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## Independent Auditors' Report

The Board of Directors  
Strides Arcolab International Limited

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Strides Pharma Inc. and its subsidiary Vensun Pharmaceuticals Inc., which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



**Independent Auditors' Report (continued)**

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Strides Pharma Inc. and its subsidiary, Vensun Pharmaceuticals Inc. as of March 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG'.

Mumbai, India

Date : 18 October 2019

**Strides Pharma, Inc.**  
**Consolidated Balance Sheet**  
**March 31, 2019**  
(Amount in \$, except share and per share data)

	Notes	March 31, 2019	March 31, 2018
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	1.6	3,117,987	970,767
Trade receivables, net	1.7, 2	50,782,104	18,813,586
Inventories - Finished goods	1.13	20,354,196	15,243,255
Other current assets	3	7,255,648	3,535,724
<b>Total current assets</b>		<b>81,509,935</b>	<b>38,563,332</b>
Investments	1.12, 17	34,157,261	34,157,261
Goodwill	1.11, 18	25,068,256	-
Intangible assets, net	1.9, 5	22,663,608	8,719,314
Property and equipment, net	1.8, 4	109,207	92,554
Deferred tax assets, net	1.23, 16	2,343,764	-
Security deposits		57,178	-
		<b>84,399,274</b>	<b>42,969,129</b>
<b>Total assets</b>		<b>165,909,209</b>	<b>81,532,461</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current liabilities:</b>			
Trade payables		48,613,525	9,426,505
<b>Other current liabilities:</b>			
Accrued expenses	6	5,498,285	7,312,936
Accrued taxes	1.23, 16	577,926	491,786
Borrowings	11	30,847,428	29,933,483
Contingent consideration payable	18	1,931,602	-
Provisions for sales returns		8,474,609	1,620,426
<b>Total current liabilities</b>		<b>95,943,375</b>	<b>48,785,136</b>
<b>Non Current liabilities:</b>			
Long term debt from related parties	13	2,666,114	8,287,701
Borrowings	11	13,068,420	-
Contingent consideration payable	18	7,813,815	-
<b>Total liabilities</b>		<b>119,491,724</b>	<b>57,072,837</b>
<b>Stockholders' equity:</b>			
Common stock, \$10 par value per share	12	129,610	129,610
Authorized 100,000 shares; issued and outstanding: 12,961 shares as at March 31, 2019			
Additional paid-in capital		12,665,991	12,665,991
Retained earnings		14,261,884	11,664,023
Monies Pending allotment		19,360,000	-
<b>Total stockholders' equity</b>		<b>46,417,485</b>	<b>24,459,624</b>
<b>Total liabilities and stockholders' equity</b>		<b>165,909,209</b>	<b>81,532,461</b>

See accompanying notes to financial statements.



**Strides Pharma, Inc.**  
**Consolidated Statement of Operations and Comprehensive Income**  
**Year ended March 31, 2019**

( Amount in \$, except share and per share data )

	Notes	For the year ended	
		March 31, 2019	March 31, 2018
Revenue	1.14	78,880,054	40,762,876
<b>Total revenue</b>		<b>78,880,054</b>	<b>40,762,876</b>
Operating expenses			
Cost of revenues	1.16, 7	61,945,768	31,363,717
Selling, general, and administrative expenses	8	15,524,033	14,945,694
Depreciation and amortization	1.8, 1.9	107,025	702,957
Other operating income	9	(1,448,565)	(845,838)
<b>Total operating expenses</b>		<b>76,128,261</b>	<b>46,166,530</b>
<b>Income/(loss) from operations</b>		<b>2,751,793</b>	<b>(5,403,654)</b>
Unwinding impact of contingent consideration payable		(245,417)	-
Other Income	10	100,045	10,146
Interest expense		(2,352,324)	(1,929,962)
<b>Profit / (Loss) before income taxes</b>		<b>254,097</b>	<b>(7,323,469)</b>
Income tax (credit) / expense	1.23, 16	(2,343,764)	-
<b>Net Profit/(loss)</b>		<b>2,597,861</b>	<b>(7,323,469)</b>
Other comprehensive income, net of tax:		-	-
<b>Net comprehensive profit/(loss)</b>		<b>2,597,861</b>	<b>(7,323,469)</b>

See accompanying notes to financial statements.



**Strides Pharma, Inc.**

**Consolidated Statement of Changes in Stockholders' Equity**

( Amount in \$, except share and per share data )

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total equity
Shares	Amount	Application Monies pending allotment #	Securities Premium		
<b>Balance at April 01, 2017</b>	11,115	10,400,000	2,288,850	-	31,787,492
Net loss	-	-	(7,323,469)	-	(7,323,469)
Shares issued during the year	1,846	(10,400,000)	10,377,141	-	(4,399)
Other comprehensive loss	-	-	-	-	-
<b>Balance at March 31, 2018</b>	12,961	-	12,665,991	-	24,459,624
Net Profit during the year		19,360,000	2,597,861		2,597,861
Amount received during the year					19,360,000
Other comprehensive loss					
<b>Balance at March 31, 2019</b>	12,961	19,360,000	12,665,991	-	46,417,485

# Subsequently allotted on June 20, 2019.

See accompanying notes to financial statements.



**Strides Pharma, Inc.**  
**Consolidated Statement of Cash Flows**  
**Year ended March 31, 2019**  
(Amount in \$, except share and per share data)

	Year ended	
	March 31, 2019	March 31, 2018
<b>Cash flows provided by operating activities:</b>		
Net Profit / (loss)	254,097	(7,323,469)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortisation	107,025	702,957
Gain on sale of assets	(94,111)	-
Unwinding of discount on contingent consideration payable	245,417	-
 <b>Changes in operating assets and liabilities, net of acquisition:</b>		
Increase in Accounts receivables	(26,463,100)	(526,075)
Increase in Inventories	(3,489,315)	(4,425,067)
Increase in Other Assets	(3,400,249)	(1,052,769)
Increase in Trade Payables and liabilities	15,189,950	2,762,236
 <b>Net Cash used in operating activities</b>	<b>(17,650,286)</b>	<b>(9,862,187)</b>
 <b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(7,639)	(12,264)
Proceeds from sale of intangible assets	8,802,642	-
Consideration paid towards Business combination, net of cash	(2,468,275)	-
<b>Net cash provided by/(used in) investing activities</b>	<b>6,326,728</b>	<b>(12,264)</b>
 <b>Cash flows from financing activities:</b>		
Refund of share application money	-	(4,399)
Share application money received	19,360,000	-
Proceeds from notes payable	14,732,365	15,045,983
Repayment of notes payable	(15,000,000)	-
Repayment of inter-company loan	(5,621,587)	(4,462,019)
<b>Net cash provided by financing activities</b>	<b>13,470,778</b>	<b>10,579,565</b>
 Net increase in cash and cash equivalent	2,147,220	705,114
Cash and cash equivalents at the beginning of the year	970,767	265,653
 <b>Cash and cash equivalents at the end of the year</b>	<b>3,117,987</b>	<b>970,767</b>
 <b>Supplementary information:</b>		
Interest paid	\$ 1,585,252	\$ 1,151,655
Income taxes paid	\$ -	\$ -

See accompanying notes to financial statements.



**Strides Pharma, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019**

( Amount in \$, except share and per share data )

**I Summary of significant accounting policies**

**1.1 Company overview and description of business:**

Strides Pharma, Inc. (the "Company"), having headquarters in East Brunswick, New Jersey, was incorporated on June 26, 2013 in the State of New Jersey. The company is in the business of marketing, selling and distributing generic prescription drugs (oral dosages as well as ointments). Strides Pharma Science Limited (the "Parent") owns 100% of Strides Arcolab International Limited, UK, which owns 100% of the Company. Manufacturing of prescription products is done by the Parent or fellow subsidiaries. The ultimate parent company is incorporated in India and is listed on the National Stock Exchange of India and the Bombay Stock Exchange of India. The Company's administrative office is located in New Jersey and have two warehouses located in Tennessee and Louisville.

The Company owns 10% of Strides Pharma Global (UK) Limited (a subsidiary of parent company). The Parent also owns 100% of Strides Pharma Asia Pte Limited, Singapore which owns 100% of Strides Pharma Global Pte Limited, Singapore ("SPG"). The Company receives a majority of their supplies from SPG, manufactured by the ultimate parent company.

Additionally, the Parent owns 100% of Strides Pharma International Limited, Cyprus which has entered into a loan agreement with the Company.

The Company is dependent upon the Parent and SPG for manufacturing and supply of products, research and development efforts, and for the continued use of (or access to) drug formulations and intellectual property that are essential in Rx products and related operations. In addition, the SPG has provided financial support to the Company and are committed to continue funding the needs of the Company for the foreseeable future.

**1.2 Basis of preparation and principles of financial statements**

The accompanying financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles ("US GAAP").

**1.3 Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Appropriate changes in estimates are made as and when management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and if material, their effects are disclosed in the notes to the financial statements. Significant estimates include the valuation of receivables, goodwill impairment, inventory, investments, intangible assets, accruals, and the estimated useful lives for long lived assets and intangibles. Actual results could differ from those estimates.

**1.4 Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Strides Pharma, Inc. and its fully owned subsidiary, Vensun Pharmaceuticals Inc. (collectively, the Company). All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities. The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

**1.5 Business Combination**

The application of business combination accounting requires the use of significant estimates and assumptions. The Company accounts for business combinations using the acquisition method of accounting, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Contingent consideration is included within the acquisition cost and is recognized at its fair value on the acquisition date. The measurement of purchase price, including future contingent consideration, if any, and its allocation, requires significant estimates in determining the fair values of assets acquired and liabilities assumed, including with respect to intangible assets and deferred and contingent consideration. Significant estimates and assumptions made include, but are not limited to, the timing and amount of future revenue and cash flows based on, among other things, anticipated growth rates, customer attrition rates, and the discount rate reflecting the risk inherent in future cash flows.

**1.6 Cash and cash equivalents**

Cash equivalents consist of cash on hand and balance in current accounts, which are unrestricted as to withdrawal and use. The Company maintains cash balances with financial institution in the United States. Bank interest-bearing balances in U.S. banks are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. At various times throughout the year, balances at the financial institution may exceed the Federal Deposit Insurance Corporation's limit. Management regularly monitors the financial condition of the banking institution, along with their balances in cash to keep this potential risk at a minimum. At March 31, 2019, the Company's cash and cash equivalent is \$3,117,987 (March 31, 2018 - \$970,767).



**Strides Pharma, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019**

( Amount in \$, except shares and per share data )

**1 Summary of significant accounting policies (continued)**

**1.7 Accounts receivable**

The Company extends credit to customers based upon management's assessment of their creditworthiness. To avoid risk with accounts receivable, the Company routinely analyzes the financial strength of customers.

The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company does not have any off-balance sheet credit exposure related to its customers.

**1.8 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation.

The Company depreciates property and equipment over the estimated useful life using the straight-line method. All Property and equipment have useful life ranging from three to seven years. Maintenance and repair costs are charged to expense as incurred. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is reported in other income.

The estimated useful lives of the assets are as follows:

	Useful life
Computers	3
Office equipment	10
Furniture and fixtures	5
Plant and machinery	4

**1.9 Intangible assets**

Intangible assets with finite lives are amortized over their respective estimated useful lives to their estimated residual values. Intangible assets are comprised of the fair values ascribed to trademarks, product know how, commercial know how, and internet domain names. The trademarks, product know how, commercial know how, and internet domain names are being amortized over 15 years.

The estimated useful lives of the assets are as follows:

	Useful life
Registrations and Brands	15
Software licenses	5

Total depreciation including amortisation for the year ended March 31, 2019 was \$107,025 ( March 31, 2018 - \$702,957).

**1.10 Long-lived assets**

The Company evaluates the recoverability of such assets when indicators of impairment exist. US GAAP requires recognition of impairment of long-lived assets in the event the net carrying value of these assets exceeds the estimated future undiscounted cash flows attributable to such assets. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of these assets in relation to the operating performance of the business and the future discounted cash flows expected to result from the use of these assets. If the carrying value of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no impairment charges of long-lived assets recognized during the year ended March 31, 2019.

**1.11 Goodwill**

Goodwill represents the cost of acquired businesses in excess of the fair value of the identifiable tangible and intangible net assets purchased. Goodwill is tested for impairment at least on an annual basis on March 31, or as circumstances warrant based on a number of factors, including operating results, business plans and future cash flows. We perform an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on our assessment of events or circumstances, we perform a quantitative assessment of goodwill impairment if it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the results of our assessments of qualitative factors, we determined that the fair values of all of our reporting units are likely to be higher than their respective carrying amounts as of March 31, 2019.

**1.12 Investments**

The Company has made investments in the form of common stock and preferred shares in the affiliated enterprise Strides Pharma Global (UK) Limited (SPGUL), formerly known as Strides Pharma (UK) Limited, (SPUL). Management determines on an annual basis any impairment on those investments and records the adjustments to investments in the income statement.

**1.13 Inventory**

Inventories, consisting of finished goods, are valued at the lower of cost or net realizable value. Cost is determined by the weighted average cost basis. Based on the Company's assessment of slow-moving inventory and expiration policies, the Company has provided a provision for its inventory of approximately USD 2,822,349 as of March 31, 2019 (March 31, 2018 -\$920,000) for expired or near expiry products.





**Strides Pharma, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019**  
( Amount in \$, except shares and per share data )

**1 Summary of significant accounting policies (continued)**

**1.14 Revenue recognition**

**Sale of Goods:**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with the goods and the amount of revenue can be measured reliably. The timing of transfer of risks and rewards varies depending on the individual terms of sale, usually in case of domestic, such transfer occurs when the product is delivered to the customer. Revenue is measured at the fair value of the consideration received or receivable. Sales are net of estimated allowances for chargebacks, rebates, cash discounts and estimates of product returns. The significant adjustments to revenue are explained below:

a. Chargeback claim represents an amount payable in the future to Wholesaler for the difference between the invoice price (Wholesaler Acquisition Cost ('WAC') paid to the Company by the wholesaler for a particular product and the negotiated contract price that the wholesaler pays for the product. Provision for chargeback is calculated on the basis of historical experience and specific terms in the individual agreements.

b. Provision for rebates and fees is calculated based on historical experience and specific terms in the individual agreements.

c. Provision for sales returns are estimated on the basis of historical experience, market conditions and specific contractual terms and provided for in the year of sale as reduction from revenue. The methodology and assumptions used to estimate returns are monitored and adjusted regularly in line with contractual and legal obligations, trade practices, historical trends, past experience and projected market conditions.

d. Company products covered by the Medicaid program are required to pay rebate to each state a percentage of their average manufacturer's price ('AMP') for the products dispensed. Medicaid rebates are estimated based on historical trends of rebates paid.

e. Shelf stock adjustments are credits issued to customers to reflect decrease in selling price of the products. These credits are customary in the industry and are intended to reduce the customers' inventory cost to reflect current market prices. The decision to grant a shelf stock adjustment to a customer following a price decrease is made at the Company's discretion.

**1.15 Shipping and handling**

Shipping and handling costs incurred to transport products to customers are included in selling, general and administrative expenses.

**1.16 Cost of Goods Sold**

Cost of goods sold primarily includes purchase cost of finished goods, freight inward, packing cost.

**1.17 Research and development costs**

Costs incurred for research and development are expensed as incurred. The Company recognizes research expenses in the period in which it becomes obligated to incur such costs. Research expenses for the year ended March 31, 2019 is Nil (March 31, 2018 - \$4,080) and are included in general and administrative expenses in consolidated statement of operations.

**1.18 Advertising expense**

The Company recognise all marketing and promotional costs when incurred. During the year ended March 31, 2019, advertising expenses amounted to USD 1,577,487 (March 31, 2018 - \$5,345,551). These amounts are included in general and administrative expenses in the statement of operations.

**1.19 Other income**

The Company classifies the following as other income in the statement of operations:

- (a) Support service income
- (b) Interest Income
- (c) Gain on sale of intangible assets



**Strides Pharma Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019**  
( Amount in \$, except shares and per share data )

**I Summary of significant accounting policies (continued)**

**1.20 Fair value accounting**

The Company uses valuation approach that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels in accordance with ASU 2011-04:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The Financial instruments such as cash, accounts receivables, and payables are due in the normal cycle of short-term nature and no significant difference with book value. Additionally, the Company has a long term investment in an affiliated company, SPGUL, in the form of preferred shares that is valued at cost less impairment.

**1.21 Employee benefits**

**Defined contribution plans**

Employees of the Company in participate in an employee retirement savings plan (the "401K Plan") under Section 401(K) of the United States Internal Revenue Code. The 401K Plan allows for employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contributions to the 401K Plan. The 401K Plan does not provide for any matching contributions from the Company.

The Company has no further funding obligation under defined contribution plans beyond the contributions required to be made under these plans. Contributions are charged to income in the year in which they are incurred and are included in the statement of operations. For the year ended March 31, 2019, the Company made contributions of \$60,603 (March 31, 2018 - \$74,605). This amount is included in selling, general and administrative expenses in the statement of operations.



**Strides Pharma Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019**

( Amount in \$, except share and per share data )

**I Summary of significant accounting policies (continued)**

**1.22 Commitments and contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigations, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with the same are expensed as incurred.

**1.23 Income taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

**1.24 Concentration of risks**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Company generated approximately 80% of its gross revenue from two customers during the year ended March 31, 2019.

The table below breaks down the percentage of revenue and accounts receivable related to the two customers:

Customers	Gross Revenue	Accounts Receivable
Customer A	54%	57%
Customer B	26%	24%

The Company's largest vendor is SPG. Also, major products sold by the Company are manufactured in India.

**1.25 Effects of New Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update 2016-02 Leases (Topic 842) ("ASU 2016-02") to provide guidance on recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in ASU 2016-02 is permitted for all entities. The Company is currently evaluating the impact on the financial statements of the adoption of the guidance in ASU 2016-02.

In May 2014, the FASB issued Accounting Standards Update 2014-09 Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09") as updated by additional ASUs, which provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers. ASU 2014-09 is effective for non public entities with a fiscal year beginning after December 15, 2018 and may be early adopted for fiscal years beginning after December 15, 2016. The Company has already evaluated the impact of new guidance on its prospective financial statements and concluded that there is no material impact of this guidance on the financial statement.



**Strides Pharma, Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019**

( Amount in \$, except share and per share data )

<b>2</b>	<b>Trade receivables</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	Gross Receivables	50,782,104	18,849,762
	Less: Provision for doubtful debts	-	(36,176)
		<u>50,782,104</u>	<u>18,813,586</u>
<b>3</b>	<b>Other current assets</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	Prepaid expenses	179,067	129,726
	Advance to vendor	2,119,164	-
	Due from related parties	4,957,417	3,327,889
	Other assets	-	78,109
		<u>7,255,648</u>	<u>3,535,724</u>
<b>4</b>	<b>Property and equipment, net</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	<b>Tangible assets:</b>		
	Computers (including computer software)	33,664	21,044
	Furniture and fixtures	131,075	104,693
	Office equipment	7,362	7,362
	Plant and machinery	4,755	4,755
	<b>Total</b>	<u>176,856</u>	<u>137,854</u>
	Accumulated depreciation and amortization	(67,649)	(45,300)
	<b>Net block ( A )</b>	<u>109,207</u>	<u>92,554</u>

Depreciation expense for the year ended March 31, 2019 is USD 22,349 (March 31, 2018 - \$20,088).

<b>5</b>	<b>Intangible assets:</b>		
	Registration and brands:		
	Trademarks	6,037,500	2,859,000
	Production Know-how	-	3,529,000
	Commercial Know-how	-	3,529,000
	Internet Domain Name	-	83,000
	Website	-	81,000
	<b>Total</b>	<u>6,037,500</u>	<u>10,081,000</u>
	Accumulated amortization	(73,892)	(1,361,686)
	<b>Net Intangible assets</b>	<u>5,963,608</u>	<u>8,719,314</u>
	<b>Intangibles under development</b>	<u>16,700,000</u>	<u>-</u>
	<b>Total Intangible assets</b>	<u>22,663,608</u>	<u>8,719,314</u>

Amortization expense for the year ended March 31, 2019 is USD 84,676 (March 31, 2018 - \$682,869). For Trademarks, the amortization expense for the next five years and thereafter is estimated as follows:

<b>Year ending March 31:</b>	<b>Amount</b>	<b>Amount</b>
2020	443,333	682,867
2021	1,000,000	682,867
2022	1,535,833	682,867
2023	1,506,667	670,717
2024	1,506,667	666,667
Thereafter	16,671,108	5,333,330
<b>Total</b>	<u>22,663,608</u>	<u>8,719,314</u>



**Strides Pharma, Inc.**  
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<b>6</b>	<b>Accrued expenses, payroll and interest:</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	Accrued expenses	3,359,891	6,468,671
	Accrued payroll	1,348,907	767,117
	Interest accrued on borrowings	789,487	22,415
	Advance from customer	-	54,733
		<b>5,498,285</b>	<b>7,312,936</b>
<b>7</b>	<b>Cost of revenue</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	Cost of goods sold	61,945,768	31,363,717
		<b>61,945,768</b>	<b>31,363,717</b>
<b>8</b>	<b>Selling, general and administrative expenses</b>	<b>Year ended March 31, 2019</b>	<b>Year ended March 31, 2018</b>
	Employee benefits expense	4,015,343	3,861,091
	Marketing expenses	1,577,487	5,345,551
	Freight and warehousing expenses	3,120,532	1,512,949
	Legal and professional expenses	2,682,171	2,134,952
	Failure to supply	2,130,032	133,736
	Insurance expenses	171,866	300,742
	Rent expenses	235,218	227,699
	Travel	282,194	288,742
	Trade shows	205,169	207,120
	Others	1,104,021	933,112
		<b>15,524,033</b>	<b>14,945,694</b>
<b>9</b>	<b>Other operating income</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	Support service income	1,365,547	845,838
	Royalty	83,018	-
		<b>1,448,565</b>	<b>845,838</b>
<b>10</b>	<b>Other income</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
	Gain on Asset Sale	94,112	-
	Miscellaneous Income	5,933	10,146
		<b>100,045</b>	<b>10,146</b>



**Strides Pharma, Inc.**  
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**11 Borrowings**

Particulars	31-Mar-19	31-Mar-18
Long term loan from bank	13,068,420	14,968,900
Current instalments of long term loan from Bank	1,666,667	-
Short term loan from bank	14,930,761	14,964,583
<b>Total loans from bank</b>	<b>29,665,848</b>	<b>29,933,483</b>
Notes Payable	14,250,000	-
	<b>43,915,848</b>	<b>29,933,483</b>
<b>Disclosed as :</b>		
Non Current	13,068,420	-
Current	30,847,428	29,933,483
	<b>43,915,848</b>	<b>29,933,483</b>

The Company entered into a loan agreement with RBL Bank Limited India and Axis Bank Limited, Hong Kong for \$15,000,000 each which is secured by substantially all of the current assets (receivables and inventories) of the Company. Interest on the loan is variable, based on the three month LIBOR plus 350 BPS p.a., for RBL Bank and Six month LIBOR plus 250 BPS p.a., for Axis Bank payable during the term of the loan. RBL loan is subject to certain financial covenants and both the loans is guaranteed by the Parent Company. As at March 31, 2019 the Company has complied with the prescribed covenant. The term of the loans is 18 equal quarterly installment post moratorium period of 6 months for RBL loan and within one year with the entire principal balance due in one lump sum payment for Axis Bank. As at March 31, 2019 total notes payable disclosed in the consolidated balance sheet amounted to USD 29,665,848, which is net of amortised cost.

The Company as a part of Vensun acquisition, assumed a loan aggregating to USD 14,250,000 representing notes payable to various lenders. Interest on the loan ranges between 2.38% to 12%. The term of the loan is within one year with the entire principal balance due in one lump sum payment.

**12 Stockholders' equity**

The Company had only one class of stock, i.e. Common stock. Par value of such stock outstanding as of March 31, 2019 is \$10.

**Common stock**

The Company is authorized to issue 100,000 shares. As of March 31, 2019, 12,961 shares were issued and outstanding.

Stock holders are entitled to one vote for each common stock held by them. Upon liquidation as defined in the Company's amended and restated certificate of incorporation, the stockholders are entitled to receive all assets available for distribution to stockholders. Common stock was subordinate to the preferred stock with respect to rights upon liquidation of the Company.

**13 Long term debt from related parties**

The Company has entered into two loan facility agreements with Strides Pharma Limited, Cyprus ("SPL"), a related party, of up to \$8,000,000 and \$10,000,000. In FY 18 Strides Pharma Ltd, Cyprus ("SPL") has merged into and known as Strides Pharma International Limited. The line is unsecured, has an interest rate of 6% per annum and amounts are fully utilized under the arrangement. At March 31, 2019, borrowings outstanding inclusive of interest under the arrangement totaled \$2,666,114 (March 31, 2018 - \$8,287,701). Interest for both loans is accrued and payable at the time of maturity.

**14 Commitments and Contingencies**

**Operating lease**

The Company leases their East Brunswick office and facilities space under a non-cancelable agreement expiring in April 2021. The period of lease is from August 1, 2015, to April 30, 2021. Total future minimum rental payments pursuant to this agreement are \$429,800 or \$17,192 a month through April 30, 2021.

The following is a schedule of the future minimum lease payments under this non-cancelable operating lease:

Year ending March 31:	Amount
2020	206,304
2021	206,304
2022	17,192
<b>Total minimum lease payments</b>	<b>429,800</b>

For the year ended March 31, 2019, the Company recorded rent expense of USD 235,218. (March 31, 2018 - \$206,304)

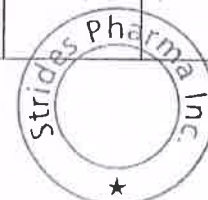


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15 Related party transactions

The following table identifies the Company's related parties with whom it has entered into transactions:

Name	Relationship	Nature of the transaction / balances	Transactions during the year ended March 31, 2019 Expense/ (Income)	Transactions during the year ended March 31, 2018 Expense/ (Income)	Balance as of March 31, 2019 Assets/ (liabilities)	Balance as of March 31, 2018 Assets/ (liabilities)
Strides Pharma Science Limited ("SPSL")	Ultimate Holding Company	Purchase of goods	41,451	-	-	-
		Support services rendered	(277,698)	(299,860)	-	-
		Guarantee commission	262,199	203,153	-	-
		Payable for purchase of goods	-	-	(70,191)	-
		Receivable for support services rendered	-	-	697,645	180,445
Strides Arcolab International Ltd, UK ("SAIL")	Holding Company	Payable for transfer of IP	-	-	500,000	(634,123)
Strides Pharma Global Pte Limited ("SPG")	Fellow subsidiary	Purchase of goods	63,328,626	33,117,970	-	-
		Purchase of IP's	3,514,444	-	-	-
		Support services rendered	(687,388)	(545,079)	-	-
		Services received	62,006	37,431	-	-
		Payable for purchase of goods	-	-	(45,847,693)	(11,354,199)
Support service receivable (net)	-	-	691,953	3,765,044		
Altima Innovations Inc., USA	Fellow subsidiary	Advances given	365,000	157,958	2,683,079	2,318,079
Strides Pharma Global (UK) Limited ("SPGUL")	Fellow subsidiary	Advances received	-	-	(26,335)	(25,883)
Strides Pharma International Ltd	Fellow subsidiary	Interest accrued	272,105	-	(2,666,114)	(2,434,825)
		Loan	-	-	-	(5,852,876)
		Interest	-	632,268	-	-
		Loan Repayment	-	5,000,000	-	-
Strides Pharma Canada Inc	Fellow subsidiary	Expenses incurred on behalf of	1,606	-	13,143	11,001
Stabilis Pharma Inc.	Fellow subsidiary	Receivable	-	-	2,533	975
Shasun Pharma Solutions	Fellow subsidiary	Receivable	-	-	1,961	225
Arco Lab Private Limited	Fellow subsidiary	Support Service received	29,720	-	(29,720)	-
		Expenses incurred on behalf of	664	-	(664)	-
Strides Pharma Asia	Fellow subsidiary	Advances given	-	-	-	10,538
Beltapharm SPA	Fellow subsidiary	Purchase Cost	-	69,974	-	-
		Payable for purchase of Goods	-	-	-	(34,987)
Solara Active Pharma Science Limited	Enterprises owned or significantly influenced by KMP and relative of ...	Expenses incurred on behalf of	(789)	533,866	-	-
		Support services rendered	(367,129)	-	239,052	-
		Receivable	-	-	-	806,626
Strides Global Consumer Healthcare Ltd. UK	Associate	Sale of IP's	(12,275,225)	-	-	-
Strides Consumer I.L.C, USA	Associate	Sales	(380,460)	-	-	-
		Support services rendered	(33,332)	-	-	-
		Expenses incurred on behalf of	-	-	394,866	-
Shasun USA Inc	Enterprises Significantly influenced by KMP	Expenses incurred on behalf of	341,341	-	341,341	-
Tenshi Kaizen USA Inc	Enterprises Significantly influenced by KMP	Expenses incurred on behalf of	83,798	-	83,798	-



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**16 Income taxes**

The federal income tax provision for the year is NIL on account of set-off of the US Federal tax loss carryforwards from prior years against the taxable income of the year ended March 31, 2019. Accordingly, the current income tax expense for the year ended March 31, 2019 is NIL.

For the year ended March 31, 2019, the provision for income taxes differed from the statutory tax rate primarily due to set-off of the US Federal tax loss carryforwards from prior years against the taxable income for the year ended March 31, 2019, state income taxes, recognition of deferred tax balances and various non-deductible items.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets and liabilities as of March 31, 2019 are as follows:

Deferred tax assets:	31-Mar-19	31-Mar-18
Accrued expenses	320,595	1,316,264
Investments	2,811	2,748
Intangible Assets	1,281	4,077
Net operating loss carry forward	714,031	1,649,676
Inventory obsolescence reserve	114,538	-
Interest related adjustments	1,177,333	-
Others	27,793	28,978
	<u>2,358,382</u>	<u>3,001,743</u>
Valuation allowance	-	(2,984,109)
Total deferred tax assets	2,358,382	17,634
<b>Deferred tax liabilities:</b>		
Fixed assets	(14,618)	(17,634)
Total deferred tax liabilities	(14,618)	(17,634)
<b>Total Deferred tax assets/ (Deferred tax liabilities)</b>	<u>2,343,764</u>	<u>-</u>

Taking into consideration the US Federal tax loss carryforwards as per the 2017 tax return filed for the year ended March 31, 2018, at SPI standalone level, Federal loss carryforwards of USD 5,426,395 were available. Of such total Federal loss carryforwards, post set-off of the same against the taxable income for the year ended March 31, 2019, Federal loss of USD 3,215,646 can be carried forward indefinitely.

Further, as per the tax return filed for the year ended December 31, 2018 (prior to acquisition), the US Federal tax loss carryforwards at Vensun standalone level, were USD 55,388,407. The Company is in the process of determining the amount of carry forward losses that will be eligible for carryforward based on which corresponding deferred tax impacts will be evaluated at the time of finalisation of the purchase price allocation.

**17 Investments**

On October 29, 2015, under a contribution agreement with Strides Pharma Global (UK) Limited (SPGUL), formerly known as Strides Pharma (UK) Limited, (SPUL), the Company transferred to a related party, SPGUL, the following: a) entire investments of 6,000,000 shares in Oncobiologics, Inc. for GBP 23,480,000 (or \$35,950,228) based on an independent valuation and b) its 100% holding in Altima Innovation for GBP 3900 or approximately \$5,972. For the consideration given up the Company received 2,208,654 Ordinary Shares of SPGUL at 1 GBP per share and 212,709 Optionally convertible Preferred Shares (OCPS) of SPGUL at 100 GBP per share. As per the terms, OCPS are carried at 6% of accumulated dividend and to be converted into equity shares at the option of SPGUL. The conversion price of OCPS into equity shares of SPGUL will be dependent on the fair value of underlying equity shares of SPGUL, at the time of conversion. As of March 31, 2019, no dividends have been declared by the Board of Directors.

Investments	# of shares	Opening Balance	Impairment	31-Mar-19
Common shares	2,208,654	1,589,385	-	1,589,385
Preference shares	212,709	32,567,876	-	32,567,876
<b>Total</b>		<u>34,157,261</u>	<u>-</u>	<u>34,157,261</u>





**Strides Pharma, Inc.**  
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**18 Acquisition**

On January 30, 2019, the Company has acquired 100% of equity interest in Vensun Pharmaceuticals Inc., USA ("Vensun") for a consideration of USD 6,560,859 in cash and balance contingent on future revenues. Vensun is a US-based generics company. The contingent consideration has been fair valued based on the probability weighted estimated future cash outflows. The goodwill arising from the acquisition relates to the synergies and consequential cost reductions and is not tax deductible.

The following table summarizes the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date.

Particulars	Amount (in \$)	Amount (in \$)
<b>Consideration:</b>		
Cash	6,560,859	
Contingent Consideration	9,500,000	
<b>Fair value of total Consideration - (A)</b>		<b>16,060,859</b>
<b>Less: Fair value of identifiable net assets/(liabilities) - (B)</b>		
<b>Non current assets</b>		
Intangible assets	22,737,500	
Others	36,966	
<b>Current assets</b>		
Trade Receivable	5,505,418	
Cash and cash equivalent	4,092,584	
Inventory	1,621,626	
Others	373,627	
<b>Current liabilities</b>		
Trade payables	(21,682,382)	
Notes Payable	(14,250,000)	
Accrued Expenses	(3,743,302)	
Others	(3,699,434)	(9,007,397)
<b>Goodwill (A) - (B)</b>		<b>25,068,256</b>

As on the date of finalisation of these consolidated financial statements, the initial accounting for the above business combination during the year ended March 31, 2019 has not been finalised but is provisionally determined based on the management's best estimate of the likely fair values. Any consequential changes due to finalisation of initial accounting will be recognised in the subsequent period upon such finalisation.

**19 Subsequent events**

The Company has evaluated subsequent events occurring after the financial statement date through 18 October 2019 which is the date the financial statements were available to be issued. Based on the valuation, the Company has no subsequent events that requires any adjustment to the financial statement and/or disclosure.

**20 Regrouping/Reclassification**

The previous year's figures have been re-grouped/ reclassified, where necessary to conform to current year's classification.

