KPMG (Registered)
1st, 2nd, 3rd and 4th Floor,
Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011, India

Telephone: +91(22) 3989 6000
Fax: +91(22) 3090 2511
Internet: www.kpmg.com/in

# Independent Auditors' Report

The Board of Directors
Strides Pharma Science 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, 2020 and 2019, 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.

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**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, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Mumbai, India
Date: 26 June 2020

Strides

# STRIDES PHARMA INC.
## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020
(All amount in $,except share and per share data)

| | | Note | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|---|
| I | **Assets** | | | |
| | **Current assets** | | | |
| | (a) Cash and cash equivalents | 1.6 | 2,077,795 | 3,117,987 |
| | (b) Trade receivables, net | 1.7, 2 | 57,680,210 | 50,782,104 |
| | (c) Inventories - Finished goods | 1.13 | 31,214,928 | 20,354,196 |
| | (d) Other current assets | 3 | 8,026,662 | 7,255,648 |
| | **Total current assets** | | **98,999,595** | **81,509,935** |
| | **Non-current assets** | | | |
| | (a) Investments | 1.12, 4 | 34,157,261 | 34,157,261 |
| | (b) Property, plant and equipment, net | 1.8, 5 | 3,615,585 | 109,207 |
| | (c) Operating lease right of use assets | 1.25, 6, 17 | 9,887,416 | - |
| | (d) Intangible assets, net | 1.9, 7 | 14,178,936 | 22,663,608 |
| | (e) Goodwill | 1.11, 19 | 26,174,783 | 25,068,256 |
| | (f) Deferred tax assets, net | 1.23, 16 | 4,904,016 | 2,343,764 |
| | (g) Capital advances | | 2,800,731 | - |
| | (h) Security deposits | | 301,080 | 57,178 |
| | **Total non-current assets** | | **96,019,808** | **84,399,274** |
| | **Total assets** | | **195,019,403** | **165,909,209** |
| II | **Liabilities and Stockholders' Equity** | | | |
| | **Current liabilities** | | | |
| | (a) Trade payables | | 67,964,944 | 48,143,021 |
| | (b) Other current liabilities | | | |
| | (i) Accrued expenses | 8 | 5,370,013 | 6,076,211 |
| | (c) Operating lease liabilities | 1.25, 17 | 609,942 | - |
| | (d) Borrowings | 9 | 18,333,333 | 30,847,428 |
| | (e) Contingent consideration payable | 19 | 1,782,986 | 1,931,602 |
| | (f) Provision for sales returns | | 4,055,622 | 4,034,609 |
| | (g) Payable to related parties | 10 | 953,485 | - |
| | **Total current liabilities** | | **99,070,325** | **91,032,871** |
| | **Non-current liabilities** | | | |
| | (a) Operating lease liabilities | 1.25, 17 | 9,188,546 | - |
| | (b) Borrowings | 9 | 9,727,281 | 13,068,420 |
| | (c) Contingent consideration payable | 19 | 4,687,862 | 7,813,815 |
| | (d) Provision for sales returns | | 4,300,582 | 4,440,000 |
| | (e) Payable to related parties | 10 | 3,136,618 | 3,136,618 |
| | **Total non-current liabilities** | | **31,040,889** | **28,458,853** |
| | **Stockholders' equity:** | | | |
| | Common stock, $10 par value per share<br>*Authorized 100,000 shares;*<br>*issued and outstanding: 15,137 shares as at March 31, 2020 (12,961 shares as at March 31, 2019)* | 11 | 151,370 | 129,610 |
| | Additional paid-in capital | | 32,004,103 | 12,665,991 |
| | Retained earnings | | 18,202,716 | 14,261,884 |
| | Share application monies pending allotment | | 14,550,000 | 19,360,000 |
| | **Total stockholders' equity** | | **64,908,189** | **46,417,485** |
| | **Total liabilities and stockholders' equity** | | **195,019,403** | **165,909,209** |

See accompanying notes to financial statements.

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Strides Pharma Inc.

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**STRIDES PHARMA INC.**
**CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED MARCH 31, 2020**
(All amount in $,except share and per share data)

| | Note | For the year ended 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| Revenue | 1.14 | 162,164,470 | 78,880,054 |
| **Total revenue** | | **162,164,470** | **78,880,054** |
| **Operating expenses** | | | |
| (a) Cost of revenues | 1.16, 12 | 137,558,093 | 61,945,768 |
| (b) Selling, general, and administrative expenses | 13 | 16,761,225 | 15,524,033 |
| (c) Depreciation and amortization | 1.8, 1.9 | 890,201 | 107,025 |
| (d) Other operating income | 14 | (1,476,423) | (1,448,565) |
| **Total operating expenses** | | **153,733,096** | **76,128,261** |
| **Income from operations** | | **8,431,374** | **2,751,793** |
| Unwinding impact of contingent consideration payable | | 930,000 | 245,417 |
| Other income | 15 | (21,264) | (100,045) |
| Interest expense | | 3,104,110 | 2,352,324 |
| **Profit before income taxes** | | **4,418,528** | **254,097** |
| Income tax expense / (credit) | 1.23, 16 | 444,341 | (2,343,764) |
| **Net Profit** | | **3,974,187** | **2,597,861** |
| Other comprehensive income, net of tax | | - | - |
| **Net comprehensive profit** | | **3,974,187** | **2,597,861** |

See accompanying notes to financial statements.

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Strides Pharma Inc.

**STRIDES PHARMA INC.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED MARCH 31, 2020**
(All amount in $,except share and per share data)

| | | 31-Mar-20 | 31-Mar-19 |
|---|---|---|---|
| **A Cash flows from operating activities:** | | | |
| Net profit before taxes | | 4,418,528 | 254,097 |
| **Adjustments to reconcile net profit to net cash used in operating activities:** | | | |
| Depreciation and amortisation | | 890,201 | 107,025 |
| Gain on sale of assets | | (10,000) | (94,111) |
| Unwinding of discount on contingent consideration payable | | 930,000 | 245,417 |
| **Changes in operating assets and liabilities, net of acquisition:** | | | |
| Increase in accounts receivables | | (6,898,106) | (26,463,100) |
| Increase in inventories | | (10,860,732) | (3,489,315) |
| Increase in other assets | | (1,359,114) | (3,400,249) |
| Increase in trade payables and liabilities | | 21,061,863 | 15,189,950 |
| **Net cash provided by/(used in) operating activities before tax** | | **8,172,640** | **(17,650,286)** |
| Income tax paid | | - | - |
| **Net cash provided by/(used in) operating activities** | | **8,172,640** | **(17,650,286)** |
| **B Cash flows from investing activities:** | | | |
| Purchase of property, plant & equipments and intangible assets | | (5,899,224) | (7,639) |
| Proceeds from sale of intangible assets | | 10,000 | 8,802,642 |
| Consideration paid towards business combination, net of cash | | - | (2,468,275) |
| Contingent consideration paid | | (1,204,569) | - |
| **Net cash (used in)/provided by investing activities** | | **(7,093,793)** | **6,326,728** |
| **C Cash flows from financing activities:** | | | |
| Share application money received | | 14,549,872 | 19,360,000 |
| Proceeds from notes payable | | - | 14,732,365 |
| Repayment of notes payable | | (14,250,000) | (15,000,000) |
| Repayment of inter-company loan | | - | (5,621,587) |
| Repayment of long term borrowings | | (1,666,666) | - |
| Lease payments | | (752,245) | - |
| **Net cash (used in)/provided by financing activities** | | **(2,119,039)** | **13,470,778** |
| **Net movement in cash and cash equivalent** | **[A+B+C]** | **(1,040,192)** | **2,147,220** |
| Cash and cash equivalents at the beginning of the year | | 3,117,987 | 970,767 |
| **Cash and cash equivalents at the end of the year** | | **2,077,795** | **3,117,987** |

See accompanying notes to financial statements.

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Strides Pharma Inc.

Strides

# STRIDES PHARMA INC.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amount in $,except share data)

| Particulars | Common stock | | Additional paid-in capital | | Retained earning | Total equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | Application monies pending allotment | Securities premium | | |
| **Balance at April 1, 2018** | **12,961** | **129,610** | - | **12,665,991** | **11,664,023** | **24,459,624** |
| Net Profit during the year | - | - | - | - | 2,597,861 | 2,597,861 |
| Amount received during the year | - | - | 19,360,000 | - | - | 19,360,000 |
| **Balance at March 31, 2019** | **12,961** | **129,610** | **19,360,000** | **12,665,991** | **14,261,884** | **46,417,485** |
| Effect of adoption of ASU 2016-02 | | | | | (33,355) | (33,355) |
| **Balance at April 1, 2019** | **12,961** | **129,610** | **19,360,000** | **12,665,991** | **14,228,529** | **46,384,130** |
| Net Profit during the year | - | - | - | - | 3,974,187 | 3,974,187 |
| Common stock allotment during the year | 2,176 | 21,760 | (19,359,872) | 19,338,112 | - | - |
| Amount received during the year, net | - | - | 14,549,872 | - | - | 14,549,872 |
| **Balance at March 31, 2020** | **15,137** | **151,370** | **14,550,000** | **32,004,103** | **18,202,716** | **64,908,189** |

See accompanying notes to financial statements.

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Strides Pharma Inc.

## 1 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 in United States of America. Strides Pharma Science Limited (the "Parent") owns 100% of Strides Arcolab International Limited, UK, which owns 100% of the Company. 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 has its warehouse located in 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 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.

During August 2019, the Company acquired a manufacturing facility in Florida with a soft gel capsules manufacturing suite for formulations with containment needs.

### *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 amounts deducted from revenue for the projected chargebacks, sales returns, rebates and medicaid, the valuation of receivables, goodwill impairment, inventory, investments, lease liabilities and right-of-use assets, 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, 2020, the Company's cash and cash equivalent is $2,077,795 (March 31, 2019: $3,117,987).

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Strides Pharma Inc.

**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, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation, and accumulated impairment losses, if any.

The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. 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 consolidated statement of income.

The estimated useful lives of the assets are as follows:

| | |
|---|---|
| Computers | 3 years |
| Office equipment | 10 years |
| Furniture and fixtures | 5 years |
| Plant and machinery | 4-15 years |

Total depreciation for the year ended March 31, 2020 was $111,392 (March 31, 2019: $22,349).

Capital work-in-progress are those which are not ready for intended use and are carried at cost less impairment loss, if any.

***1.9 Intangible assets***

The Intangible assets including those acquired by the Company are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized over their respective estimated useful lives to their estimated residual values.

The estimated useful lives of the assets are as follows:

| | |
|---|---|
| Registrations and Brands | 15 years |
| Software licenses | 5 years |

Total amortisation for the year ended March 31, 2020 was $778,809 (March 31, 2019: $84,676).

***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, 2020.

***1.11 Goodwill***

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination.

Goodwill is carried at cost less accumulated impairment losses, if any. 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.

The Company performs 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 the assessment of events or circumstances, the Company 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 assessment of the quantitative factors, the Company has determined that the fair values of all of the reporting units are likely to be higher than their respective carrying amounts as of March 31, 2020.

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Strides Pharma Inc.

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

***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, UK. Management determines on an annual basis any impairment on those investments and records the adjustments to investments in the consolidated statement of income.

***1.13* Inventories**

Inventories, consisting of finished goods, are valued at the lower of cost or net realizable value. The cost of inventories is based on the weighted average basis.

Based on the Company's assessment of slow-moving inventory and expiration policies, the Company has provided a provision for its inventory of $1,213,572 as of March 31, 2020 (March 31, 2019: $2,822,349) for expired or near expiry products.

***1.14 Revenue recognition***

**Sale of Goods:**

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those products.

The timing of transfer of control varies depending on the individual terms of sale, usually in case of domestic, such transfer occurs when the product is delivered to the customer. Sales are net of estimated allowances for chargebacks, rebates, cash discounts, medicaids and estimates of product returns. The significant adjustments to revenue are explained below:

a. A chargeback claim represents an amount payable in the future to Wholesaler for the difference between the invoice price (Wholesaler Acquisition Cost) 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.

The following table presents a reconciliation of gross sales to net sales by each significant category of variable consideration during the years ended 31 March 2020 and 2019, respectively:

| | Year ended 31 March | |
|---|---|---|
| | **2020** | **2019** |
| **Gross sales** | **416,259,329** | **253,653,243** |
| *Gross to net accruals / adjustments:* | | |
| Chargebacks | (199,484,526) | (144,062,404) |
| Rebates (including government rebate programs) and other sales allowances | (50,764,278) | (27,675,574) |
| Returns | (3,846,055) | (3,035,211) |
| **Total gross to net adjustments** | **(254,094,859)** | **(174,773,189)** |
| **Net sales** | **162,164,470** | **78,880,054** |

***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.

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Strides Pharma Inc.

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

***1.18* Advertising expense**

The Company recognise all marketing and promotional costs when incurred. During the year ended March 31, 2020, advertising expenses amounted to $102,480 (March 31, 2019: $1,577,487). These amounts are included in general and administrative expenses in consolidated statement of income.

***1.19* Other operating income and Other income**

The Company classifies the following as other operating income in the statement of income:
(a) Support service income
(b) Royalty income
(c) Other operating income

The Company classifies the following as other income in the statement of income:
(a) Interest Income
(b) Gain on sale of intangible assets
(c) Other non-operating income

***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:** Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

**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 allow 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 consolidated statement of operations. For the year ended March 31, 2020, the Company recorded contributions of $96,285 (March 31, 2019: $60,603). This amount is included in selling, general and administrative expenses in consolidated statement of income.

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

***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 40% of net revenues from two customers during the year ended March 31, 2020.

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

| Customers | Net Revenue |
|---|---|
| Customer A | 26% |
| Customer B | 14% |

The Company's largest vendor is Strides Pharma Global Pte Limited, Singapore. Also, major products sold by the Company are manufactured in India.

***1.25 Leases***

The Company elected to early adopt ASU 2016-02 (Topic 842 or Lease) on April 1, 2019 using a modified retrospective transition approach as permitted by the amendments in ASU 2018-11. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption

Topic 842 requires lessees to recognize leases on balance sheet and disclose key information about leasing arrangements. Topic 842 establishes a ROU model that requires a lessee to recognize a Right of Use (ROU) asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

Lease liability is initially measured at the present value of the sum of the remaining minimum rental payments and any amounts probable of being owed by the lessee under a residual value guarantee, discounted using incremental borrowing rate. Lease liability is subsequently re-measured at amortised cost using effective interest method.

ROU asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any prepaid or accrued rent, lease incentives, impairments (if applicable), or unamortized initial direct costs that would have qualified for capitalization under ASC Topic 842. The ROU asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

The difference between the initial lease liability and ROU asset recognized should be adjusted against opening equity. As a result of adopting ASU 2016-02, the Company recognized lease liabilities of $392,671 and ROU assets of $348,196 with a corresponding impact of $33,355 (net of taxes) in equity as of April 1, 2019.

***1.26 Effects of New Accounting Pronouncements***

In June 2016, the FASB issued Accounting Standard Update (ASU) 2016-13, Measurement of Credit Losses on Financial Instruments which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. The changes (as amended) are effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022. The entity may early adopt ASU 2016-13, as amended, for annual and interim periods in fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact on the consolidated financial statements of the adoption of the guidance in ASU 2016-13.

In August 2017, the FASB issued Accounting Standard Update (ASU) 2017-12, Targeted Improvements to Accounting for Hedging Activities, which changes the recognition and presentation requirements of hedge accounting. The ASU eliminates the requirement to separately measure and report hedge ineffectiveness and requires the presentation of all items that affect earnings in the same income statement line as the hedged item. In addition, the ASU permits hedging risk components of non-financial assets, provides more flexibility for hedging interest rate risk in cash flow hedges, and creates new accounting alternatives for measuring the change in the fair value of the hedged item in fair value hedges of interest rate risk. The provisions of ASU 2017-12 (as amended) are effective for the Company for annual periods in fiscal years beginning after December 15, 2020, with early application permitted. The Company does not expect the adoption of ASU 2017-12 to have any material effect on its consolidated financial statements as the Company is not involved in any Hedge activity.

In June 2018, the FASB issued Accounting Standard Update (ASU) 2018-07, Compensation - Stock Compensation (Topic 718): Improvements to Non-employee share based payment Accounting, which expands the scope of Topic 718 to include non-employee share based payment transactions. Under the guidance in ASU 2018-07, non-employee share based payment awards will be accounted for in the same manner as employee awards, except for attribution and certain option valuation exceptions. ASU 2018-07 is effective for the Company for fiscal years beginning after December 15, 2019, and will be applied prospectively to all awards that are measured at fair value after the adoption date. Early adoption is permitted, although no earlier than an entity's adoption of ASU 2014-09 (Topic 606). The Company does not expect the adoption of ASU 2018-07 to have any material effect on its consolidated financial statements as the Company does not issue non-employee awards.

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Strides Pharma Inc.

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

***1.26 Effects of New Accounting Pronouncements (continued)***

In July 2018, the FASB issued Accounting Standard Update (ASU) 2018-09, Codification Improvements, which provides improvements to several codification topics. The Company adopted the provisions of ASU 2018-09 that affected Topic 815, as well as several that affected Topic 820, in the prior year as they were effective as of July of 2018. In addition, the provisions affecting ASU 2016-01 within ASU 2018-09 were adopted in 2019 concurrent with the adoption of ASU 2016-01. The remaining provisions of ASU 2018-09 clarify guidance by providing enhanced wording to the following subtopics: reporting comprehensive income, debt modifications and extinguishments, distinguishing liabilities from equity, stock compensation, business combinations, derivatives and hedging, fair value measurement and defined contribution pension plans. The remaining provisions of ASU 2018-09 are effective for the Company's annual periods after December 15, 2019, and are not expected to have any material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued Accounting Standard Update (ASU) 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements in Topic 820. After the adoption of ASU 2018-13, an entity will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; the valuation processes for Level 3 fair value measurements; and, for non-public entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. However, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity will be required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. ASU 2018-13 is effective for the Company's annual period beginning after December 15, 2019. The amendments on changes in unrealized gains and losses should be applied prospectively for only the most recent period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented on their effective date. Early adoption is permitted, and an entity also is permitted to early adopt any removed or modified disclosures on issuance of ASU 2018-13, and delay adoption of the additional disclosures until their effective date. After adopting ASU 2018-13, the Company's financial statements will include fewer disclosures about fair value measurements; however, the Company does not expect the adoption of ASU 2018-13 to otherwise have a material effect on its consolidated financial statements.

In August 2018, the FASB issued Accounting Standard Update (ASU) 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Disclosure requirements removed from Subtopic 715-20 include: the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; and for nonpublic entities, the reconciliation of the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, non-public entities will be required to disclose separately the amounts of transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 plan assets. ASU 2018-14 also requires disclosure of the weighted average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. ASU 2018-14 is effective for the Company for its annual period ending after December 15, 2021, and will be applied prospectively. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-14 to have any material effect on its consolidated financial statements.

In October 2018, the FASB issued Accounting Standard Update (ASU) 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes, which permits use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to the currently allowable benchmark rates. For entities that have not already adopted ASU 2017-12, ASU 2018-16 is required to be adopted concurrently with ASU 2017-12. ASU 2017-12 and ASU 2018-16 is effective for annual periods beginning after December 15, 2020. ASU 2017-12 will be applied prospectively to qualifying new or redesignated hedging relationships entered into on or after the adoption date. The Company does not expect the adoption of ASU 2018-16, nor the adoption of ASU 2017-12, to have a material effect on its consolidated financial statements.

In October 2018, the FASB issued Accounting Standard Update (ASU) 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities which allows a private company to elect not to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. ASU 2018-17 provides an accounting policy election that a private company will apply to all current and future legal entities under common control that meet the criteria for applying this alternative; the alternative cannot be applied to select common control arrangements that meet the criteria for applying this accounting alternative. If the alternative is elected, a private company applies other consolidation guidance, particularly the voting interest entity guidance, unless another scope exception applies. Under the accounting alternative, a private company provides detailed disclosures about its involvement with and exposure to the legal entity under common control. ASU 2018-17 expands the accounting alternative provided in ASU 2014-07 for common control leasing arrangements and includes all private company common control arrangements if the common control parent and the legal entity being evaluated for consolidation are not public business entities. ASU 2018-17 is effective for the Company's annual periods beginning after December 15, 2020. ASU 2018-17 will be applied retrospectively with a cumulative effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-17 to have any material effect on its consolidated financial statements.

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

***1.26 Effects of New Accounting Pronouncements (continued)***

In November 2019, the FASB issued Accounting Standard Update (ASU) 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer, which clarifies that share-based consideration payable to a customer is measured under stock compensation guidance. Under ASU 2019-08, awards issued to customers are measured and classified following the guidance in Topic 718 while the presentation of the fair value of the award is determined following the guidance in Topic 606. ASU 2019-08 is effective in fiscal years beginning after December 15, 2019, for nonpublic entities that have not yet adopted ASU 2018-07. Early adoption is permitted but no earlier than the adoption of ASU 2018-07. The Company does not expect the adoption of the ASUs to have a material effect on its consolidated financial statements, as the Company does not issue non-employee awards or awards to customers.

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Strides Pharma Inc.

| **2 Trade receivables** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| Trade receivables | 57,680,210 | 50,782,104 |
| Less: Provision for doubtful debts | - | - |
| | **57,680,210** | **50,782,104** |

| **3 Other current assets** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| Prepaid expenses | 87,605 | 179,067 |
| Advance to vendors | 350,467 | 2,119,164 |
| Due from related parties | 6,657,151 | 4,957,417 |
| Due from others | 931,439 | - |
| | **8,026,662** | **7,255,648** |

| **4 Investments** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| - 2,208,654 Common shares (March 31, 2019: 2,208,654) in Strides Pharma Global UK Limited, UK | 1,589,385 | 1,589,385 |
| - 212,709 Preference shares (March 31, 2019: 212,709) in Strides Pharma Global UK Limited, UK | 32,567,876 | 32,567,876 |
| | **34,157,261** | **34,157,261** |

On October 29, 2015, under a contribution agreement entered with Strides Pharma Global (UK) Limited ("SPGUL), 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 a independent valuation and
b) its 100% holding in Altima Innovation for GBP 3,900 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 Optionlly 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, 2020, no dividends have been declared by the Board of Directors.

| **5 Property, plant and equipment** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| **Tangible assets:** | | |
| Computers | 118,066 | 33,664 |
| Furniture and fixtures | 134,528 | 131,075 |
| Office equipment | 10,274 | 7,362 |
| Plant and machinery | 495,325 | 4,755 |
| **Gross block** | **758,193** | **176,857** |
| Accumulated depreciation and amortization | (179,041) | (67,649) |
| **Net tangible assets** | **579,152** | **109,207** |
| Captal work-in-progress | 3,036,433 | - |
| **Total tangible assets** | **3,615,585** | **109,207** |

Depreciation expense for the year ended March 31, 2020 is $ 111,392 (March 31, 2019: $ 22,349).

During the current year, the Company has acquired a manufacturing faciltiy in Florida from Micelle BioPharma Inc. for a consideration of $0.5 Million. The Florida plant has the approval of U.S. Food and Drug Administration and is one of the very few manufacturing facilties in U.S. with a soft gel capsule manufacturing suite for formulations with containment needs.

The capital commitment as at March 31, 2020 towards the Florida facility is $1,868,475 (net of advances).

| **6 Operating lease right of use assets** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| **Gross block** | **10,498,772** | - |
| Accumulated amortization | (611,356) | |
| **Net block** | **9,887,416** | - |

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| 7 **Intangible assets** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| Registration and brands | 10,297,300 | 6,037,500 |
| **Gross block** | **10,297,300** | **6,037,500** |
| Accumulated amortization | (618,364) | (73,892) |
| **Net intangible assets** | **9,678,936** | **5,963,608** |
| Intangibles under development | 4,500,000 | 16,700,000 |
| **Total intangible assets** | **14,178,936** | **22,663,608** |

Amortization expense for the year ended March 31, 2020 is $544,472 (March 31, 2019: $84,676). For registration and brands, the amortization expense for the next five years and thereafter is estimated as follows:

| **Year ending March 31:** | **Amount** |
|---|---|
| 2021 | 726,127 |
| 2022 | 726,127 |
| 2023 | 726,127 |
| 2024 | 726,127 |
| 2025 | 667,763 |
| Thereafter | 6,106,667 |
| **Total** | **9,678,936** |

| 8 **Accrued expenses** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| Accrued expenses | 3,894,257 | 3,359,891 |
| Accrued payroll | 1,312,133 | 1,348,907 |
| Interest accrued on borrowings | 33,227 | 789,487 |
| Other statutory dues | 130,396 | 577,926 |
| | **5,370,013** | **6,076,211** |

| 9 **Borrowings** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| Long term loan from bank | 9,727,281 | 13,068,420 |
| Current instalments of long term loan from Bank | 3,333,333 | 1,666,667 |
| Short term loan from bank | 15,000,000 | 14,930,761 |
| **Total loans from bank** | **28,060,614** | **29,665,848** |
| Notes Payable | - | 14,250,000 |
| **Total borrowings** | **28,060,614** | **43,915,848** |
| ***Disclosed as :*** | | |
| - Non Current | 9,727,281 | 13,068,420 |
| - Current | 18,333,333 | 30,847,428 |

The Company entered into two loan agreements with banks 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 Loan 1 and six month LIBOR plus 250 BPS p.a., for Loan 2, payable during the term of the loan.

The repayment term of the Loan 1 is 18 equal quarterly installments post a monotorium period of 6 months. The repayment term of the Loan 2 is within one year with the entire principal balance due in one lump sum payment.

Loan 1 is subject to certain financial covenants and both the loans are guaranteed by the Parent Company. As at March 31, 2020, the Company has complied with the prescribed covnent.
As at March 31, 2020, total borowings from banks amounted to $28,060,614, net of unamortised processing fees.

The Company as a part of Vensun acquisition, had assumed a loan aggregating to $14,250,000 representing notes payable to various lendors. Interest on the loan ranges between 2.38% to 12%. During the current year ended March 31, 2020, the Company has repaid this loan along with accrued interest.

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Strides Pharma Inc.

**10 Payable to related parties**

The Company had entered into two loan facility agreements with Strides Pharma Limited, Cyprus ("SPL"), a related party, of upto $8,000,000 and $10,000,000. During the year ended March 31, 2018, SPL had merged into and now 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.

During the year ended March 31, 2019, the principal amount of this loan was repaid in full and the balance outstanding amount of $3,136,618 (March 31, 2019: $3,136,618) represents the accrued interset payable towards the above borrowings.

**11 Stockholders' equity**

The Company had only one class of stock, i.e. Common stock. Par value of such stock outstanding is $10 per share.

**Common stock**

The Company is authorized to issue 100,000 shares. As of March 31, 2020, 15,137 (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.

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Strides Pharma Inc.

**Strides Pharma Inc.**
**Notes forming part of the consolidated financial statements**
(All amount in $, except share data)

| | For the year ended | |
|---|---|---|
| **12 Cost of revenue** | **31-Mar-20** | **31-Mar-19** |
| Cost of goods sold | **137,558,093** | **61,945,768** |

| | For the year ended | |
|---|---|---|
| **13 Selling, general and administrative expenses** | **31-Mar-20** | **31-Mar-19** |
| Employee benefits expense | 4,596,480 | 4,015,343 |
| Marketing and business development expenses | 102,480 | 1,577,487 |
| Freight and warehousing expenses | 6,046,997 | 3,120,532 |
| Legal and professional expenses | 3,119,893 | 2,682,171 |
| Supply penalties | 753,343 | 2,130,032 |
| Insurance expenses | 486,369 | 171,866 |
| Rent expenses | 16,292 | 235,218 |
| Travel | 313,986 | 282,194 |
| Trade shows | 169,543 | 205,169 |
| Repairs & maintenance | 279,135 | 135,035 |
| Others | 876,707 | 968,986 |
| | **16,761,225** | **15,524,033** |

| | For the year ended | |
|---|---|---|
| **14 Other operating income** | **31-Mar-20** | **31-Mar-19** |
| Support service income | 1,441,859 | 1,365,547 |
| Royalty & other | 34,564 | 83,018 |
| | **1,476,423** | **1,448,565** |

| | For the year ended | |
|---|---|---|
| **15 Other income** | **31-Mar-20** | **31-Mar-19** |
| Gain on sale of assets | 10,000 | 94,112 |
| Miscellaneous income | 11,264 | 5,933 |
| | **21,264** | **100,045** |

**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, 2020. Accordingly, the current Income tax expense for the year ended March 31, 2020 is Nil.

For the year ended March 31, 2020, the provision for income taxes differed from the statutory tax rate primarily due to state income taxes, true ups and various non-deductible items like unwinding of contingent consideration.

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, 2020 are as follows:

| **Deferred tax assets:** | **31-Mar-20** | **31-Mar-19** |
|---|---|---|
| Accrued expenses | 389,895 | 320,595 |
| Intangible assets | - | 1,281 |
| Investments | 2,836 | 2,811 |
| Net operating loss carry forward | 4,202,349 | 714,031 |
| Inventory obsolescence reserve | 291,083 | 114,538 |
| Interest related adjustments | 1,822,895 | 1,177,333 |
| Research and development | 1,691,322 | - |
| Others | 36,814 | 27,793 |
| | **8,437,194** | **2,358,382** |
| Valuation allowance | - | - |
| **Total deferred tax assets** | **8,437,194** | **2,358,382** |
| **Deferred tax liabilities:** | | |
| Fixed assets | (41,170) | (14,618) |
| Intangible assets | (3,492,008) | - |
| **Total deferred tax liabilities** | **(3,533,178)** | **(14,618)** |
| **Deferred tax assets (net)** | **4,904,016** | **2,343,764** |

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Strides Pharma Inc.

**16 Income taxes (continued)**

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management consider it to be more likely that all of the deferred tax assets will be realized and hence no valuation allowance on the net operating loss carryforwards is created.

As of March 31, 2020, the Company has federal and state net operating loss carryforwards of $56,914,324 and $13,077,295, respectively, available to offset future taxable income. If not utilized, these net operating loss carryforwards will begin to expire in 2033. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of net operating loss carryforwards may be limited in the event a cumulative change in ownership of more than 50% occurs within a three-year period. The Company has completed a Section 382 study and determined the annual limitation resulting from any prior ownership changes. Accordingly, the timing or amount of net operating loss carryforwards available for utilization in the future will be limited in any given year and the expected amount of federal net operating loss projected to be utilized in the future is $17,898,685, with the remaining balance expected to expire unused.

The Company files a consolidated tax return for Strides Pharma Inc. and Vensun Pharmaceuticals Inc. Further, the Company does not have any unrecognized tax benefits as of March 31, 2020 and 2019. There are open statutes of limitations for taxing authorities to audit the Company's tax returns from 2016 through the current period.

**17 Leases**

The Company has several non-cancellable operating leases, primarily for office and factory space that expire over a range of five to ten years. These leases generally contain renewal options for a further period of five years. Because the Company is reasonably certain to exercise these renewal options, the renewal option is considered in determining the lease term, and associated potential option payments are included in lease payments.

**The components of lease cost for the year ended March 31, 2020 were as follows:**

| | 31-Mar-20 |
|---|---|
| Amortization of right of use assets | 234,337 |
| Interest on lease liabilities | 49,556 |
| **Total** | **283,893** |

**Amounts reported in the consolidated balance sheet as of March 31, 2020 were as follows:**

| | 31-Mar-20 |
|---|---|
| Operating lease right of use assets | 9,887,416 |
| Operating lease liabilities | 9,798,488 |

**Other information related to leases as of March 31, 2020 was as follows:**

| | Operating lease |
|---|---|
| **Supplemental cash flow information:** | |
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Cash flow from operating leases | $ 752,245 |
| Weighted average remaining lease term: | 2 - 14 years |
| Weighted average discount rate | 6% |

**Maturities of lease liabilities under noncancellable leases as of March 31, 2020 are as follows:**

| | Operating lease |
|---|---|
| 2020-21 | 1,129,372 |
| 2021-22 | 958,516 |
| 2022-23 | 965,261 |
| 2023-24 | 989,815 |
| 2024-25 | 920,964 |
| Thereafter | 9,765,338 |
| **Total undiscounted lease payments** | **14,729,266** |
| Less: Imputed interest | **4,930,778** |
| **Total lease liabilities** | **9,798,488** |

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**Strides Pharma Inc.**
**Notes forming part of the consolidated financial statements**
(All amount in $, except share data)

**18 Related party transactions and balances**

**Related party transactions**

| SI. No. | Name | Ultimate Holding Company | | Holding Company | | Fellow subsidiary | | Fellow associate | | Enterprises owned or significantly influenced by KMP and relative of KMP | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| **Purchase of goods** | | | | | | | | | | | |
| 1 | Strides Pharma Science Limited, India | 104,481 | 41,451 | | | | | | | | |
| 2 | Strides Pharma Global Pte Limited, Singapore | | | | | 146,235,492 | 63,328,626 | | | | |
| **Services received** | | | | | | | | | | | |
| 1 | Strides Pharma Global Pte Limited, Singapore | | | | | 75,694 | 62,006 | | | | |
| 2 | Arco Lab Private Limited, India | | | | | 132,500 | 29,720 | | | | |
| **Guarantee commission** | | | | | | | | | | | |
| 1 | Strides Pharma Science Limited, India | 300,821 | 262,199 | | | | | | | | |
| **Purchase of IP's** | | | | | | | | | | | |
| 1 | Strides Pharma Global Pte Limited, Singapore | | | | | - | 3,514,444 | | | | |
| **Sale of goods** | | | | | | | | | | | |
| 1 | Strides Consumer LLC, USA | | | | | | | - | 380,460 | | |
| **Sale of IP's** | | | | | | | | | | | |
| 1 | Strides Global Consumer Healthcare Limited, UK | | | | | | | - | 12,275,225 | | |
| **Support service income** | | | | | | | | | | | |
| 1 | Strides Pharma Science Limited, India | 317,054 | 277,698 | | | | | | | | |
| 2 | Strides Pharma Global Pte Limited, Singapore | | | | | 717,984 | 687,388 | | | | |
| 3 | Strides Consumer LLC, USA | | | | | | | 99,996 | 33,332 | | |
| 4 | Shasun USA Inc, USA | | | | | | | | | 306,825 | - |
| 5 | Solara Active Pharma Science Limited, India | | | | | | | | | - | 367,129 |
| **Interest expense** | | | | | | | | | | | |
| 1 | Strides Pharma International Limited, Cyprus | | | | | - | 272,105 | | | | |
| **Advances given** | | | | | | | | | | | |
| 1 | Altima Innovations Inc., USA | | | | | - | 365,000 | | | | |
| **Loan Repayment** | | | | | | | | | | | |
| 1 | Strides Pharma International Limited, Cyprus | | | | | - | 5,852,876 | | | | |
| **Expenses incurred on behalf of / (incurred by), net** | | | | | | | | | | | |
| 1 | Strides Pharma Science Limited, India | (126,123) | - | | | | | | | | |
| 2 | Strides Pharma Canada Inc, Canada | | | | | 518 | 1,606 | | | | |
| 3 | Strides Pharma Asia Pte Limited, Singapore | | | | | 300,000 | - | | | | |
| 4 | Strides Pharma Global Pte Limited, Singapore | | | | | 1,702,142 | - | | | | |
| 5 | Strides Consumer LLC, USA | | | | | | | 140,439 | - | | |
| 6 | Arco Lab Private Limited, India | | | | | - | 664 | | | | |
| 7 | Shasun USA Inc, USA | | | | | | | | | 62 | 341,341 |
| 8 | Shasun Pharma Solutions Inc, USA | | | | | 3,550 | - | | | | |
| 9 | Solara Active Pharma Science Limited, India | | | | | | | | | 4,592 | (789) |
| 10 | Tenshi Kaizen USA Inc, USA | | | | | | | | | - | 83,798 |
| 11 | Vivimed Life Sciences Private Limited, India | | | | | 94,561 | - | | | | |

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Strides Pharma Inc.

**Strides Pharma Inc.**
**Notes forming part of the consolidated financial statements**
(All amount in $, except share data)

**18 Related party transactions and balances**

**Related party balances**

| Sl. No. | Name | Ultimate Holding Company | | Holding Company | | Fellow subsidiary | | Fellow associate | | Enterprises owned or significantly influenced by KMP and relative of KMP | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| **Trade payables** | | | | | | | | | | | |
| 1 | Strides Pharma Science Limited, India | 55,183 | 70,191 | | | | | | | | |
| 2 | Strides Pharma Global Pte Limited, Singapore | | | | | 66,386,757 | 45,155,739 | | | | |
| **Payable for transfer of IP** | | | | | | | | | | | |
| 1 | Strides Arcolab International Limited, UK | | | 499,872 | 500,000 | | | | | | |
| **Other receivables/(payables)** | | | | | | | | | | | |
| 1 | Altima Innovations Inc., USA | | | | | 2,683,079 | 2,683,079 | | | | |
| 2 | Arco Lab Private Limited, India | | | | | (2,762) | (30,384) | | | | |
| 3 | Shasun Pharma Solutions Inc, USA | | | | | 5,511 | 1,961 | | | | |
| 4 | Stabilis Pharma Inc., USA | | | | | 2,533 | 2,533 | | | | |
| 5 | Shasun USA Inc, USA | | | | | | | | | 648,228 | 341,341 |
| 6 | Strides Consumer LLC, USA | | | | | | | 196,039 | 394,866 | | |
| 7 | Strides Pharma Science Limited, India | 1,886,225 | 697,645 | | | | | | | | |
| 8 | Strides Global Consumer Healthcare Limited, UK | | | | | | | (924,121) | - | | |
| 9 | Strides Pharma Asia Pte Limited, Singapore | | | | | 300,000 | - | | | | |
| 10 | Strides Pharma Global (UK) Limited, UK | | | | | (26,602) | (26,335) | | | | |
| 11 | Solara Active Pharma Science Limited, India | | | | | | | | | 243,644 | 239,052 |
| 12 | Tenshi Kaizen USA Inc, USA | | | | | | | | | 83,798 | 83,798 |
| 13 | Vivimed Life Sciences Private Limited, India | | | | | 94,561 | - | | | | |
| 14 | Strides Pharma Canada Inc, Canada | | | | | 13,661 | 13,143 | | | | |
| **Interset payable** | | | | | | | | | | | |
| 1 | Strides Pharma International Limited, Cyprus | | | | | 3,136,618 | 3,136,618 | | | | |
| **Investmetns** | | | | | | | | | | | |
| 1 | Strides Pharma Global UK Limited, UK | | | | | 34,157,261 | 34,157,261 | | | | |

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**19 Acquisition**

On January 30, 2019, the Company has acquired 100% of equity interest in Vensun Pharmaceuticals Inc., USA ("Vensun") for a consideration of $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.

During the current year, the Company has finalised the purchase price allocation. In accordance with ASU 2015-16, the financial statements were not retrospectively adjusted for any measurement-period adjustments that occurred in subsequent periods. Rather, any adjustments to provisional amounts recognised during the year ended 31 March 2019 that were identified during the measurement period were recorded in the reporting period in which the adjustment was determined.

The following table summarises the consideration paid and the estimated fair value of the assets acquired and liabilities assumed at the acquisition date, which are adjusted for measurement-period adjustments

| Particulars | Amount | Amount |
|---|---|---|
| **Consideration:** | | |
| Cash | 6,560,859 | |
| Contingent consideration | 6,500,000 | |
| **Fair value of total consideration - (A)** | | **13,060,859** |
| | | |
| **Less: Fair value of identifiable net assets/(liabilities) - (B)** | | |
| **Non current assets** | | |
| Intangible assets | 14,637,500 | |
| Deferred tax assets (net) | 2,993,474 | |
| Others | 36,966 | |
| **Current assets** | | |
| Trade receivable | 5,505,418 | |
| Cash and cash equivalent | 4,092,584 | |
| Inventory | 1,621,626 | |
| Others | 373,627 | |
| **Current liabilties** | | |
| Trade payables | (21,682,382) | |
| Notes payable | (14,250,000) | |
| Accrued expenses | (3,243,302) | |
| Others | (3,199,435) | |
| | | **(13,113,924)** |
| **Goodwill (A) - (B)** | | **26,174,783** |

**20** On March 31, 2020, US Food and Drug Administration (USFDA or the Agency) issued letters to all manufacturers of Ranitidine across dosage forms requesting withdrawal of all prescription(Rx) and over-the-counter (OTC) ranitidine drugs from the market immediately. This step was based on their ongoing investigation of the N-Nitrosodimethylamine (NDMA) impurity in ranitidine medications. As a result, effective 1 April 2020, the Group has ceased further distribution of the product and is currently in the process of withdrawing the product from the market.

Pursuant to the above, the Group has estimated the probable sales returns of Ranitidine from the customers and pharmacies. This withdrawal required the Group to record an additional sales return provision of $20,965,114 which was recorded within revenues and trade receivables.

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21 Post March 31, 2020, the Company has received a sanction of a long-term revolving credit facility for upto $ 32,000,000 from Wells Fargo Bank, National Association.

22 In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. The Company has adopted measures to curb the spread of infection in order to protect the health of its employees and ensure business continuity with minimal disruption. The Company has considered available internal and external information while finalizing various estimates in relation to its financial statements upto the date of approval of the financial statements by the Board of Directors. The actual impact of the global health pandemic may be different from that which has been estimated, as the COVID -19 situation evolves in US and globally. The Company will continue to closely monitor any material changes to future economic conditions. However, the pandemic did not have any material impact on the financial statements for the year ended March 31, 2020.

**23 Subsequent events**

The Company has evaluated subsequent events occurring after the financial statement date through 26 June 2020 which is the date the financial statements were available to be issued. Based on the evaluation, the Company has no subsequent events that requires any adjustment to the financial statement and /or disclosure.

**24 Regrouping/Reclassifcation**

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