

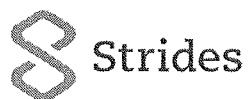
STRIDES PHARMA INC.  
CONSOLIDATED BALANCE SHEETS  
AS AT MARCH 31, 2022 AND MARCH 31, 2021

(All amounts in \$, except share and per share data)

	Note	31-Mar-22	31-Mar-21
<b>I Assets</b>			
<b>Current assets</b>			
(a) Cash and cash equivalents		4,375,036	4,469,709
(b) Accounts receivable, net	2	63,534,844	66,650,908
(c) Inventories	3	49,491,305	64,808,125
(d) Other current assets	4	58,409,218	3,927,500
<b>Total current assets</b>		<b>175,810,403</b>	<b>139,856,242</b>
(a) Investments	5	34,397,686	35,595,979
(b) Property, plant and equipment, net	6	28,428,156	18,313,971
(c) Goodwill	7	26,174,783	26,174,783
(d) Operating lease right-of-use assets	19	2,473,931	7,532,969
(e) Other intangible assets, net	7	13,622,763	13,875,010
(f) Deferred tax assets, net	18	6,296,538	2,641,920
(g) Other non-current assets	8	31,903,089	1,468,744
<b>Total assets</b>		<b>319,107,349</b>	<b>245,459,618</b>
<b>II Liabilities and equity</b>			
<b>Current liabilities</b>			
(a) Accounts payable		133,562,305	82,073,181
(b) Payable to related parties	20	205,867	154,077
(c) Other current liabilities			
(i) Accrued payables	9	6,069,242	3,079,711
(ii) Accrued taxes	18	-	190,000
(iii) Capital vendors		-	23,900
(d) Operating lease liabilities	19	2,142,490	766,694
(e) Short-term debt	10	15,000,000	15,000,000
(f) Current maturities of long-term debt	10	931,974	910,410
(g) Contingent consideration payable	26	2,394,800	1,213,847
(h) Provision for sales returns		3,684,562	3,950,000
<b>Total current liabilities</b>		<b>163,991,240</b>	<b>107,361,821</b>
(a) Operating lease liabilities	19	2,118,591	6,942,798
(b) Long-term debt	10	62,865,658	48,529,080
(c) Contingent consideration payable	26	3,842,860	4,376,346
(d) Provision for sales returns		2,582,345	3,688,304
(e) Payable to related parties	11	3,136,618	3,136,618
<b>Total liabilities</b>		<b>238,537,312</b>	<b>174,034,967</b>
Commitments and contingencies	24		
<b>Stockholder's equity:</b>			
Common stock, \$10 par value per share	12	183,830	165,840
<i>Authorized 100,000 shares; issued and outstanding: 18,383 shares as at March 31, 2022 (16,584 shares as at March 31, 2021)</i>			
Additional paid-in capital		66,512,694	46,535,051
Retained earnings		13,873,513	24,723,760
Accumulated other comprehensive income		-	-
<b>Total equity</b>		<b>80,570,037</b>	<b>71,424,651</b>
<b>Total liabilities and equity</b>		<b>319,107,349</b>	<b>245,459,618</b>

See accompanying notes to the consolidated financial statements.



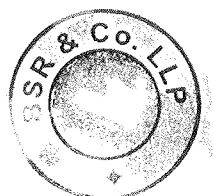


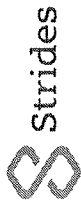
STRIDES PHARMA INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED MARCH 31, 2022 AND MARCH 31, 2021

(All amounts in \$, except share and per share data)

		For the year ended	
	Note	31-Mar-22	31-Mar-21
Revenue from operations, net	13	128,086,390	177,324,585
<b>Operating expenses</b>			
(a) Cost of revenues	14	80,860,225	145,293,959
(b) Selling, general and administrative expenses	15	34,090,194	22,172,852
(c) Depreciation and amortization	6,7	2,221,523	984,713
(d) Impairment of Florida manufacturing facility	6	23,210,660	-
(e) Other operating income	16	(943,807)	(1,779,694)
<b>Total operating expenses</b>		<b>139,438,795</b>	<b>166,671,830</b>
<b>Income from operations</b>		<b>(11,352,405)</b>	<b>10,652,755</b>
Unwinding impact of contingent consideration payable		1,002,981	1,002,981
Other (income) / expense	17	1,198,293	(1,446,448)
Gain on a bargain purchase	23 (ii)	(1,568,180)	-
Interest expense		2,521,151	2,123,082
<b>Income from operations before income taxes</b>		<b>(14,506,650)</b>	<b>8,973,140</b>
Income tax expense / (benefit)	18	(3,656,403)	2,452,096
<b>Net Income</b>		<b>(10,850,247)</b>	<b>6,521,044</b>

See accompanying notes to the consolidated financial statements.

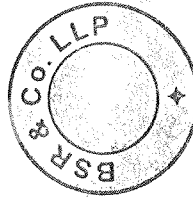
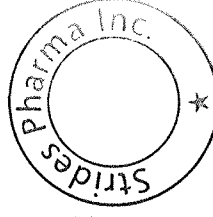


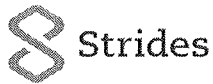


**STRIDES PHARMA INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(All amounts in \$, except share and per share data)*

Particulars	Common stock		Additional paid-in capital	Retained earnings	Total equity
	Shares	Amount			
<b>Balance as at April 1, 2020</b>	15,137	151,370	46,554,103	18,202,716	64,908,189
Net income for the year	-	-	-	6,521,044	6,521,044
Common stock allotment during the year	1,447	14,470	(14,470)	-	-
Return of capital	-	-	(4,582)	-	(4,582)
<b>Balance as at March 31, 2021</b>	16,584	165,840	46,535,051	24,723,760	71,424,651
Net income for the year	-	-	-	(10,850,247)	(10,850,247)
Common stock allotment during the year	1,799	17,990	19,977,643	-	19,995,633
<b>Balance as at March 31, 2022</b>	18,383	183,830	66,512,694	13,873,513	80,570,037

See accompanying notes to the consolidated financial statements.



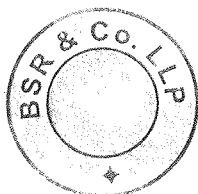


**STRIDES PHARMA INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND MARCH 31, 2021**

(All amounts in \$, except share and per share data)

	31-Mar-22	31-Mar-21
<b>A Cash flows from operating activities:</b>		
Net Income	(10,850,247)	6,521,044
<b>Adjustments to reconcile net profit to net cash (used in) / provided by operating activities:</b>		
Depreciation and amortisation	2,221,523	984,713
Deferred income taxes	(3,656,403)	2,262,096
Fair value (gain) / loss on investments	1,198,293	(1,438,718)
Impairment of Florida manufacturing facility	23,210,660	-
Gain on a bargain purchase	(1,568,180)	-
Unwinding impact of contingent consideration payable	1,002,981	1,002,981
<b>Changes in net operating assets and liabilities:</b>		
Accounts receivable, net	3,116,064	(8,970,698)
Inventories	19,663,274	(33,593,197)
Prepaid expenses, other current assets and security deposits	(4,922,374)	3,007,377
Accounts payables	(28,510,876)	14,108,237
Other current liabilities, operating lease liabilities and other liabilities	(7,966,841)	(4,173,244)
Income taxes (net)	(188,215)	190,000
<b>Net cash used in operating activities</b>	<b>(7,250,341)</b>	<b>(20,099,409)</b>
<b>B Cash flows from investing activities:</b>		
Purchase of property, plant and equipments	(5,499,612)	(10,591,003)
Purchase of other intangible assets	(481,406)	(519,644)
Proceeds from sale of property, plant and equipments	800,000	-
Acquisition of Chestnut Ridge manufacturing facility	(22,661,575)	-
<b>Net cash used in investing activities</b>	<b>(27,842,593)</b>	<b>(11,110,647)</b>
<b>C Cash flows from financing activities:</b>		
Capital contribution/ (return of capital)	19,995,633	(4,582)
Debt issuance cost	-	(111,312)
Proceeds from long term debt	19,440,615	50,082,205
Repayment of long term debt	(5,082,473)	(13,480,705)
Payment of contingent consideration	(355,514)	(1,883,636)
<b>Net cash provided by financing activities</b>	<b>33,998,261</b>	<b>34,601,970</b>
<b>Cash and cash equivalents and restricted cash:</b>		
<b>Net increase / (decrease) in cash and cash equivalents</b>	[A+B+C] <b>(1,094,673)</b>	<b>3,391,914</b>
Balance at the beginning of the year	5,469,709	2,077,795
<b>Balance at the end of the year</b>	<b>4,375,036</b>	<b>5,469,709</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	2,458,149	2,027,150
<b>Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:</b>		
Cash and cash equivalents	4,375,036	4,469,709
Restricted cash included in other non-current assets	-	1,000,000
<b>Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows</b>	<b>4,375,036</b>	<b>5,469,709</b>

See accompanying notes to the consolidated financial statements.



**Strides Pharma Inc.**

**Notes forming part of the consolidated financial statements**

*(All amounts in \$, except share and per share data)*

**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 manufacturing, marketing, selling and distributing generic prescription drugs in United States of America.

Strides Pharma Science Limited (the "Ultimate Parent") owns 100% of Strides Arcolab International Limited, UK (the "parent"), 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 Ultimate 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 Ultimate 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 the year, the Group has acquired a manufacturing facility in Chestnut Ridge, New York. The facility at Chestnut Ridge has capacity to manufacture semi solids, liquids, nasal sprays along with oral solids. The facility is also registered with the Drug Enforcement Administration (DEA) enabling manufacturing of controlled substances.

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

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

**1.3 Use of estimates**

Preparation of the consolidated 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 consolidated 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 consolidated financial statements in the period in which changes are made and if material, their effects are disclosed in the notes to the consolidated financial statements. Significant estimates include amounts deducted from revenue for the projected chargebacks, sales returns, rebates and medicaid, the valuation of receivables, goodwill impairment, investments and intangible assets. 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 Group). All significant intercompany balances and transactions have been eliminated in consolidation. The Group has no involvement with variable interest entities.

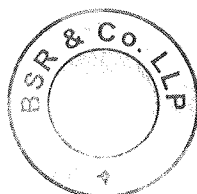
**1.5 Business combination**

The application of business combination accounting requires the use of significant estimates and assumptions. The Group 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.

The purchase price of each acquisition is allocated to the net assets acquired based on estimates of their fair values at the date of the acquisition. Any purchase price in excess of these net assets is recorded as goodwill. The allocation of purchase price in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date.

**1.6 Cash and cash equivalents**

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$ 250,000 (previous year – \$ 250,000) for each insured bank for each account per depositor.



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

**1.7 Accounts receivable and allowance for doubtful accounts**

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

In the normal course of business, the Group provides credit to its customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. The Group follows the specific identification method for recognizing provision for doubtful debts. Management analyzes composition of the accounts receivable aging, payment history, historical bad debts, current economic trends, and customer credit worthiness of each accounts receivable when evaluating the adequacy of the provision for doubtful accounts. Provision for doubtful debt is included in selling, general and administrative expenses in the consolidated statements of income.

**1.8 Property, plant and equipment**

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

Cost of items of property, plant and equipment comprise cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The Group 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 operations.

The estimated useful lives of the assets are as follows:

Buildings	20-30 years
Computers	3 years
Office equipment	10 years
Furniture and fixtures	5 years
Plant and machinery	4-15 years

Land is not depreciated.

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**

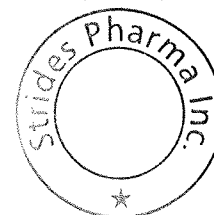
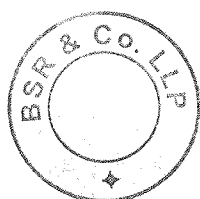
The Intangible assets including those acquired by the Group are initially measured at cost. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized over their respective estimated useful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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses (if any).

The estimated useful lives of the assets are as follows:

Registrations and brands	15 years
Software licenses	5 years

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.



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

**1.10 Impairment of long lived assets**

The Group reviews the carrying amounts of long-lived assets, other than goodwill and intangible assets not subject to amortization, for potential impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In evaluating recoverability, the Group's assets and liabilities at the lowest level such that the identifiable cash flows relating to the group are largely independent of the cash flows of other assets and liabilities. The Group then compares the carrying amounts of the assets or asset groups with the related estimated undiscounted future cash flows. In the event impairment exists, an impairment charge is recorded as the amount by which the carrying amount of the asset or asset group exceeds the fair value.

During the current year, the Group has recognised impairment charge of USD 23,210,660 (March 31, 2021: Nil) towards Florida manufacturing facility. (Refer note 6)

**1.11 Goodwill**

Goodwill is the excess of the purchase price over the fair value of acquired assets and liabilities in a business combination. The Group accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other (“ASC 350”). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Effective January 01, 2017, the Group prospectively adopted the provisions of Accounting Standards Update 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). ASU 2017-04 eliminates the second step of the goodwill impairment test. Therefore, for goodwill impairment tests occurring after January 01, 2017, if the carrying value of a reporting unit exceeds its fair value, the Group will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

Based on the assessment, the Group 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, 2022.

**1.12 Investments**

**a) Investments at cost**

Investments in preferred stock of related parties are carried at cost. Acquisition related expenditure is expensed in the year of incurring the same.

**b) Investments at fair value**

Equity interests, other than investments in related parties, with readily determinable fair values are carried at fair value with changes in value recorded in the consolidated statements of income.

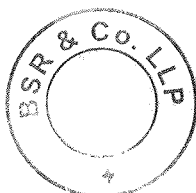
The Group has elected to apply the measurement alternative to equity securities without readily determinable fair values, i.e., investments in related parties. As such, non-marketable equity securities of the Group are measured at cost, less any impairment, and are adjusted for changes in fair value resulting from observable transactions for identical or similar investments of the same issuer. Gains and losses on non-marketable equity securities are recognized in consolidated statements of income.

**1.13 Inventories**

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads. Cost is determined as follows:

- Raw materials, packing materials, stores and spares: weighted average basis
- Work-in progress: at material cost and an appropriate share of production overheads
- Finished goods: material cost and an appropriate share of production overheads, wherever applicable
- Stock-in trade: weighted average basis

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.



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

**1.14 Revenue recognition**

The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A 5-step approach is used to recognise revenue as below:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

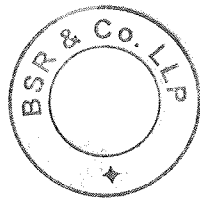
The Group recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products is transferred to its customers in an amount that reflects the consideration the Group expects to receive from its customers in exchange for those products.

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.

**Sale of Goods:**

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration primarily related to rebates and wholesaler chargebacks. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Our estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data, and forecasted customer buying and payment patterns. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the contract. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period.

- 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. Group 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 Group's discretion.





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

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

**1.15 Selling, general and administrative expenses**

Selling, general and administrative costs are expenses as incurred. These expenses includes advertisement and marketing cost, personnel cost, warehousing and freight outwards, legal and professional fees.

**1.16 Cost of revenues**

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

**1.17 Employee benefits**

**Defined contribution plans**

Employees of the Group 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 group.

The Group 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 statements of income. For the year ended March 31, 2022, the Group recorded contributions of \$404,542 including the amount capitalised (March 31, 2021: \$195,379).

**1.18 Government grant**

Government grant is recognized only when there is a reasonable assurance that:

- (a) the entity will comply with any conditions attached to the grant, and
- (b) the grant will be received.

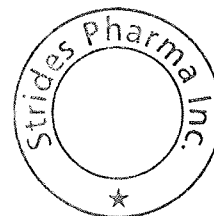
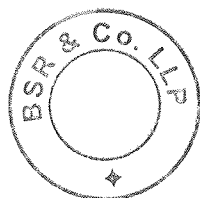
Accordingly, the Group recognizes grants as a reduction of the expense to which it relates in the consolidated statements of income when all performance obligations have been satisfied and forgiveness is reasonably assured.

**1.19 Commitments and contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, 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 loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the consolidated financial statements.

**1.20 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 consolidated financial statements 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 Group 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 Group 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)**

**1.21 Operating leases**

The Group 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.

The Group determines whether an arrangement is or contains a lease at contract inception. All of the Group's leases are classified as operating leases, which are included in operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheet.

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.

Lease cost is recognised on a straight-line basis over the term of the lease in the consolidated statements of income.

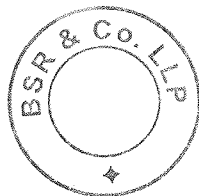
**1.22 Debt issuance cost**

Per FASB ASC 835-30, ASU No. 2015-03, the debt issuance cost related to recognized debt liability is presented in the balance sheet as a direct deduction from the debt liability consistent with the presentation of debt discount, thereby reducing the borrowing and increasing the effective interest rate.

**1.23 New accounting standards**

***Recently issued accounting standards not yet adopted***

In August 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326) -Measurement of Credit Losses on Financial Instruments. The new guidance applies to all financial instruments carried at amortized cost (including loans held for investment (HFI) and held-to-maturity (HTM) debt securities, as well as trade receivables and receivables that relate to repurchase agreements and securities lending agreements), a lessor's net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance or as derivatives, including loan commitments, standby letters of credit, and financial guarantees. The guidance is effective for annual periods beginning after December 15, 2022. Early adoption is permitted. The Group is currently assessing the impact of the adoption of this guidance on its consolidated financial statements and disclosures.



**Strides Pharma Inc.**

**Notes forming part of the consolidated financial statements**

*(All amounts in \$, except share and per share data)*

**2 Accounts receivable, net**

Particulars	31-Mar-22	31-Mar-21
Accounts receivable	63,534,844	66,650,908
Less: Provision for doubtful debts	-	-
<b>Total</b>	<b>63,534,844</b>	<b>66,650,908</b>

The following table summarizes the allowance for doubtful accounts:

Particulars	31-Mar-22	31-Mar-21
Balance at the beginning of the year	-	-
Provision made during the year	-	104,918
Bad debts written off during the year	-	(104,918)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**3 Inventories**

Particulars	31-Mar-22	31-Mar-21
Raw materials	6,141,056	2,847,974
Work in progress	1,171,020	-
Finished goods	42,179,229	61,960,151
<b>Total</b>	<b>49,491,305</b>	<b>64,808,125</b>

Based on the Group's assessment of slow-moving inventory and expiration policies, the Group has provided a provision for its inventory of \$12,935,261 as of March 31, 2022 (March 31, 2021: \$927,067) for expired or near expiry products.

Additionally, the Group is carrying a provision of \$285,108 as of March 31, 2022 (March 31, 2021: 211,513) towards damaged inventory.

The following table summarizes the inventory provision:

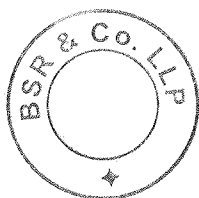
Particulars	31-Mar-22	31-Mar-21
Balance at the beginning of the year	1,138,580	1,213,572
Provision made during the year	12,081,789	1,138,580
Inventory consumed/utilised during the year	-	(1,213,572)
<b>Balance at the end of the year</b>	<b>13,220,369</b>	<b>1,138,580</b>

**4 Other current assets**

Particulars	31-Mar-22	31-Mar-21
Prepaid expenses	1,279,611	231,724
Advance to vendors	681,223	-
Due from related parties	6,448,384	2,911,724
Insurance claim receivable	-	784,052
Receivable under deferred credit arrangement	50,000,000	-
<b>Total</b>	<b>58,409,218</b>	<b>3,927,500</b>

**5 Investments**

Particulars	31-Mar-22	31-Mar-21
<b>a) Securities of related parties:</b>		
- 2,208,654 Common shares (March 31, 2021: 2,208,654) in Strides Pharma Global UK Limited, UK	1,589,385	1,589,385
- 212,709 Preference shares (March 31, 2021: 212,709) in Strides Pharma Global UK Limited, UK	32,567,876	32,567,876
<b>b) Other investments:</b>		
- 639,430 Common shares (March 31, 2021: 639,430) in Sonnet Biotherapeutics Holdings Inc, USA	240,425	1,438,718
<b>Total</b>	<b>34,397,686</b>	<b>35,595,979</b>



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

**6 Property, plant and equipment, net**

Particulars	31-Mar-22	31-Mar-21
Computers	355,543	128,696
Land	4,500,000	-
Buildings	17,140,000	-
Furniture and fixtures	131,827	134,528
Office equipment	7,362	12,269
Plant and machinery	6,848,055	495,325
Capital work-in-progress	593,705	17,883,337
<b>Total property, plant and equipment, at cost</b>	<b>29,576,492</b>	<b>18,654,155</b>
Accumulated depreciation	(1,148,336)	(340,184)
<b>Property, plant and equipment, net</b>	<b>28,428,156</b>	<b>18,313,971</b>

Depreciation expense for the year ended March 31, 2022 is \$ 1,133,613 (March 31, 2021: \$ 161,143).

During the year, the Group had acquired a manufacturing facility in Chestnut Ridge, Newyork from Par Pharmaceutical Inc. for a consideration of USD 22,661,575. The facility at Chestnut Ridge, New York has capacity across semi solids, liquids, nasal sprays along with oral solids.

Pursuant to the acquisition of Chestnut Ridge faciliy, the Group as a part of its cost improvements and capacity optimisation has divested the Florida facility. Accordingly the Group has recorded an impairment loss amounting to USD 23,210,660.

**7 Other intangible assets, net**

Particulars	31-Mar-22	31-Mar-21
Gross other intangible assets	15,937,366	15,149,774
Accumulated amortization	(2,481,773)	(1,441,934)
<b>Other intangible assets, net</b>	<b>13,455,593</b>	<b>13,707,840</b>
Capital work-in-progress	167,170	167,170
<b>Other intangible assets</b>	<b>13,622,763</b>	<b>13,875,010</b>

Intangible assets amortization expense for the year ended March 31, 2022 is \$1,087,910 (March 31, 2021: \$823,570). The amortization expense for the next five years and thereafter is estimated as follows:

Year ending March 31:	Amount
2023	1,087,910
2024	1,087,910
2025	1,087,910
2026	1,087,910
2027	1,087,910
Thereafter	8,016,042
<b>Total</b>	<b>13,455,593</b>

**Goodwill**

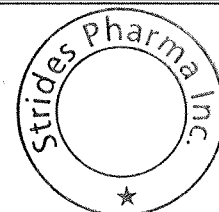
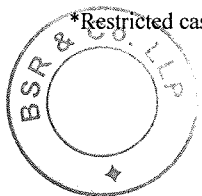
Particulars	31-Mar-22	31-Mar-21
Balance at the beginning of the year	26,174,783	26,174,783
Movement during the year	-	-
<b>Balance at the end of the year</b>	<b>26,174,783</b>	<b>26,174,783</b>

The goodwill is on account of acquisition of 100% equity interest in Vensun Pharmaceuticals Inc as referred in note 23 (i)

**8 Other non-current assets**

Particulars	31-Mar-22	31-Mar-21
Prepaid expenses	-	171,875
Deferred consideration receivable	753,245	-
Receivable under deferred credit arrangement	30,000,000	-
Restricted cash*	-	1,000,000
Security deposits	1,149,844	296,869
<b>Total</b>	<b>31,903,089</b>	<b>1,468,744</b>

\*Restricted cash represents deposits with the lender against the loan drawn.



Strides Pharma Inc.

Notes forming part of the consolidated financial statements

(All amounts in \$, except share and per share data)

9 Accrued payables

Particulars	31-Mar-22	31-Mar-21
Accrued expenses	2,574,670	2,073,265
Accrued payroll	2,705,946	860,586
Interest accrued on borrowings	192,161	129,159
Other statutory dues	596,465	16,702
<b>Total</b>	<b>6,069,242</b>	<b>3,079,711</b>

10 Debts

Particulars	31-Mar-22	31-Mar-21
Short-term debt	15,000,000	15,000,000
Current maturities of long-term debt	931,974	910,410
Long-term debt	62,865,658	48,529,080
<b>Total</b>	<b>78,797,632</b>	<b>64,439,490</b>

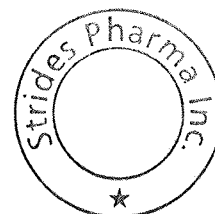
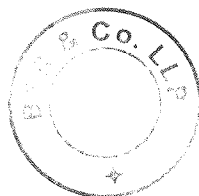
Details of security and terms of repayment for borrowings:

Particulars	31-Mar-22	31-Mar-21
<b>(i) Bank loan 1</b> Gross loan sanctioned: 15,000,000 Security: Corporate guarantee from Strides Pharma Science Limited, India, the Ultimate Parent Company Rate of interest: 6 months LIBOR + 250 bps p.a. Repayment terms: Repayable on demand	15,000,000	15,000,000
<b>(ii) Bank loan 2</b> Gross loan sanctioned: 81,200,000 Security: First charge on the current assets and Pari-Passu first charge on the fixed assets of the Group Rate of interest: 1 month LIBOR / 0.25% base rate, whichever is higher + 2.25% p.a. Repayment terms: : Repayable at the end of 3 years with an option to renew for an additional period of 3 years.	59,313,116	45,011,176
<b>(iii) Bank loan 3</b> Gross loan sanctioned: 5,000,000 Security: First charge on the current assets and Pari-Passu first charge on the fixed assets of the Group Rate of interest: 3.62% p.a. Repayment terms: : Repayable in 60 equal monthly instalments. The outstanding term as at March 31, 2022 is 56 instalments.	4,694,000	-
<b>(iv) Bank loan 4</b> Gross loan sanctioned: 5,000,000 Security: Pari-passu first charge on the fixed assets of the Florida facility, both present and future Rate of interest: 4.99% p.a. Repayment terms: : Repayable in 60 equal monthly instalments. The loan is fully repaid during the year.	-	4,852,628
<b>Total</b>	<b>79,007,116</b>	<b>64,863,804</b>

Reconciliation of debt:

Particulars	31-Mar-22	31-Mar-21
Short-term debt	15,000,000	15,000,000
Long-term debt	64,007,116	49,863,804
<b>Gross debt</b>	<b>79,007,116</b>	<b>64,863,804</b>
Less: Unamortised processing fee	(209,484)	(424,314)
<b>Total debt, net of unamortised processing fee</b>	<b>78,797,632</b>	<b>64,439,490</b>

The above loans are subject to certain financial covenants. As at March 31, 2022, the Group has complied with the prescribed covenants.



**Strides Pharma Inc.**

**Notes forming part of the consolidated financial statements**

*(All amounts in \$, except share and per share data)*

**11 Payable to related parties**

The Group 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, Cyprus. Subsequently, during the year ended March 31, 2019, the principal amount of this loan was repaid in full. The line was unsecured and had an interest rate of 6% per annum.

The outstanding balance of \$3,136,618 (March 31, 2021: \$3,136,618) represents the accrued interest payable towards the above borrowings. The Group does not expect to settle this balance for a period of 12 months from the date of these financial statements and hence, the same has been disclosed under non-current liabilities.

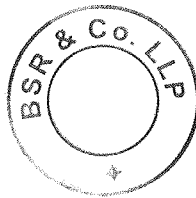
**12 Stockholder's equity**

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

**Common stock**

The Group is authorized to issue 100,000 shares. As of March 31, 2022, 18,383 (March 31, 2021: 16,584) shares were issued and outstanding.

Stockholders 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.



**Strides Pharma Inc.****Notes forming part of the consolidated financial statements***(All amounts in \$, except share and per share data)***13 Revenue from operations, net**

Particulars	31-Mar-22	31-Mar-21
Sale of products	128,086,390	177,324,585
<b>Total</b>	<b>128,086,390</b>	<b>177,324,585</b>

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 2022 and 2021, respectively:

Particulars	31-Mar-22	31-Mar-21
<b>Gross sales</b>	<b>430,941,957</b>	<b>467,425,284</b>
<b>Gross to net accruals / adjustments:</b>		
Chargebacks	(247,195,505)	(249,738,098)
Rebates (including government rebate programs) and other sales allowances	(52,399,157)	(37,576,452)
Returns	(3,260,905)	(2,786,150)
<b>Total gross to net adjustments</b>	<b>(302,855,567)</b>	<b>(290,100,699)</b>
<b>Net sales</b>	<b>128,086,390</b>	<b>177,324,585</b>

**Disaggregated revenue information**

Particulars	31-Mar-22	31-Mar-21
<b>1. Revenue disaggregated by product line:</b>		
Oral dosages	128,086,390	177,324,585
<b>2. Revenue disaggregated by timing of recognition:</b>		
At a point in time	128,086,390	177,324,585
<b>3. Revenue disaggregated based on geographical regions:</b>		
United States of America	128,086,390	177,324,585

**14 Cost of revenue**

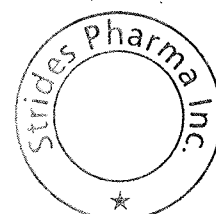
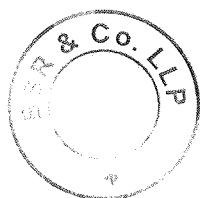
Particulars	31-Mar-22	31-Mar-21
Cost of revenue	80,860,225	145,293,959
<b>Total</b>	<b>80,860,225</b>	<b>145,293,959</b>

**15 Selling, general and administrative expenses**

Particulars	31-Mar-22	31-Mar-21
Employee benefits expense	7,853,816	5,188,783
Marketing and business development expenses	63,570	88,483
Freight and warehousing expenses	8,236,118	4,589,601
Legal and professional expenses	8,932,969	5,164,277
Supply penalties	2,427,927	4,885,995
Insurance expenses	517,364	522,484
Bad debts written off	-	104,918
Operating lease expenses	1,104,816	319,605
Travel	156,749	97,637
Trade shows	103,553	44,380
Repairs & maintenance	1,770,570	351,301
Power & fuel	755,611	-
Rates and taxes	382,420	-
Others	1,784,711	815,388
<b>Total</b>	<b>34,090,194</b>	<b>22,172,852</b>

**16 Other operating income**

Particulars	31-Mar-22	31-Mar-21
Support service income	263,807	592,138
Insurance claim	680,000	784,052
Others	-	403,504
<b>Total</b>	<b>943,807</b>	<b>1,779,694</b>



**Strides Pharma Inc.****Notes forming part of the consolidated financial statements***(All amounts in \$, except share and per share data)***17 Other (income) / expense**

Particulars	31-Mar-22	31-Mar-21
Fair value (gain) / loss on investments	1,198,293	(1,438,718)
Miscellaneous income	-	(7,730)
<b>Total</b>	<b>1,198,293</b>	<b>(1,446,448)</b>

**18 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, 2022. Accordingly, the current Income tax expense for the year ended March 31, 2022 is \$1,785 (March 31, 2021: \$190,000).

Deferred tax expense / (benefit) recorded for the year is (\$3,656,403) (March 2021: \$2,262,096) at federal and state level.

For the year ended March 31, 2022, the provision for income taxes differed from the statutory tax rate primarily due to state income taxes, true-ups 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 Group's deferred income tax assets and liabilities as of March 31, 2022 are as follows:

Particulars	31-Mar-22	31-Mar-21
<b>Deferred tax assets:</b>		
Accrued expenses	491,771	128,782
Investments	2,908	2,966
Net operating loss carry forward	4,306,756	3,313,947
Inventory obsolescence reserve	3,229,289	285,511
Interest related adjustments	1,578,014	1,294,204
Research and development	1,423,370	1,581,946
Others	272,892	140,342
	<b>11,305,000</b>	<b>6,747,698</b>
Valuation allowance	-	-
<b>Total deferred tax assets</b>	<b>11,305,000</b>	<b>6,747,698</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipments	(1,230,862)	(126,756)
Other intangible assets	(3,311,068)	(3,342,377)
Unrealised gain on investments	(59,117)	(360,774)
Others *	(407,415)	(275,872)
<b>Total deferred tax liabilities</b>	<b>(5,008,462)</b>	<b>(4,105,779)</b>
<b>Deferred tax assets (net)</b>	<b>6,296,538</b>	<b>2,641,920</b>

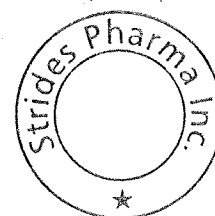
\* includes deferred tax liability on business combination, refer note 23

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, 2022, the Group has federal and state net operating loss carryforwards aggregate of which may not exceed \$57,763,010 and \$11,175,566 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 Group 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 NOL projected to be utilized in the future may not exceed an amount of \$12,625,655 with the remaining balance expected to expire unused.

The Group files a consolidated tax return for Strides Pharma Inc. and Vensun Pharmaceuticals Inc. Further, the Group does not have any unrecognised tax benefits as of March 31 2022 and 2021. There are open statutes of limitations for taxing authorities to audit the Group's tax returns from 2017 through current period.





**Strides Pharma Inc.****Notes forming part of the consolidated financial statements***(All amounts in \$, except share and per share data)***19 Leases**

The Group facilitates an office space and factory space under operating lease.

Leases that contain non-lease components are accounted for as a single component and recorded on the balance sheet for certain asset classes including equipment. Non-lease components include, but are not limited to, common area maintenance and service arrangements .

The table below presents the classification of the operating lease and finance lease assets and liabilities:

Leases	Balance sheet classification	31-Mar-22	31-Mar-21
<b>Assets</b>			
Operating lease right of use assets*	Non-current assets	2,473,931	7,532,969
<b>Liabilities</b>			
Operating lease liabilities	Non-current liabilities	2,118,591	6,942,798
	Current liabilities	2,142,490	766,694
<b>Total Operating lease liabilities</b>		<b>4,261,081</b>	<b>7,709,492</b>

\* refer note 23

Operating lease expense has been recognized in the consolidated statements of income under the head "Selling, General & Administrative expenses"

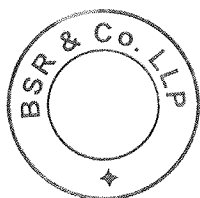
The following table contains supplemental cash flow information related to leases for the years ended March 31, 2022 and March 31, 2021:

	31-Mar-22	31-Mar-21
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Cash flow from operating leases	1,618,157	1,115,777

The Group facilitates an office space and factory premise under operating leases which have non-cancellable terms through September 2024 . Future minimum payments under non-cancelable operating lease are as follows:

Year ended March 31,	Amount
2023	2,212,757
2024	2,061,104
2025	131,170
2026	-
2026. and onwards	-
<b>Total minimum lease payments</b>	<b>4,405,031</b>
Less: imputed interest	143,950
<b>Operating lease liabilities</b>	<b>4,261,081</b>

Particulars	31-Mar-22	31-Mar-21
Weighted average remaining lease terms (years) – operating leases	2.5	13.02
Weighted average – discount rate	3.52%	6.00%



**Strides Pharma Inc.**

**Notes forming part of the consolidated financial statements**

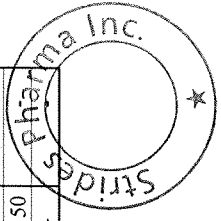
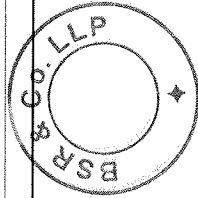
(All amounts in \$, except share and per share data)

**20 Related party transactions and balances**

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

**Related party transactions**

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-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	
<b>Purchase of goods</b>										
1	Strides Pharma Science Limited, India	4,935	97,278	-	-	-	-	-	-	-
2	Strides Pharma Global Pte Limited, Singapore	-	-	-	-	173,510,246	-	-	-	-
3	Solara Active Pharma Science Limited, India	-	-	-	-	-	-	-	-	80,737
4	Tenshi Kaizen Private Limited, India	-	-	-	-	-	-	-	-	287,978
<b>Services received</b>										
1	Strides Pharma Global Pte Limited, Singapore	-	-	-	-	84,887	85,104	-	-	-
2	Strides Pharma Canada Inc, Canada	-	-	-	-	92,626	33,015	-	-	-
3	Arco Lab Private Limited, India	-	-	-	-	135,267	131,706	-	-	-
<b>Guarantee commission</b>										
1	Strides Pharma Science Limited, India	176,757	188,917	-	-	-	-	-	-	-
<b>Support service income</b>										
1	Strides Consumer LLC, USA	-	-	-	-	-	-	58,331	99,996	-
2	Shasun USA Inc, USA	-	-	-	-	-	-	-	-	178,479
3	Solara Active Pharma Science Limited, India	-	-	-	-	-	-	-	-	234,359
4	Tenshi Kaizen Private Limited, India	-	-	-	-	-	-	-	-	17,200
5	Tenshi Kaizen USA Inc, USA	-	-	-	-	-	-	-	-	5,242
6	Naari Pte Limited, Singapore	-	-	-	-	-	-	-	-	1,495
7	Aurore Life Science	-	-	-	-	-	-	-	-	5,262
8	Alivira Animal Health Limited, India	-	-	-	-	-	-	-	-	2,600
<b>Inventory transfer</b>										
1	Strides Pharma Science Limited, India	2,446,452	-	-	-	-	-	-	-	-
<b>Purchase of machinery</b>										
1	Strides Pharma Science Limited, India	-	705,268	-	-	-	-	-	-	-
<b>Expenses incurred on behalf of / (incurred by), net</b>										
1	Strides Pharma Science Limited, India	1,618,685	(204,458)	-	-	-	-	-	-	-
2	Strides Pharma Global Pte Limited, Singapore	-	-	-	-	384,519	9,308,628	-	-	-
3	Strides Consumer LLC, USA	-	-	-	-	-	-	65,169	59,551	-
4	Strides Arcolab International Limited, UK	-	-	(6,000)	(96,000)	-	-	-	-	-
5	Arco Lab Private Limited, India	-	-	-	-	-	(69)	-	-	-
6	Shasun Pharma Solutions Inc, USA	-	-	-	-	-	1,000	-	-	-
7	Stabilis Pharma Inc, USA	-	-	-	-	-	1,000	-	-	-
8	Naari Pharma Private Limited, India	-	-	-	-	-	-	-	-	2,150
9	Stelis Biopharma LLC, USA	-	-	-	-	-	-	49,467	71,214	-



Strides Pharma Inc.

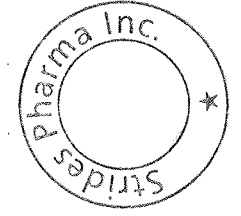
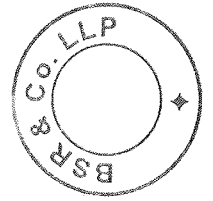
Notes forming part of the consolidated financial statements

(All amounts in \$, except share and per share data)

20 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-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
<b>Trade payables</b>											
1	Strides Pharma Science Limited, India	(2,795)	(7,730)	-	-	-	-	-	-	-	-
2	Strides Pharma Global Pte Limited, Singapore	-	-	-	125,407,530	79,650,766	-	-	-	-	-
3	Tenshi Kaizen Private Limited	-	-	-	-	-	-	-	-	96,383	-
<b>Other receivables/(payables)</b>											
1	Arco Lab Private Limited, India	-	-	-	(71,000)	(32,069)	-	-	-	-	-
2	Shasun Pharma Solutions Inc, USA	-	-	-	-	6,511	-	-	-	-	-
3	Naari Pharma Private Limited India	-	-	-	-	-	-	-	-	2,150	-
4	Stabilis Pharma Inc., USA	-	-	-	3,533	3,533	-	-	-	-	-
5	Shasun USA Inc, USA	-	-	-	-	-	-	-	-	559,538	582,587
6	Strides Consumer LLC, USA	-	-	-	-	-	471,071	347,570	-	-	-
7	Strides Pharma Science Limited, India	5,292,847	1,404,467	-	-	-	-	-	-	-	-
8	Stelis Biopharma LLC, USA	-	-	-	-	-	-	60,428	-	-	-
9	Stelis Biopharma Limited, India	-	-	-	-	-	100,353	-	-	-	-
10	Strides Global Consumer Healthcare Limited, UK	-	-	-	-	-	-	-	-	-	-
11	Strides Pharma Global Pte Limited, Singapore	-	-	-	80,000,000	-	-	-	-	-	-
12	Strides Pharma Asia Pte Limited, Singapore	-	-	-	-	300,000	-	-	-	-	-
13	Strides Arcolab International Limited, UK	-	-	-	(102,000)	(96,000)	-	-	-	-	-
14	Strides Pharma Global (UK) Limited, UK	-	-	-	(26,290)	(26,008)	-	-	-	-	-
15	Solara Active Pharma Science Limited, India	-	-	-	-	-	-	-	-	18,840	18,840
16	Tenshi Kaizen USA Inc, USA	-	-	-	-	-	-	-	-	52	85,294
17	Tenshi Kaizen Private Limited, India	-	-	-	-	-	-	-	-	-	-
18	Vivimed Life Sciences Private Limited, India	-	-	-	-	94,561	-	-	-	-	-
19	Strides Pharma Canada Inc, Canada	-	-	-	(6,577)	2,691	-	-	-	-	-
<b>Interest payable</b>											
1	Strides Pharma International Limited, Cyprus	-	-	-	3,136,618	3,136,618	-	-	-	-	-
<b>Investments</b>											
1	Strides Pharma Global UK Limited, UK	-	-	-	34,157,261	34,157,261	-	-	-	-	-



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

- 21 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 April 01, 2020, the Group has ceased further distribution of the product and is currently in the process of withdrawing the product from the market.

During the current year, the Group has continued to receive returns from its customers with the corresponding value being deducted on their payments to the Group. As at March 31, 2022, the Group is carrying sufficient provision for sales return and has recorded an amount of USD 2,634,120 towards other expenses related to its product withdrawal. Furthermore, the expenses recorded also includes legal fees incurred by the Group in respect of its ongoing litigations relating to Ranitidine.

- 22 During the year, USFDA issued a letter to the Group to test for the presence of Azide impurity(s) in Losartan. The Azide impurity(s) are API process impurity(s), with the API manufacturer also receiving a similar letter from USFDA. The results confirmed the presence of Azide impurity(s) in the batches tested. As a result, the group proposed to initiate a voluntary recall of specific batches which had the Azide impurity(s).

The Group has estimated the impact of the aforesaid recall and recorded a sales return provision for potential refunds on return of the product amounting to USD 650,000. Subsequently the API process at the API manufacturer was optimized to address this issue and the product was relaunched during the current year.

**23 Business combinations****i) Vensun Pharmaceuticals Inc., USA ("Vensun")**

On January 30, 2019, the Company had acquired 100% of equity interest in Vensun Pharmaceuticals Inc., USA ("Vensun"), a US-based generics company, for a consideration of \$6,560,859 in cash and balance contingent on future revenues. The contingent consideration was fair valued based on the probability weighted estimated future cash outflows. The fair value of contingent consideration remaining payable at March 31, 2022 is \$6,237,660 (March 31, 2021: \$5,590,193).

**ii) Chestnut Ridge facility, New York**

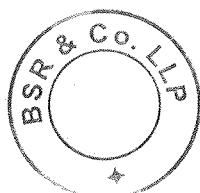
On October 20, 2021, the Company acquired manufacturing facility at Chestnut Ridge, New York from Par Pharmaceutical Inc. for the consideration of USD 22,661,575. The acquisition included the transfer of control, processes and the work force, and accordingly accounted for as a business combination as per ASC 805 by applying the acquisition method.

During the year, the Company has finalised the purchase price allocation. The following table summarises the consideration paid and the estimated fair value of the assets acquired and liabilities assumed on the date of acquisition.

Particulars	Amount	Amount
<b>Consideration:</b>		
Cash	22,661,575	
<b>Fair value of total consideration - (A)</b>		<b>22,661,575</b>
<b>Less: Fair value of identifiable net assets/(liabilities) - (B)</b>		
<b>Non current assets</b>		
Property, plant and equipment	28,483,300	
Operating lease right-of-use assets	(2,100,000)	
<b>Current assets</b>		
Inventories	4,346,455	
<b>Current liabilities</b>		
Accrued payables	(6,500,000)	
		<b>24,229,755</b>
<b>Gain on a bargain purchase (A) - (B)</b>		<b>(1,568,180)</b>

The results of operations of the acquired business have been included in these consolidated statement of operations since the date the business was acquired.

As at March 31, 2022 and March 31, 2021, there were no reductions in goodwill relating to impairment losses.



**Strides Pharma Inc.**

**Notes forming part of the consolidated financial statements**

*(All amounts in \$, except share and per share data)*

**24 Commitments and contingencies**

**a) Commitments**

Particulars	31-Mar-22	31-Mar-21
Capital commitments, net of advances	2,602,110	858,984

**b) Contingencies**

The Group is involved in various litigations including commercial matters that arise from time to time in the ordinary course of business. Management is of the view that these litigations are in preliminary stages and the resolution of these matters will not have any material adverse effect on the Group's financial position or results of operations.

The Group remain subject to the risk of future administrative and legal actions. With respect to governmental and regulatory matters, these actions may lead to product recalls, injunctions, and other restrictions on the Group's operations and monetary sanctions, including significant civil or criminal penalties. With respect to intellectual property, the Group may be exposed to significant litigation concerning the scope of our and others' rights. Such litigation could result in a loss of patent protection or the ability to market products, which could lead to a significant loss of sales, or otherwise materially affect future results of operations.

**25 Financial instruments**

**(i) Concentration of credit risk**

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of accounts receivable. The Group generated approximately 36% of net revenues from two customers during the year ended March 31, 2022.

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

Customers	Net Revenue
Customer A	18%
Customer B	18%

Global economic conditions, governmental actions and customer-specific factors may require re-evaluation of the collectability of the receivables and could potentially incur additional credit losses.

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

**(ii) Foreign currency and interest rate management**

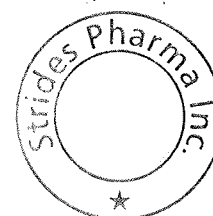
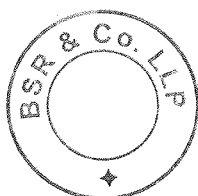
The Group operates on a global basis and is exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in interest rates. The hedging policy attempts to manage these risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity and costs.

Group's policy is to manage interest costs using the mix of fixed- and floating-rate debt that management believe is appropriate at that time.

The Group is not significantly exposed to foreign exchange risk as majority of its transactions are held in USD, its functional currency.

The Group does not hold any instruments for trading purposes and none of its outstanding derivative instruments contain credit-risk-related contingent features.

**(iii)** In March 2020, the World Health Organisation declared COVID-19 to be a pandemic. The Group 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 Group has considered available internal and external information while finalizing various estimates in relation to its consolidated financial statements upto the date of approval of the consolidated 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 Group will continue to closely monitor any material changes to future economic conditions. However, the pandemic did not have any material impact on the consolidated financial statements for the year ended March 31, 2022.



**Strides Pharma Inc.****Notes forming part of the consolidated financial statements***(All amounts in \$, except share and per share data)***26 Fair value measurements**

The Group 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:** Quoted prices in active markets that we have the ability to access for identical assets or liabilities;

**Level 2 Inputs:** Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuations in which all significant inputs are observable in the market; and

**Level 3 Inputs:** Valuations using significant inputs that are unobservable in the market and include the use of judgment by management about the assumptions market participants would use in pricing the asset or liability.

The Group's financial instruments consist of accounts receivables, cash and cash equivalents, investments, current assets, accounts payables and borrowings. The estimated fair value of cash, other current assets, and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. The fair value of long-term loans and advances to subsidiaries also approximate their carrying values. None of these instruments are held for trading purposes.

The Group measures investments, other than investments, at fair value on a recurring basis. The fair value measurements of these investments were determined using the following inputs as of March 31, 2022 and March 31, 2021:

Particulars	Basis of fair valuation measurement	31-Mar-22	31-Mar-21
<b>Assets</b>			
Investment in common stock of Sonnet Biotherapeutics Holdings Inc, USA	Level 1 inputs - Quoted price of investment in active markets	240,425	1,438,718
<b>Total</b>		<b>240,425</b>	<b>1,438,718</b>
<b>Liabilities</b>			
Contingent payment related to acquisitions	Level 3 inputs - Significant unobservable inputs	6,237,660	5,590,193
<b>Total</b>		<b>6,237,660</b>	<b>5,590,193</b>

For assets that are measured using quoted prices in active markets, the fair value is the published market price per unit multiplied by the number of units held, without consideration of transaction costs.

Contingent payments related to acquisitions, which consist of milestone payments and sales-based payments, are valued using discounted cash flow techniques. The fair value of milestone payments reflects management's expectations of probability of payment, and increases as the probability of payment increases or the expected timing of payments is accelerated. The fair value of sales-based payments is based upon probability-weighted future revenue estimates, and increases as revenue estimates increase, probability weighting of higher revenue scenarios increases or the expected timing of payment is accelerated.

The following table is a reconciliation of our recurring fair value measurements that use significant unobservable inputs (Level 3), which consist of contingent payments related to acquisitions.

Particulars	31-Mar-22	31-Mar-21
Fair value at the beginning of the year	5,590,193	6,470,848
Add: Unwinding of discounting during the year	1,002,981	1,002,981
Less: Payments during the year	(355,514)	(1,883,636)
<b>Fair value at the end of the year</b>	<b>6,237,660</b>	<b>5,590,193</b>

**27 Subsequent events**

The Group has evaluated subsequent events occurring after the consolidated financial statements date through June 30, 2022 which is the date the consolidated financial statements were available to be issued. Based on the evaluation, the Group has no subsequent events that requires any adjustment to the consolidated financial statements and /or disclosure.

