

TARO PHARMACEUTICAL INDUSTRIES LTD
Form 6-K
May 31, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2011

Commission File Number 000-22286

Taro Pharmaceutical Industries Ltd.

(Translation of registrant's name into English)

14 Hakitor Street, Haifa Bay 26110, Israel
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____.

The Company is filing the attached audited consolidated financial statements for the year ended December 31, 2010.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, Item 308 of Regulation S-K requires a company's Annual Report to include management's annual report on internal control over financial reporting that contains, among other items, management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year, including a statement as to whether or not the company's internal control over financial reporting is effective. The Company is currently not providing the full disclosures required in an Annual Report on Form 20-F for the year ended December 31, 2010, however, the Company's management has performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In connection with its assessment, management has determined that there were material weaknesses in the Company's internal control over financial reporting as of December 31, 2010 primarily related to (1) financial reporting and closing procedures, (2) certain revenue recognition procedures and (3) inventory valuation. Accordingly, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2010. The Company has instituted control procedures in order to remediate these material weaknesses and ensure that the consolidated financial statements are in conformity with United States generally accepted accounting principles.

SAFE HARBOR STATEMENT

Certain statements in this filing are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements that do not describe historical facts and statements that refer or relate to events or circumstances the Company "estimates," "believes," or "expects" to happen or similar language, and statements with respect to the Company's financial performance, including its financial performance during the years discussed in this filing and availability of financial information. Although Taro Pharmaceutical Industries Ltd. believes the expectations reflected in such forward-looking statements to be based on reasonable assumptions, it can give no assurances that its expectations will be attained. Factors that could cause actual results to differ include the possible unavailability of financial information, completion of the aforesaid audit, actions of the Company's lenders and creditors, general domestic and international economic conditions, industry and market conditions, changes in the Company's financial position, litigation brought by any party in any court in Israel, the United States, or any country in which Taro operates, regulatory actions and legislative actions in the countries in which Taro operates, and other risks as detailed from time to time in the Company's SEC reports, including its Annual Reports on Form 20-F. Forward-looking statements speak only as of the date on which they are made. The Company undertakes no obligations to update, change or revise any forward-looking statement, whether as a result of new information, additional or subsequent developments or otherwise.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 31, 2011

TARO PHARMACEUTICAL INDUSTRIES LTD.

By: /s/ James Kedrowski

Name: James Kedrowski

Title: Interim Chief Executive Officer and Director

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TARO PHARMACEUTICAL INDUSTRIES LTD.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Taro Pharmaceutical Industries Ltd.

We have audited the accompanying consolidated balance sheets of Taro Pharmaceutical Industries Ltd. (the "Company") and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Tel Aviv, Israel

May 26, 2011

/s/ Ziv Haft

Ziv Haft

Certified Public Accountants (Isr)

BDO Member Firm

TARO PHARMACEUTICAL INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS

U.S. dollars and shares in thousands

	December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 54,144	\$ 93,307
Short-term bank deposits	31,000	20,974
Marketable securities	3,693	-
Accounts receivable and other:		
Trade, net	73,406	61,643
Other receivables and prepaid expenses	49,251	45,603
Inventories	83,709	67,977
Long-term assets held for sale, net	434	-
TOTAL CURRENT ASSETS	295,637	289,504
LONG-TERM RECEIVABLES AND OTHER ASSETS	30,663	31,549
PROPERTY, PLANT AND EQUIPMENT, NET	163,596	176,168
GOODWILL	7,285	7,265
INTANGIBLE ASSETS AND DEFERRED COSTS, NET	22,771	20,883
DEFERRED INCOME TAXES	36,490	50,520
TOTAL ASSETS	\$ 556,442	\$ 575,889

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

TARO PHARMACEUTICAL INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS

U.S. dollars and shares in thousands

	December 31,	
	2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit and short-term loans	\$ 14,885	\$ 96,090
Current maturities of long-term debt	13,310	29,277
Accounts payable:		
Trade payables	21,905	27,979
Other current liabilities	79,686	77,063
TOTAL CURRENT LIABILITIES	129,786	230,409
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	31,225	38,380
Deferred income taxes	2,342	3,813
Other long-term liabilities	8,576	7,591
TOTAL LONG-TERM LIABILITIES	42,143	49,784
COMMITMENTS AND CONTINGENT LIABILITIES		
TOTAL LIABILITIES	171,929	280,193
SHAREHOLDERS' EQUITY:		
Taro shareholders' equity:		
Ordinary shares of NIS 0.0001 par value:		
Authorized at December 31, 2010 and 2009: 200,000,000 shares; Issued at December 31, 2010 and 2009: 43,340,632 and 39,509,257 shares, respectively.		
Outstanding at December 31, 2010 and 2009:		
43,080,457 and 39,249,082 shares, respectively.	679	679
Founders' shares of NIS 0.00001 par value:		
Authorized, issued and outstanding at December 31, 2010 and 2009:		
2,600 shares	1	1
Additional paid-in capital	244,668	222,608
Accumulated other comprehensive income	24,186	21,980
Treasury stock: 260,175 shares at December 31, 2010 and 2009	(1,329)	(1,329)
Accumulated earnings	113,107	49,029
Taro shareholders' equity	381,312	292,968
Non-controlling interest	3,201	2,728

TOTAL SHAREHOLDERS' EQUITY	384,513	295,696
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 556,442	\$ 575,889

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

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TARO PHARMACEUTICAL INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars and shares in thousands (except per share data)

	Year ended December 31,		
	2010	2009(*)	2008(*)
Sales, net	\$ 392,535	\$ 355,936	\$ 327,351
Cost of sales	159,045	146,920	139,483
Impairment	113	171	27
Gross profit	233,377	208,845	187,841
Operating expenses:			
Research and development, net	36,393	33,303	33,681
Selling, marketing, general and administrative	107,902	100,344	97,125
Impairment	2,617	3,363	2,820
	146,912	137,010	133,626
Operating income	86,465	71,835	54,215
Financial expenses, net	11,840	13,575	(1,754)
Other gain, net	755	548	469
Income before income taxes	75,380	58,808	56,438
Tax expense (benefit)	10,477	(69,657)	13,541
Income from continuing operations	64,903	128,465	42,897
Net loss from discontinued operations	(352)	(11,714)	(12,376)
Net income	64,551	116,751	30,521
Net income attributable to non-controlling interest	473	2,728	-
Net income attributable to Taro	\$ 64,078	\$ 114,023	\$ 30,521
Net income from continuing operations attributable to Taro	64,430	125,737	42,897
Net loss from discontinued operations attributable to Taro	(352)	(11,714)	(12,376)
Net income attributable to Taro	\$ 64,078	\$ 114,023	\$ 30,521
Net income per ordinary share from continuing operations attributable to Taro:			
Basic	\$ 1.60	\$ 3.21	\$ 1.10
Diluted	\$ 1.54	\$ 3.10	\$ 1.07
Net loss per ordinary share from discontinued operations attributable to Taro:			
Basic	\$ (0.01)	\$ (0.30)	\$ (0.32)
Diluted	\$ (0.01)	\$ (0.29)	\$ (0.31)
Net income per ordinary share attributable to Taro:			

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Basic	\$ 1.59	\$ 2.91	\$ 0.78
Diluted	\$ 1.53	\$ 2.81	\$ 0.76
Weighted-average number of ordinary shares used to compute net income per share:			
Basic	40,272	39,232	39,200
Diluted	41,850	40,568	40,423

(*) Adjusted for the discontinued operations of the Irish subsidiary.

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

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TARO PHARMACEUTICAL INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars and shares in thousands

	Taro Shareholders' Equity						Total Taro Comprehensive Income (Loss)	Total Taro Shareholders' Equity	Total Number of Shares	Total Shareholders' Equity
	Number of Shares	Share Capital	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Retained Earnings (Accumulated Deficit)				
Balance at January 1, 2008	39,196	680	221,814	27,620	(1,361)	(95,515)		153,238	153,238	
Exercise of options and issuance of shares of ESPP	4		2		32			34	34	
Share-based compensation			322					322	322	
Comprehensive income (loss), net of tax:										
Foreign currency translation adjustments				(19,898)			(19,898)	(19,898)	(19,898)	
Net income										