as follows:

As at	Dec 31, 2019	Dec 31, 2018
Losses and credits	186,791	554,119
Total unrecognized temporary differences	186,791	554,119

Losses in Canada of $506.8 million will no longer be available after the change in the Company's domicile, as the Company is no longer taxable in Canada.

The deferred income tax assets in connection with the Group's losses and credits that may be available to reduce income subject to tax in a taxation period subsequent to the period covered by these consolidated financial statements, is as follows:

As at	Dec 31, 2019	Dec 31, 2018
Expiring within 15 years	170	486
Expiring between 15 and 20 years	3,185	87,900
No expiration	38,573	51,077
Total deferred income tax asset in respect of losses and credits	41,928	139,463
Total in North America	743	90,749
Total in Europe	40,937	47,470
Total in other jurisdictions	248	1,244
Total deferred income tax asset in respect of losses and credits	41,928	139,463

The integrated nature of the Group's global operations gives rise to many transactions in the ordinary course of business in respect of which the determination of income for tax purposes may be uncertain. Transactions that arise between multiple taxing jurisdictions are subject to review by these jurisdictions, where a decision of one taxing authority may not agree with the decision of another. The Group is committed to mitigating uncertainty that may arise in connection with such transactions and to this end has prepared documentation that complies

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

with local legislation and is in accordance with international guidelines, such as those of the Organization of Economic Co-operation and Development. Refer to the Income taxes section of the Critical Accounting Estimates and Judgments and Key Sources of Estimation Uncertainty of these notes to the consolidated financial statements for additional information regarding the Group's judgment and use of estimates relevant to income taxes.

The Group's global operations requires a corporate structure that includes affiliated legal entities that are collectively subject to the authority of numerous taxing jurisdictions. Certain transactions may arise which create a temporary difference in connection with an affiliated legal entity. The realization of this temporary difference may result in income tax. As at December 31, 2019, the Group has recognized $3,483 (2018 - $3,316) deferred income tax liability in connection with the realization of a temporary difference for certain affiliated legal entities on the basis that it is probable that such a temporary difference will be realized in the foreseeable future.

14. Long-term Debt

As at	Dec 31, 2019	Dec 31, 2018
New Term Loans [(a)]		
- New USD Term Loan	779,421	795,409
- EUR Term Loan	243,685	253,782
8% senior secured notes [(b)]	299,972	299,972
Total long-term debt	1,323,078	1,349,163
Less: current portion of long-term debt	(20,987)	(21,089)
Long-term portion	1,302,091	1,328,074

The Company completed the implementation of the Recapitalization Transaction on September 6, 2018. In connection with the implementation of the Recapitalization Transaction, the Term Loan Facilities and the 9% senior secured notes (the "**Secured Notes**") were extinguished and replaced for the following debt facilities (among other consideration pursuant to the Recapitalization Transaction):

(a) The Company entered into a credit agreement (the "**New ADVANZ PHARMA Credit Agreement**") on September 6, 2018 pursuant to which a syndicate of lenders made available secured term loans at par in the aggregate principal amounts of $799.4 million in one tranche (the "**New USD Term Loan**") and €222.8 million in a separate tranche (the "**EUR Term Loan**", and together with the New USD Term Loan, the "**New Term Loans**"). The New Term Loans were made available to the Company, as part of the settlement of Exchanged Secured Debt, including the Term Loan Facilities, pursuant to the implementation of the Recapitalization Transaction. All obligations of the Company under the New Term Loans are guaranteed by all current and future material subsidiaries of the Company and include security of first priority interests in the assets of the Company and its material subsidiaries. The New Term Loans have a maturity date of September 6, 2024, have variable interest rates and require quarterly principal repayments at a rate of 0.5%. Interest rates are calculated based on LIBOR and EURIBOR plus applicable margins on the New USD Term Loan and EUR Term Loan, respectively, with a LIBOR or EURIBOR floor of 1%. Interest expense on the New Term Loans for the year ended December 31, 2019 was $77,497 (2018 - $25,348).

(b) The Company issued on September 6, 2018 at par approximately $300 million 8.00% senior secured first lien notes due on September 6, 2024 (the "**New Secured Notes**"). The New Secured Notes were issued by the Company, as part of the settlement of Exchanged Secured Debt, including the Secured Notes, pursuant to the implementation of the Recapitalization Transaction. All obligations of the Company under the New Secured Notes are guaranteed by all current and future material subsidiaries of the Company and include security of first priority interests in the assets of the Company and its material subsidiaries. The New Secured Notes require no payment of principal throughout their term. Interest on the New Secured Notes is payable semi-annually on April 1st and October 1st of each year. Interest expense on the Secured Notes for the year ended December 31, 2019 was $23,998 (2018 - $7,800).

The fair value of long-term debt as at December 31, 2019 was $1.3 billion.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

As disclosed in Note 2, the Company completed the implementation of the Recapitalization Transaction on September 6, 2018. The following table details the movement in the principal amount of the Group's Secured Debt, Unsecured Debt and Cross Currency Swap Liability (that was treated as secured debt) from January 1, 2018 to September 6, 2018, as well as the movement in principal amounts to December 31, 2018 and to December 31, 2019 in connection with and subsequent to the Recapitalization Transaction on September 6, 2018. Refer to Note 2 for a further description of the details pertaining to the implementation of the Recapitalization Transaction.

	Secured Debt	Unsecured Debt	Total Long-Term Debt	Cross Currency Swap Liability	Total Long-term Debt including Cross Currency Swap Liability
Balance, January 1, 2018	2,062,586	1,625,832	3,688,418	114,431	3,802,849
Principal repayments	(22,267)	—	(22,267)	—	(22,267)
Impact of foreign exchange	(26,919)	—	(26,919)	—	(26,919)
Balance, September 6, 2018	2,013,400	1,625,832	3,639,232	114,431	3,753,663
Principal repayments as part of Recapitalization Transaction (Note 2 (c))	(571,981)	—	(571,981)	(32,929)	(604,910)
Issuance of limited voting shares (Notes 2 (d) and 15)	—	(79,975)	(79,975)	—	(79,975)
Debt forgiveness (principal)	(156,912)	(1,545,857)	(1,702,769)	(7,572)	(1,710,341)
Principal portion of debt repaid or refinanced	(1,284,507)	—	(1,284,507)	(73,918)	(1,358,425)
New Secured Debt issued [(1)]	1,358,425	—	1,358,425	—	1,358,425
Impact of foreign exchange	(4,014)	—	(4,014)	(12)	(4,026)
Principal repayments on New Secured Debt (subsequent to Recapitalization Transaction)	(5,248)	—	(5,248)	—	(5,248)
Balance, December 31, 2018	1,349,163	—	1,349,163	—	1,349,163
Repayments	(20,973)	—	(20,973)	—	(20,973)
Impact of foreign exchange	(5,112)	—	(5,112)	—	(5,112)
Balance, December 31, 2019	1,323,078	—	1,323,078	—	1,323,078

[(1)] Includes $73,918 associated with the settlement of the Cross Currency Swap Liability.

The total gain on debt and purchase consideration settlement of $1,931,828 was comprised of $1,710,341 of debt principal forgiven, $214,179 of debt interest forgiven and $7,308 related to gain on settlement of contingent consideration.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Interest expense

For the year ended	Dec 31, 2019	Dec 31, 2018
Interest expense payable in cash - Exchanged Debt	—	216,856
Interest expense payable in cash - New Secured Debt	101,495	33,148
Interest expense on Cross Currency Swap Liability	—	4,864
Interest expense on lease liabilities (Note 3)	1,113	—
Other non-cash interest	3,075	2,787
Interest and accretion expense	105,683	257,655

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

15. Share Capital

On September 6, 2018, the Company amended its articles to provide for (i) a class of Class A special shares; (ii) a class of Class B special shares; (iii) a class of Class C special shares; and (iv) a re-designation of the common shares as limited voting shares.

The authorized share capital of the Company as at December 31, 2019 consists of an unlimited number of limited voting shares, 1,000 Class A special shares, 1,000 Class B special shares and 2,000 Class C special shares.

Common shares and limited voting shares

The holders of limited voting shares are entitled to one vote for each limited voting share on all matters to be voted on at all meetings of shareholders of the Company, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class. Subject to the rights of the holders of any other class of share ranking in priority to the limited voting shares, the holders of the limited voting shares are entitled to (i) receive, on a ratable basis, any dividend declared by the Company in respect of the limited voting shares; and (ii) receive the remaining property and assets of the Company available for distribution, after payment of liabilities, upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company on a ratable basis.

On September 6, 2018, as part of the Recapitalization Transaction, the Company completed the following:

(i) A Share Consolidation of the issued and outstanding common shares on the basis of one common share for every 300 common shares outstanding immediately prior to September 6, 2018. No fractional shares were issued in connection with the Share Consolidation. Any individual holders of 299 or fewer shares prior to the date of the share consolidation did not receive any common shares as a result of the consolidation. Refer to Note 2 (e).

(ii) A redesignation of the outstanding common shares as limited voting shares pursuant to the amended articles as noted above.

(iii) A Private Placement to certain parties that executed the subscription agreement with ADVANZ PHARMA, dated May 1, 2018, for gross proceeds of $586,500, net of transaction costs of $44,191. The limited voting shares were issued at a share price of $13.69 per share. Refer to Note 2 (b).

(iv) Issued 5,841,857 limited voting shares, with a market value of $13.69 per share, in settlement of the Unsecured Debt pursuant to the CBCA Plan. Refer to Note 2 (d).

On September 7, 2018, the Company issued 59,247 limited voting shares to certain employees of the Group for gross proceeds of $811, net of transaction costs of $6 (the "**Management Co-Invest**"). The limited voting shares were issued at a share price of $13.69.

	Number of Shares	$
Balance, January 1, 2018	51,282,901	1,283,083
Vesting of RSUs (defined herein) prior to Recapitalization Transaction	899	20
Balance, September 6, 2018	51,283,800	1,283,103
Share Consolidation	(51,112,868)	—
Private Placement	42,841,454	542,309
Unsecured debt settlement	5,841,857	79,975
Management Co-Invest	59,247	805
Tax effect of share issuance transaction costs (Note 13)	—	8,808
Balance, December 31, 2018	48,913,490	1,915,000
Changes in 2019	—	—
Balance, December 31, 2019	48,913,490	1,915,000

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Class A, Class B and Class C special shares

All Class A special shares were issued to GSO (as defined in Note 23 (b)) at an issue price of $1.00 per share and are fully paid up.

All Class B special shares were issued to Solus (as defined in Note 23 (b)) at an issue price of $1.00 per share and are fully paid up.

The Class A and Class B special shares have the following significant rights, privileges, restrictions and conditions: (i) holders of these shares are entitled to receive notice of, to attend and speak at any meeting of the holders of limited voting shares; (ii) ability to elect a certain number of directors, depending on their holding of limited voting shares; (iii) no entitlement to dividends; (iv) redeemable by the holder; and (v) in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, entitled to receive $1.00 for each Class A or Class B special share held, in *pari passu*, before any distribution of any part of the property and assets of the Company among the holders of the limited voting share. The Class A and B special shares are classified as other liabilities in the consolidated balance sheets.

No Class C special shares have been issued.

16. Earnings (Loss) Per Share

On September 6, 2018, the Company completed a Share Consolidation. Accordingly, all share and per-share data presented in these consolidated financial statements and accompanying notes have been retrospectively restated to reflect the Share Consolidation, unless otherwise noted. The weighted average number of shares has been adjusted retrospectively to be comparable using that basis as if the Share Consolidation had been effective on the first day of the comparative reporting period of these consolidated financial statements. Refer to Notes 2 and 15.

The calculation of basic and diluted earnings (loss) per share for the years ended December 31, 2019 and 2018 was based on the information in the table below.

	2019	2018
Net income (loss) for the year	(196,018)	1,467,303
Weighted average number of shares in issue	48,913,490	15,661,555
Adjustments for:		
Dilutive unvested shares	—	—
Weighted average number of fully diluted shares	48,913,490	15,661,555
Earnings (loss) per share		
Basic earnings (loss) per share	(4.01)	93.69
Diluted earnings (loss) per share	(4.01)	93.69

As part of the Recapitalization Transaction, the MIP has been adopted, pursuant to which a maximum of 3,664,069 limited voting shares can be issued. If such number of limited voting shares are issued, they will dilute basic earnings per share in the future, however these dilutive limited voting shares were not included in the calculation of diluted earnings per share as they are based on a potential dilution event that has not yet occurred. Refer to Note 17 for further description of the MIP.

17. Share Based Compensation

Management Incentive Plan

In conjunction with the Recapitalization Transaction, the Group adopted the MIP which allows participants to share 7.59% of the incremental value growth of the Company in excess of an opening value on September 6, 2018, plus a hurdle of 9% per annum compounding on an annual basis. This 7.59% may increase to 10.12% if certain additional performance thresholds are met.

Participants acquired shares ("**MIP Shares**") in a subsidiary of the Company (the "**MIP Subsidiary**") which holds an ownership interest in the ADVANZ PHARMA International segment. An exchange rights agreement provides for mechanisms that can attribute the value of assets held outside of MIP Subsidiary to the MIP Shares, for purposes of calculating the value of the MIP Shares.

The exchange rights agreement also provides for the exchange of MIP Shares into limited voting shares of ADVANZ PHARMA in certain circumstances. These circumstances arise primarily in connection with an exit event ("**Exit Event**"). An Exit Event includes the following:

(i) a change of control of the Company,

(ii) a sale of substantially all of the assets of the Company and its subsidiaries on a consolidated basis (including by way of sale, merger, amalgamation, arrangement, business combination, consolidation, reorganisation or other similar transaction); or

(iii) an insolvency event, as defined in the exchange rights agreement.

In addition, MIP Shares may be exchanged into limited voting shares of ADVANZ PHARMA pursuant to certain tag-along rights contained in the exchange rights agreement upon a sale of 25% or more of the issued and outstanding limited voting shares of ADVANZ PHARMA by certain significant shareholders of ADVANZ PHARMA.

The performance of the MIP will be measured on or around the date of an Exit Event. The MIP Shares may be purchased and/or exchanged for new limited voting shares of the Company.

The Group has accounted for the issued MIP Shares on the basis that they will be equity settled, after evaluating alternatives that may require cash settlement. For accounting purposes, and in accordance with IFRS, the MIP was valued at $10 million on September 7, 2018 using a Monte-Carlo valuation model. The key assumptions included within this simulation were, (i) weighted average probability of expected time to maturity, (ii) share volatility of 35%, (iii) risk free rates between 2.53% and 2.78%, and (iv) the assumption that the Company will not pay dividends.

On September 7, 2018, 349,903 MIP Exchangeable Shares were acquired by the participants.

For the year ended December 31, 2019 the Group recorded share based compensation expense of $3,943 (2018 - $1,577) related to the MIP Shares. During the year ended December 31, 2019, the Company extended the expected time to maturity by approximately 9 months.

As at December 31, 2019, 426,939 MIP Exchangeable Shares were issued and outstanding.

Employee Stock Option Plan, Long-Term Incentive Plan

As part of the Recapitalization Transaction, as disclosed in Note 2 to these consolidated financial statements, all equity interests in the Company represented by options, warrants, rights or similar instruments outstanding on September 6, 2018, were cancelled pursuant to the CBCA Plan. As a result, all outstanding options under the employee stock option plan and the outstanding RSUs or DSUs which were granted to officers, directors, employees or consultants of the Group were cancelled for no consideration.

For the year ended December 31, 2018, the total compensation charged against income with respect to stock options outstanding was $1,638 and with respect to RSUs and DSUs was a recovery of $678.

18. Commitments and Contingencies

Commitments

The Group has commitments for purchase obligations with contract manufacturers and royalty payments.

The Group has commitments of $30,833 relating to purchase obligations with contract manufacturers over the next five years.

The Group has a commitment to pay royalties on certain products acquired from Shionogi Inc. in May 2013 and certain products acquired from Covis Pharma S.à R.L. on April 21, 2015, at certain prescribed rates. These royalties are payable on a quarterly basis.

The Group also has a separate commitment to pay royalties to Shionogi Inc. in relation to ADVANZ PHARMA's distribution of Ulesfia®. The minimum royalty payable on Ulesfia® is $3,000 per year, payable on an annual basis to the earlier of the period where: (i) there exists an issued and unexpired patent right; or (ii) no unauthorized third party generic version of Ulesfia® is being sold in the relevant territory. During the second quarter of 2019 the Company determined that there is no longer a future economic benefit associated with Ulesfia and therefore recorded a $7,500 charge within restructuring related, acquisition and other costs related to this onerous contract, which represents the present value of the remaining royalties payable. As at December 31, 2019, the outstanding amount is $6,000.

During the year ended December 31, 2019 the royalty expense was $2,275 (2018 - $1,941).

Guarantees

Subject to the Final Order granted in connection with the court proceedings in relation to the Recapitalization Transaction, and subject to certain restrictions, all directors and officers of the Group are indemnified by the Group for various items including, but not limited to, all costs to defend lawsuits or actions due to their association with the Group. The Group holds directors' and officers' liability insurance to mitigate the cost of any potential future lawsuits or actions.

In the normal course of business, the Group has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts, license agreements, information technology agreements and various product, service, data hosting and network access agreements. These indemnification arrangements may require the applicable Group entity to compensate counterparties for losses incurred by the counterparties as a result of breaches in representations, covenants and warranties provided by the particular Group entity or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction.

In connection with the acquisition of Zonegran®, the Group guaranteed the payment, performance and discharge of the purchaser's payment and indemnification obligations under the asset purchase agreement and each ancillary agreement entered into by the purchaser in connection therewith that contained payment or indemnification obligations. Pursuant to the share purchase agreement entered into by the Group in connection with the ADVANZ PHARMA International Acquisition, the Group guaranteed the obligations of the purchaser under the agreement and related transaction documents.

In connection with the Products Acquisition, the Company guaranteed the obligations of certain of its subsidiaries under the asset purchase agreement and each ancillary agreement.

During the third quarter of 2019, the Company guaranteed the obligations of certain of its subsidiaries under an updated wholesaler distribution agreement for the supply of its products in North America.

Litigation and Arbitration

From time to time, the Group becomes involved in various legal and administrative proceedings, which include product liability, intellectual property, commercial, antitrust, government and regulatory investigations, related private litigation and ordinary course employment-related issues. From time to time, the Group also initiates

actions or files counterclaims. The Group could be subject to counterclaims or other suits in response to actions it may initiate. The Group believes that the prosecution of these actions and counterclaims is important to preserve and protect the Group, its reputation and its assets. Certain of these proceedings and actions are described below.

Unless otherwise indicated, the Group cannot reasonably predict the outcome of these legal proceedings, nor can it currently estimate the amount of loss, or range of loss, if any, that may result from these proceedings. An adverse outcome in certain of these proceedings could have a material adverse effect on the Group's business, financial condition and results of operations, and could cause the market value of its limited voting shares and/or debt securities to decline.

The class action equity claims at the time of the Recapitalization Transaction (the "**Existing Equity Class Action Claims**") were released pursuant to the CBCA Plan and the Final Order, provided that any recovery in respect of such Existing Equity Class Action Claims was limited pursuant to the CBCA Plan and the Final Order to recovery from any applicable insurance policies maintained by the Group, subject to certain exceptions. These class actions have now been settled and closed.

The Company and certain of its former executive officers were the subject of various class action complaints in the US relating to the Company's August 12, 2016 press release, whereby the Company revised its 2016 guidance. These class actions have now been settled and closed.

The Company and certain of its former executive officers and a former director were also subject to securities class actions filed in Ontario and Quebec, Canada. These class actions have now been settled and closed.

Since 2016, the United Kingdom ("**U.K.**") Competition and Markets Authority ("**CMA**") has opened a number of investigations into the International segment of ADVANZ PHARMA. Nine (9) investigations have been opened. Five (5) of those nine investigations have now been closed by the CMA (although the CMA has powers to be able to re-open them in certain circumstances). Four (4) investigations are on-going and the Company continues to cooperate fully with the CMA. More details of these various investigations are set out below.

On October 25, 2016, the Company announced that the Competition and Markets Authority ("**CMA**") commenced an investigation into various issues in relation to the U.K. pharmaceutical sector, and that the ADVANZ PHARMA International segment was part of the inquiry. The CMA's investigation includes matters that pre-date the Group's ownership of the ADVANZ PHARMA International business and relates to the ADVANZ PHARMA International segment's pricing of three products. On February 15, 2018, and November 25, 2019, the Company announced that the CMA notified the Group that it was closing its investigation related to Fusidic Acid and Carbimazole, respectively, on administrative grounds. Such a decision does not prevent the CMA from opening a new investigation into the product in future. The CMA investigation into the pricing of liothyronine tablets continues: on November 21, 2017, the Company announced that the CMA had issued a statement of objections to the Group, and the former owners of the ADVANZ PHARMA International segment, Hg Capital LLP and Cinven, in relation to the pricing of liothyronine tablets, in the U.K. between November 2007 and at least July 2017. A statement of objections is a formal statement by the CMA that, on a provisional basis, it considers that a competition infringement may have occurred. On April 20, 2018, the Group responded in detail to the CMA's statement of objections, and on May 21, 2018, the Group attended an oral hearing to present the key points of its response to the CMA decision panel. On January 30, 2019, the CMA panel issued a supplemental statement of objections narrowing the scope of the investigation into liothyronine tablets, including reducing the period of time under consideration by two years. The Group applied for a stay of the investigation which was heard by the U.K. High Court on June 11, 2019 and was unsuccessful. The Group filed its response to the supplemental statement of objections on July 11, 2019. An oral hearing took place on September 3, 2019. The CMA has since asked for further information, has conducted further interviews, and arranged a further oral hearing in January 2020, but has not yet reached a decision.

On March 3, 2017, the Company announced that the CMA issued a statement of objections to a third party and the Group in relation to the supply of 10mg hydrocortisone tablets in the U.K. between 2013 and 2016. On May 26, 2017, the Company responded in detail to the CMA's statement of objections and on July 20, 2017, the Group

attended an oral hearing to present the key points of its response to the CMA decision panel. No decision has been made by the CMA decision panel since this hearing in July 2017. In December 2016, the CMA issued a statement of objections against Actavis UK in relation to its pricing of hydrocortisone tablets and on March 5, 2019, the CMA issued a statement of objections against Actavis UK and Waymade in relation to their agreements for 10mg and 20mg hydrocortisone tablets. The Company is not named in either of those two statements of objections. During 2019, the CMA informed the Company that it was considering merging its investigation into the Company with its separate investigations into Actavis and Waymade. The Company has objected to this proposal on various grounds. No decision has yet been taken by the CMA but a decision is expected in early 2020. This investigation includes matters that pre-date the Company's ownership of the ADVANZ PHARMA International business.

On October 10, 2017, the Company announced that the CMA commenced additional investigations in relation to the U.K. pharmaceutical sector, and that the ADVANZ PHARMA International segment and certain of its products are part of the inquiry. These investigations include matters that predate the Company's ownership of the ADVANZ PHARMA International segment, and involve the following products: Carbimazole, Nitrofurantoin, Prochlorperazine, Dicycloverine, Trazodone and Nefopam. On November 12, 2018, the CMA notified the Group that it had closed its investigations into Trazodone, Nefopam and Dicycloverine on the grounds of administrative priority. On February 21, 2019, the Group received notice from the CMA that the investigation into Nitrofurantoin was being amended to include 100mg capsules in addition to 50mg capsules. On May 23, 2019, the CMA issued a statement of objections to the Company and certain of its subsidiaries in relation to Prochlorperazine, whereby the CMA sets out a provisional view that Focus Pharmaceuticals Limited, a subsidiary of the Company, infringed competition law. The Company filed its response to this statement of objections on August 1, 2019. An oral hearing took place on October 8, 2019. The CMA has since asked for further information and conducted further interviews, but has not reached a decision, which is expected in the third quarter of 2020. On July 25, 2019, the CMA issued a statement of objections to the Company and certain of its subsidiaries in relation to Nitrofurantoin 50mg and 100 mg capsules, whereby the CMA sets out its provisional view that certain of those subsidiaries infringed competition law. The Company filed its response to this statement of objections in February 2020. An oral hearing is scheduled for April 2020.

During the first quarter of 2016, the Group became aware that a third party had notified wholesalers, through listing services, of its intent to distribute and sell in certain U.S. regions a non-FDA approved copy of Donnatal® tablets. On January 6, 2016, the Group commenced a lawsuit against the third party and its principal owner claiming damages from such conduct. In May 2016, the Group became aware that this non-FDA approved product was introduced into certain US regions. On March 15, 2017, the court ruled on the third party's motion to dismiss the Group's claim, denying such motion in part and granting it in part. On March 29, 2017, the third party filed its answer and counter claim in response to the Group's claim. On August 16, 2017, this third party filed a motion to amend its counterclaim to add factual allegations detailing the scope of the Group's campaign to disparage its products and interfere with its contractual and business relationships. On November 8, 2017, the court granted the Group's motion for leave to file its second amended complaint, permitting the Group to include its direct false advertising claim. On June 29, 2018, the Group filed an amended complaint to include claims relating to the listing and distribution of a non-FDA approved copy of Donnatal® elixir. The Group continues to pursue this lawsuit vigorously and the litigation is expected to go to trial in 2021.

On June 16, 2018, the Group commenced a lawsuit in the United States against Lazarus Pharmaceuticals Inc. ("**Lazarus**") and Cameron Pharmaceuticals LLC ("**Cameron**") for listing and distributing a non-FDA approved copy of Donnatal® elixir in certain U.S. regions. Discovery and depositions are now coming to a close. A mediation was held in September 2019 but did not resolve the dispute. The litigation is expected to be scheduled for trial in the first half of 2021. On June 29, 2018, ADVANZ PHARMA filed a statement of claim against Lazarus and Mark Thompson (the former Chief Executive Officer of the Company) in the Province of Ontario for, among other things, breach of contract and post-employment covenants. In January 2019, the Group filed a claim in the Province of Ontario against a former employee, Jean-Paul Laurin for, among other things, breach of contract and post-employment covenants. In August 2019, the Group filed a similar claim for breach of contract and post-employment covenants against former employee, Aaron Hullett.

During the first quarter of 2018, the Group filed a complaint in the United States against Blake Kelley, a former employee of the Group, for breach of his employment agreement, non-disclosure agreement, non-competition agreement and separation agreement by, *inter alia*, retaining, disclosing and / or using the Group's confidential, proprietary, and trade secret information relating to Donnatal®, breach of contract accompanied by a fraudulent act, misappropriation of trade secrets, a claim under the South Carolina Unfair Trade Practice Act, civil conspiracy, and violation of the Computer Fraud and Abuse Act. The Kelley lawsuit has been consolidated with the Lazarus lawsuit.

On April 5, 2019, the Group filed a lawsuit in California federal court against Vitae Enim Vitae Scientific Inc. ("**VeV**"), Boris Gites and Charles Cavallino alleging those defendants conspired with various former employees of the Group, including Mark Thompson and Jean-Paul Laurin, to develop and market phenobarbital and belladonna alkaloids elixir products that would directly compete with the Group's Donnatal® elixir products. On July 23, 2019, the California federal court denied the VeV motion to stay or dismiss the claim and ruled that the claim should be transferred to the courts in South Carolina where the Lazarus and Cameron claims are being heard. The Courts of South Carolina have since transferred the claim back to the courts in California. In October 2019, the VeV lawsuit was stayed, pending the trial in the Lazarus lawsuit.

On September 16, 2016, the Company announced that a bill was introduced in the U.K. House of Commons to amend and extend existing provisions of the National Health Service Act 2006 to enable the Secretary of State to help manage the cost of health service medicines. On April 27, 2017, the U.K. government accorded Royal Assent to the UK Health Service Medical Supplies (Costs) Act 2017 (the "**Act**"). The Act introduces provisions in connection with controlling the cost of health service medicines and other medical supplies. The Act also introduces provisions in connection with the provision of pricing and other information by manufacturers, distributors and suppliers of those medicines and medical supplies. On July 1, 2018, the U.K. Department of Health and Social Care (the "**Department of Health**") issued regulations relating to the provision of routine and non-routine information. These regulations require manufacturers and wholesalers to provide information relating to sales volumes and average selling prices on a quarterly basis, as well as provide the Department of Health the power to access information relating to costs and inventory holdings on a non-routine basis. The Group has historically provided volume and average selling price data on many of its products, and has continued to do so in accordance with the information regulations issued by the Department of Health on July 1, 2018. Whilst to date, the Group have seen no material adverse impact, the Group continues to monitor the implementation of the Act. In June 2019, as part of the wider review of costs, the Department of Health announced that it intends to issue a consultation on Community Pharmacy Reimbursement Reform. The Department of Health is consulting with the industry on how it intends to utilize any new powers to control the cost of any health service medicines and other supplies and is expected to issue a public consultation during 2020. While the full effects and implementation of the Act and these consultations are unknown at this time, the Act could impose certain risks and uncertainties on the Group's operations and cash flows. In addition, although the Group currently believes that the provision of pricing and other information regulations under the Act do not at this time materially adversely affect the Group, the impact on the Group's business will not be known until such time that the regulations are fully implemented and enforced.

19. Financial Risk Management

The Group's activities expose it to certain financial risks, including currency risk, interest rate risk, credit risk and liquidity risk.

Currency Risk

The Group operates primarily in USD, GBP and EUR. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

A portion of the Group's business is with customers in continental Europe and other foreign markets with transactions completed in foreign currencies. The Group's policy, where considered appropriate, is to minimize all currency exposures on any balance not expected to mature within 60 days of its arising. The Group is exploring options to mitigate its currency exposures.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

As part of the Recapitalization Transaction, as described in Note 2, the Company settled external GBP denominated debt and issued new EUR denominated debt. The settled external GBP debt was treated as a net investment hedge until the time of settlement.

The table below shows the extent to which the Group has net monetary assets (liabilities), excluding long-term debt, in currencies other than the functional currency of the Company.

As at (Amounts in USD)	**Dec 31, 2019**	**Dec 31, 2018**
Great British Pound	135,132	148,033
Euro	19,369	9,837
Indian Rupees	16,577	15,614
Swedish Krona	3,008	4,828
Australian Dollars	4,081	6,106
South African Rand	4,014	4,063
Papua New Guinea Kina	2,035	2,454
Canadian Dollars	252	774
Other	7,764	6,787
Total	192,232	198,496

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The long-term debt which bears interest at floating rates is subject to interest rate cash flow risk resulting from market fluctuations in interest rates. Certain long-term debt bear interest at a fixed rate of interest, and as such are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. A 1% appreciation (depreciation) in the interest rate would result in the following:

For the year ended	**2019**	**2018**
Impact of a 1% increase in USD LIBOR interest rates for long-term debt on net income (loss)	(8,003)	(14,119)
Impact of a 1% decrease in USD LIBOR interest rates for long-term debt on net income (loss)	8,003	8,610
Impact of a 1% increase in interest rates above EURIBOR floor for long-term debt on net income (loss)	(2,593)	(824)

Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially expose the Group to significant concentrations of credit risk consist of cash and cash equivalents, accounts receivables, and other receivables. The Group's investment policies are designed to mitigate the possibility of deterioration of principal, enhance the Group's ability to meet its liquidity needs and provide high returns within those parameters. The Group monitors the collectability of accounts receivable and estimates a loss allowance. As at December 31, 2019, the loss allowance was $920 (2018 – $2,189).

Concentrations of credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk primarily consist of accounts receivable.

The Group evaluates the recoverability of its accounts receivable on an on-going basis. As of December 31, 2019 the Group's single largest U.S. wholesale customer account for approximately 14% or $15 million of net trade receivables and 12% or $59 million of total revenue for the twelve months ended December 31, 2019. The Group does not consider there to be additional concentration risk within ADVANZ PHARMA International.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial liability obligations as they become due. The Group has a planning and budgeting process in place to determine funds required to support the Group's normal operating requirements on an ongoing basis. Since inception, the Group has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Group controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing.

The Group's primary source of liquidity is cash on hand and cash flows from operations not used for financing activities. The Group does not have an existing line of credit to access additional borrowed funds. As disclosed in Note 26 - *Subsequent Events*, the Company has entered into agreements to acquire certain product rights and the issued and outstanding share capital of Correvio Pharma Corp., both of which are expected to be funded with cash on hand ($261 million as at December 31, 2019) and expected to close during the second quarter of 2020. The total purchase consideration for the product acquisition is $84 million plus approximately $14 million of inventory deposit, and the total purchase consideration for the company acquisition is expected to be $76 million. The impact of the acquisitions noted above will reduce the Group's cash on hand and cash equivalent by approximately $180 million. While this will substantially reduce the Group's cash and cash equivalents, the Group's management team have assessed the impact of these two acquisitions, including the costs of integration and other payment obligations, on the Group's liquidity and believe that the cash on hand and the cash flows expected to be generated from operations will provide sufficient liquidity to support the Group's ongoing business and financing cash flow requirements for at least, but not limited to the next 12 months.

COVID-19

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China and on January 20, 2020, the World Health Organization declared the outbreak a global health emergency. The COVID-19 outbreak has continued to evolve rapidly with impacts seen across the world, which has led to significant a number of disruptions globally. Disruptions that could impact the Company include but are not limited to, our sales teams ability to travel, the ability of our contract manufacturing organizations to manufacture, the ability of our distributors to deliver to our patients and the ability of the Company to raise additional capital to fund future acquisitions. These disruptions, if they occur, could have an impact on the Company's operating results.

At present, the Company has not identified any material continuity-risks specifically associated with COVID-19, but continue to monitor situation carefully, working with Government and all relevant bodies to ensure that our patients are able to continue to access vital medicines at this time.

The following tables summarize the Group's significant contractual maturities (on an undiscounted cash flow basis) as at December 31, 2019 and December 31, 2018:

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

As at							Dec 31, 2019
Financial Instruments	**< 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 5 years**	**Thereafter**	**Total**
Trade payables and accrued liabilities	96,924	—	—	—	—	—	96,924
Provisions	12,067	233	5,093	—	—	—	17,393
Long-term debt	5,247	5,247	10,493	20,987	1,281,104	—	1,323,078
Interest on long-term debt	15,438	30,425	48,968	96,187	256,820	—	447,838
Lease liabilities	926	684	1,370	2,385	6,739	3,476	15,580
Royalties payable	750	750	1,500	3,000	—	—	6,000
	131,352	37,339	67,424	122,559	1,544,663	3,476	1,906,813

As at							Dec 31, 2018
Financial Instruments	**< 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 5 years**	**Thereafter**	**Total**
Trade payables and accrued liabilities	92,883	—	—	—	—	—	92,883
Provisions	21,459	2,008	2,410	—	—	—	25,877
Long-term debt	5,272	5,272	10,545	21,089	63,268	1,243,717	1,349,163
Interest on long-term debt	24,629	19,767	53,383	101,741	294,774	83,330	577,624
	144,243	27,047	66,338	122,830	358,042	1,327,047	2,045,547

20. Financial Instruments – Fair Value Estimation

Accounting classifications and fair values

The fair value of a financial asset or liability is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For the financial assets and liabilities of the Group, the fair values have been estimated as described below:

Cash and cash equivalents	- approximates to the carrying amount;
Long-term debt	- based on quoted price, or by reference to observable quoted prices for similar long-term debt;
Receivables and payables	- approximates to the carrying amount

There are no financial assets or liabilities that are measured at fair value as at December 31, 2019 and December 31, 2018.

Measurement of fair values

There were no transfers between Level 2 and Level 3 during the year.

During the year ended December 31, 2019 interest expense and changes in fair value of $nil (2018 - $425) related to purchase consideration was recognized in the consolidated statements of income (loss).

21. Capital Management

The Group's capital management objectives are to safeguard its ability to provide returns for shareholders and benefits for other stakeholders, by ensuring it has sufficient cash resources to fund its activities, to pursue its commercialization efforts and to maintain its ongoing operations. The Group includes long-term debt and shareholders' equity (deficit) in the definition of capital.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

The below table sets forth the Company's capital structure:

As at	Dec 31, 2019	Dec 31, 2018
Long-term debt (Note 14)	1,323,078	1,349,163
Shareholders' Equity (Deficit)	15,114	196,664
	1,338,192	1,545,827

22. Segmented Reporting

Operating Segments

The Group has two reportable operating segments: ADVANZ PHARMA International and ADVANZ PHARMA North America, as well as a Corporate cost centre. A brief description of each is as follows:

ADVANZ PHARMA International

The ADVANZ PHARMA International segment consists of a diversified portfolio of branded and generic products that are sold to wholesalers, hospitals and pharmacies in over 90 countries. The ADVANZ PHARMA International segment specializes in the acquisition, licensing and development of off-patent prescription medicines, which may be niche, hard to make products. The segment's over 200 products are manufactured and sold through an out-sourced manufacturing network and marketed internationally through a combination of direct sales and local distribution relationships. The ADVANZ PHARMA International segment operates primarily outside of the North American marketplace.

ADVANZ PHARMA North America

The ADVANZ PHARMA North America segment has a diversified product portfolio that focuses primarily on the U.S. pharmaceutical market. These products include, but are not limited to, Donnatal® for the treatment of irritable bowel syndrome; Zonegran® for the treatment of partial seizures in adults with epilepsy; Nilandron® for the treatment of metastatic prostate cancer; Lanoxin® for the treatment of mild to moderate heart failure and atrial fibrillation; Plaquenil® for the treatment of lupus and rheumatoid arthritis; and Photofrin® for the treatment of certain types of cancer. ADVANZ PHARMA North America's product portfolio consists of branded products and authorized generic contracts. The segment's products are manufactured through an out-sourced production network and sold primarily through a third party distribution network in the U.S.

Corporate

The corporate cost centre represents certain centralized costs including those costs associated with being a public reporting entity.

The following tables set forth operating income (loss), goodwill, total assets and total liabilities by reportable operating segment for the years ended December 31, 2019 and 2018.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	**Year ended Dec 31, 2019**
Revenue	378,792	129,529	—	508,321
Cost of sales	144,604	26,905	—	171,509
Gross profit	234,188	102,624	—	336,812
Operating expenses				
General and administrative	19,031	7,631	12,935	39,597
Selling and marketing	25,444	9,069	—	34,513
Research and development	21,508	7,613	—	29,121
Restructuring related, acquisition and other	15,648	9,393	8,800	33,841
Share-based compensation	—	—	3,943	3,943
Amortization of intangible assets	150,295	54,018	36	204,349
Impairments	10,120	119,161	—	129,281
Depreciation expense	1,979	150	72	2,201
Total operating expenses	244,025	207,035	25,786	476,846
Operating income (loss) for the year	(9,837)	(104,411)	(25,786)	(140,034)

	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	**Year ended Dec 31, 2018**
Revenue	403,653	133,333	—	536,986
Cost of sales	148,943	26,946	—	175,889
Gross profit	254,710	106,387	—	361,097
Operating expenses				
General and administrative	27,841	5,276	11,103	44,220
Selling and marketing	24,367	12,508	—	36,875
Research and development	22,707	7,001	—	29,708
Restructuring related, acquisition and other	12,050	3,540	85,382	100,972
Share-based compensation	—	—	2,537	2,537
Amortization of intangible assets	181,891	68,431	60	250,382
Impairments	57,560	—	—	57,560
Depreciation expense	1,437	96	187	1,720
Fair value (gain) loss	—	425	—	425
Total operating expenses	327,853	97,277	99,269	524,399
Operating income (loss) for the year	(73,143)	9,110	(99,269)	(163,302)

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Income (loss) from continuing operations before tax includes the total operating income (loss) from above plus other income and expense which do not form part of any reportable operating segment.

	ADVANZ PHARMA International	ADVANZ PHARMA North America	Corporate	Total
As at				**Dec 31, 2019**
Goodwill	212,054	12,484	—	224,538
Total assets	1,525,815	48,173	19,022	1,593,010
Total liabilities	234,402	7,152	1,336,342	1,577,896
As at				**Dec 31, 2018**
Goodwill	204,818	27,966	—	232,784
Total assets	1,326,526	473,713	30,705	1,830,944
Total liabilities	223,135	42,138	1,369,007	1,634,280

Geographic Information

The Group has major operations in Canada, Ireland, Jersey, the U.S. and the U.K.

The following table sets forth revenue by geographic location based on contracted entity (excluding inter-company transactions):

For the year ended						**Dec 31, 2019**
	Barbados	United States	United Kingdom & Jersey	Ireland	All other countries	**Total**
Revenue	85,912	11,749	214,032	46,544	150,084	508,321

For the year ended						**Dec 31, 2018**
	Barbados	United States	United Kingdom & Jersey	Ireland	All other countries	Total
Revenue	123,366	9,967	246,311	15,592	141,750	536,986

Product Revenue by Category

ADVANZ PHARMA International

For the year ended	**Dec 31, 2019**	**Dec 31, 2018**
Branded	201,294	200,210
Generics	177,498	203,443
Total	378,792	403,653

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

ADVANZ PHARMA North America

For the year ended	Dec 31, 2019	Dec 31, 2018
Branded	115,262	118,454
Authorized Generics and other	14,267	14,879
Total	129,529	133,333

The following table sets forth assets and liabilities by geographic location (excluding inter-company balances and investments in subsidiaries):

As at							Dec 31, 2019
	Barbados	Canada	United States	United Kingdom & Jersey	Ireland	All other countries [1]	**Total**
Current assets	2,422	19,022	9,315	217,138	180,620	41,265	469,782
Non-current assets	22,807	—	13,480	1,054,510	19,641	12,790	1,123,228
Total assets	25,229	19,022	22,795	1,271,648	200,261	54,055	1,593,010
Current liabilities	4,958	34,249	1,956	88,777	62,304	9,759	202,003
Non-current liabilities	327	1,302,093	58	59,871	5,712	7,832	1,375,893
Total liabilities	5,285	1,336,342	2,014	148,648	68,016	17,591	1,577,896

As at							Dec 31, 2018
	Barbados	Canada	United States	United Kingdom & Jersey	Ireland	All other countries [1]	**Total**
Current assets	83,129	30,594	9,859	166,537	106,613	47,405	444,137
Non-current assets	366,418	111	14,307	898,805	43,251	63,915	1,386,807
Total assets	449,547	30,705	24,166	1,065,342	149,864	111,320	1,830,944
Current liabilities	40,326	40,481	914	78,258	29,271	11,731	200,981
Non-current liabilities	898	1,328,526	—	86,279	—	17,596	1,433,299
Total liabilities	41,224	1,369,007	914	164,537	29,271	29,327	1,634,280

Notes:
(1) All other countries is comprised primarily of Australia, India, Netherlands and Sweden.

23. Related Party Transactions

(a) Compensation of Directors and Key Management

Compensation consisting of salaries, performance and retention bonuses, other benefits, severance and director fees to key management personnel and directors for the year ended December 31, 2019 amounted to $5,209 (2018 - $17,982).

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Share based compensation (recovery) expense recorded for key management and directors, for the year ended December 31, 2019 amounted to $2,675 (2018 - $250).

(b) Recapitalization Transaction

As a result of the Recapitalization Transaction investment funds for which GSO Capital Partners LP or its affiliates acts as investment manager, advisor or sub-advisor ("**GSO**") and investment funds for which Solus Alternative Asset Management LP or its affiliates acts as investment manager, advisor or sub-advisor ("**Solus**"), are now considered to be related parties in accordance with IFRS and also hold a portion of the Group's long-term debt.

(c) Employee Loan

As at December 31, 2018, there was an employee loan outstanding in the amount of $6, which was subsequently repaid during the first quarter of 2019.

(d) Fees Paid for Consulting Services to a Firm Affiliated with a Director

During the year ended December 31, 2019, consulting firms affiliated with member of the Board of the Company provided consulting services to the Company in relation to potential acquisitions. Consulting fees paid or payable to the firms affiliated with the directors for the year ended December 31, 2019 amounted to $246 (2018 - $nil), which represented the market value of the transactions. As at December 31, 2019, $92 was outstanding.

24. Nature of expenses

The nature of expenses included in cost of sales and operating expenses are as follows:

For the year ended	Dec 31, 2019	Dec 31, 2018
Production, manufacturing and distribution costs	171,509	175,889
Salaries, bonus and benefits	41,518	43,317
Sales and marketing expenses	20,320	23,699
Research and development expenses	17,697	20,291
Share-based compensation expense	3,943	2,537
Amortization and depreciation	206,550	252,102
Impairments	129,281	57,560
Fair value (gain) loss	—	425
Professional fees including those related to restructuring costs	45,282	111,054
Travel expenses	3,076	3,221
Other expenses	9,179	10,193
Total	648,355	700,288

Restructuring related, acquisition and other costs for the year ended December 31, 2019 was $33,841. The significant expenses include, $8,615 related to internal restructuring and integration, including costs for closure of Barbados operations, $8,279 of costs related to ongoing regulatory matters in connection with the CMA investigations (refer to Note 18 for further details), $7,500 due to the Company recording an onerous contract cost related to the remaining royalties payable on Ulesfia, and $4,859 of transaction costs in assessing potential acquisitions.

(Stated in thousands of U.S. Dollars, except per share amounts and where otherwise stated)

Restructuring related, acquisition and other costs for the year ended December 31, 2018 was $100,972. The expense includes $74,802 of costs associated with the Company's Recapitalization Transaction (which includes costs of the Company's advisors and advisors of the debtholders involved in the Recapitalization Transaction (refer to Note 2)), $1,375 of employee retention costs, $15,977 of costs related to severance, and $7,054 of costs related to ongoing regulatory matters in connection with the CMA investigations (refer to Note 18 for further details). The remaining costs relate primarily to the class action lawsuits involving the Company.

Unrealized foreign exchange (gain) loss

Unrealized foreign exchange gain for the year ended December 31, 2019 was $24,677 (2018 - loss of $38,257). The primary component of the unrealized foreign exchange (gain) loss for the period is the recognition of unrealized foreign exchange (gains) losses on EUR Term Loan and certain inter-company balances, including certain loans and inter-company interest balances, associated with the Company's investment in the ADVANZ PHARMA International segment. The European Euros ("EUR") denominated intercompany loans are not considered permanent investments as a result of repayment terms. The principal and interest, if any, in respect of these inter-company loans are eliminated on consolidation.

25. Non-cash working capital

Changes in non-cash working capital is comprised of:

For the year ended	Dec 31, 2019	Dec 31, 2018
Accounts receivable	4,917	33,544
Inventory	3,194	3,168
Prepaid expenses and other current assets	2,318	(8,293)
Trade payable and accrued liabilities	6,991	744
Provisions	(8,695)	(8,536)
Other liabilities	2,698	672
Changes in non-cash working capital	11,423	21,299

26. Subsequent Events

(a) **Product acquisition**

On March 6, 2020, the Company announced it entered into a definitive agreement to acquire the rights to a portfolio of alprostadil products from UCB S.A. for €75 million ($84 million) which is expected to close on or about April 1, 2020. On closing, the Company will also pay a deposit for inventory of approximately $14 million.

The alprostadil product portfolio consists of two established, niche, injectable Prostaglandin E1 formulations for the treatment of erectile dysfunction and peripheral arterial occlusive disease. The products are marketed under the brand names Prostavasin®, Viridal®, Vasaprostan® and Edex®. Combined sales of all alprostadil brands generated approximately $33.3 million in revenue in 2019 in the territories where the Company will hold the rights.

(b) **Voluntary de-listing from the Toronto Stock Exchange**

On March 10, 2020, the Company announced that it had filed a voluntary de-listing application with the TSX and expects to de-list its limited voting shares from the TSX on or about March 27, 2020, at which point there will be no public market to trade the limited voting shares of the Company. The Company will, however, remain a ‘reporting issuer’ under the applicable Canadian Securities Laws, shares that are currently freely tradeable in Ontario will continue to be freely tradeable in Ontario, and the Company will continue to disseminate its continuous disclosure documents as required by such laws until such time as it is no longer required to do so.

(c) **Company acquisition**

On March 16, 2020, the Company announced it had entered into an Arrangement Agreement to acquire all of the issued and outstanding shares of specialty pharmaceutical company Correvio Pharma Corp. for a purchase price of approximately $76 million, including the repayment of certain Correvio indebtedness. The acquisition is to be completed pursuant to a plan of arrangement under the CBCA. The acquisition is to be voted on by the shareholders of Correvio no later than May 20, 2020 to consider, and if deemed advisable, approve the transaction.