

## Independent Auditor's Report

To the Board of Directors,  
Strides Pharma Inc.

We have audited the accompanying consolidated financial statements of Strides Pharma Inc. and its subsidiary (the "Company") which comprise the consolidated balance sheet as at March 31, 2021 and the related consolidated statement of operations, stockholder's equity, and cash flows for the year then ended and the related notes to the consolidated financial statements.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of the Company as at March 31, 2021 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other matter**

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#### **KNAV P.A.**

#### **Certified Public Accountants**

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2021-159 -US

The consolidated financial statements of the Company as of and for the year ended March 31, 2020 were audited by another auditor whose report, dated June 26, 2020 expressed an unmodified opinion on those consolidated financial statements.

KNAV P.A.

Atlanta, Georgia  
July 14, 2021



**STRIDES PHARMA INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT MARCH 31, 2021 AND MARCH 31, 2020**

(All amounts in \$, except share data)

	Note	31-Mar-21	31-Mar-20
<b>I Assets</b>			
<b>Current assets</b>			
(a) Cash and cash equivalents		4,469,709	2,077,795
(b) Accounts receivable, net	2	66,650,908	57,680,210
(c) Inventories	3	64,808,125	31,214,928
(d) Other current assets	4	3,927,500	8,026,662
<b>Total current assets</b>		<b>139,856,242</b>	<b>98,999,595</b>
(a) Investments	5	35,595,979	34,157,261
(b) Property, plant and equipment, net	6	18,313,971	3,615,585
(c) Goodwill	22	26,174,783	26,174,783
(d) Operating lease right of use assets	19	7,532,969	9,887,416
(e) Other intangible assets, net	7	13,875,010	14,178,936
(f) Deferred tax assets, net	18	2,641,920	4,904,016
(g) Other non-current assets	8	1,468,744	3,101,811
<b>Total assets</b>		<b>245,459,618</b>	<b>195,019,403</b>
<b>II Liabilities and equity</b>			
<b>Current liabilities</b>			
(a) Accounts payable		82,073,181	67,964,944
(b) Payable to related parties	20	154,077	953,485
(c) Other current liabilities			
(i) Accrued payables	9	3,079,711	5,370,013
(ii) Accrued taxes	18	190,000	-
(iii) Capital vendors		23,900	-
(d) Operating lease liabilities	19	766,694	609,942
(e) Short-term debt	10	15,000,000	15,000,000
(f) Current maturities of long-term debt	10	910,410	3,333,333
(g) Contingent consideration payable	22	1,213,847	1,782,986
(h) Provision for sales returns		3,950,000	4,055,622
<b>Total current liabilities</b>		<b>107,361,821</b>	<b>99,070,325</b>
(a) Operating lease liabilities	19	6,942,798	9,188,546
(b) Long-term debt	10	48,529,080	9,727,281
(c) Contingent consideration payable	22	4,376,346	4,687,862
(d) Provision for sales returns		3,688,304	4,300,583
(e) Payable to related parties	11	3,136,618	3,136,618
<b>Total liabilities</b>		<b>174,034,967</b>	<b>130,111,214</b>
Commitments and contingencies	23		
<b>Stockholder's equity:</b>			
Common stock, \$10 par value per share	12	165,840	151,370
<i>Authorized 100,000 shares;</i>			
<i>issued and outstanding: 16,584 shares as at March 31, 2021 (15,137</i>			
<i>shares as at March 31, 2020)</i>			
Additional paid-in capital		46,535,051	46,554,103
Retained earnings		24,723,760	18,202,716
<b>Total equity</b>		<b>71,424,651</b>	<b>64,908,189</b>
<b>Total liabilities and equity</b>		<b>245,459,618</b>	<b>195,019,403</b>

See accompanying notes to the consolidated financial statements.



**STRIDES PHARMA INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020**

(All amounts in \$, except share data)

		<b>For the year ended</b>	
	<b>Note</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Revenue from operations, net	13	177,324,585	162,164,470
Cost of revenues	14	145,293,959	137,558,093
<b>Gross profit</b>		<b>32,030,626</b>	<b>24,606,377</b>
<b>Operating expenses</b>			
(a) Selling, general and administrative expenses	15	22,172,852	17,045,188
(b) Depreciation and amortization	7,8,9	984,713	655,864
(c) Other operating income	16	(1,779,694)	(1,476,423)
<b>Total operating expenses</b>		<b>21,377,871</b>	<b>16,224,629</b>
<b>Income from operations</b>		<b>10,652,755</b>	<b>8,381,748</b>
Unwinding impact of contingent consideration payable		1,002,981	930,000
Other income	17	(1,446,448)	(21,264)
Interest expense		2,123,082	3,054,484
<b>Income from operations before income taxes</b>		<b>8,973,140</b>	<b>4,418,528</b>
Income tax expense	18	2,452,096	444,341
<b>Net Income</b>		<b>6,521,044</b>	<b>3,974,187</b>

See accompanying notes to the consolidated financial statements.



**STRIDES PHARMA INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020**

(All amounts in \$, except share data)

	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<b>A Cash flows from operating activities:</b>		
Net Income	6,521,044	3,974,187
<b>Adjustments to reconcile net profit to net cash (used in) / provided by operating activities:</b>		
Depreciation and amortisation	984,713	655,864
Deferred income taxes	2,262,096	444,341
Fair value gain on investments	(1,438,718)	-
Gain on sale of assets	-	(10,000)
Unwinding impact of contingent consideration payable	1,002,981	930,000
<b>Changes in net operating assets and liabilities:</b>		
Accounts receivable, net	(8,970,698)	(6,898,106)
Inventories	(33,593,197)	(10,860,732)
Prepaid expenses, other current assets and security deposits	3,007,377	(1,359,114)
Accounts payables	14,108,237	19,821,923
Other current liabilities, operating lease liabilities and other liabilities	(4,173,244)	487,695
Income taxes payable	190,000	-
<b>Net cash (used in) / provided by operating activities</b>	<b>(20,099,409)</b>	<b>7,186,058</b>
<b>B Cash flows from investing activities:</b>		
Purchase of property, plant & equipments	(10,591,003)	(5,664,887)
Purchase of other intangible assets	(519,644)	-
Proceeds from sale of other intangible assets	-	10,000
<b>Net cash used in investing activities</b>	<b>(11,110,647)</b>	<b>(5,654,887)</b>
<b>C Cash flows from financing activities:</b>		
Capital contribution/ (return of capital)	(4,582)	14,549,872
Debt issuance cost	(111,312)	-
Proceeds from long term borrowings	50,082,205	-
Repayment of long term borrowings	(13,480,705)	(1,666,666)
Repayment of notes payable	-	(14,250,000)
Payment of contingent consideration	(1,883,636)	(1,204,569)
<b>Net cash provided by / (used in) financing activities</b>	<b>34,601,970</b>	<b>(2,571,363)</b>
<b>Cash and cash equivalents and restricted cash:</b>		
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3,391,914</b>	<b>(1,040,192)</b>
Balance at the beginning of the year	2,077,795	3,117,987
<b>Balance at the end of the year</b>	<b>5,469,709</b>	<b>2,077,795</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	2,027,150	3,108,584
<b>Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets:</b>		
Cash and cash equivalents	4,469,709	2,077,795
Restricted cash included on 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>5,469,709</b>	<b>2,077,795</b>

See accompanying notes to the consolidated financial statements.



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

Particulars	Common stock		Additional paid-in capital	Retained earnings	Total equity
	Shares	Amount			
<b>Balance as at April 1, 2019</b>	<b>12,961</b>	<b>129,610</b>	<b>32,025,991</b>	<b>14,228,529</b>	<b>46,384,130</b>
Net income for the year	-	-	-	3,974,187	3,974,187
Common stock allotment during the year	2,176	21,760	(21,760)	-	-
Capital contribution	-	-	14,549,872	-	14,549,872
<b>Balance as at March 31, 2020</b>	<b>15,137</b>	<b>151,370</b>	<b>46,554,103</b>	<b>18,202,716</b>	<b>64,908,189</b>
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>	<b>16,584</b>	<b>165,840</b>	<b>46,535,051</b>	<b>24,723,760</b>	<b>71,424,651</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 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 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 consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles ("US GAAP").

Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholder's equity.

##### **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.

##### **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.

**Strides Pharma Inc.**

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

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

**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 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

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.



**Strides Pharma Inc.**

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

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

**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 groups 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.

There were no impairment charges of long-lived assets recognized during the years ended March 31, 2021 and March 31, 2020.

**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, 2021.

**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.

**Strides Pharma Inc.**

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

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

**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.

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. 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 data)*

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

**1.15 Collaborative arrangements**

The Group enters into collaborative arrangements in the normal course of business. These collaborative arrangements take a number of forms and structures and are designed to enhance and expedite long-term sales and profitability growth. These arrangements may provide that the Group obtain commercialization rights to a product under development, and require the Group to make upfront payments, contingent milestone payments, profit-sharing, and/or royalty payments. The Group may be responsible for ongoing costs associated with the arrangements, including R&D cost reimbursements to the counterparty. Any royalty and profit-sharing payments during the commercialization phase are expensed as cost of revenue when they become due and payable.

**1.16 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.

**1.17 Cost of revenues**

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

**1.18 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, 2021, the Group recorded contributions of \$195,379 including the amount capitalised (March 31, 2020: \$96,285).

**1.19 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.

**1.20 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.

**1.21 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.

**Strides Pharma Inc.**

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

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

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

**1.22 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.

**1.23 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.

**1.24 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 data)*

**2 Accounts receivable, net**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Accounts receivable	66,650,908	57,680,210
Less: Provision for doubtful debts	-	-
<b>Total</b>	<b>66,650,908</b>	<b>57,680,210</b>

The following table summarizes the allowance for doubtful accounts:

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
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**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Raw materials	2,847,974	-
Finished goods	61,960,151	31,214,928
<b>Total</b>	<b>64,808,125</b>	<b>31,214,928</b>

Based on the Group's assessment of slow-moving inventory and expiration policies, the Group has provided a provision for its inventory of \$927,067 as of March 31, 2021 (March 31, 2020: \$1,213,572) for expired or near expiry products.

Additionally, the Group is carrying a provision of \$211,513 as of March 31, 2021 (March 31, 2020: Nil) towards damaged inventory.

The following table summarizes the inventory provision:

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Balance at the beginning of the year	1,213,572	2,822,349
Provision made during the year	1,138,580	1,213,572
Inventory consumed/utilised during the year	(1,213,572)	(2,822,349)
<b>Balance at the end of the year</b>	<b>1,138,580</b>	<b>1,213,572</b>

**4 Other current assets**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Prepaid expenses	231,724	87,605
Advance to vendors	-	350,467
Due from related parties	2,911,724	6,657,151
Due from others and other assets	-	931,439
Insurance claim receivable	784,052	-
<b>Total</b>	<b>3,927,500</b>	<b>8,026,662</b>

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

**5 Investments**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<b>a) Securities of related parties:</b>		
- 2,208,654 Common shares (March 31, 2020: 2,208,654) in Strides Pharma Global UK Limited, UK	1,589,385	1,589,385
- 212,709 Preference shares (March 31, 2020: 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, 2020: 639,430) in Sonnet Biotherapeutics Holdings Inc, USA	1,438,718	-
<b>Total</b>	<b>35,595,979</b>	<b>34,157,261</b>

During the previous year, pursuant to approval from shareholders, Sonnet Biotherapeutics Inc, USA merged with Chanticleer Holdings, Inc. and the Company was renamed as Sonnet Biotherapeutics Holdings Inc USA. During the current year, Sonnet Biotherapeutics Holdings Inc, USA has been listed on NASDAQ, USA.

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

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Computers	128,696	118,066
Furniture and fixtures	134,528	134,528
Office equipment	12,269	10,274
Plant and machinery	495,325	495,325
Capital work-in-progress	17,883,337	3,036,433
<b>Total property, plant and equipment, at cost</b>	<b>18,654,155</b>	<b>3,794,626</b>
Accumulated depreciation	(340,184)	(179,041)
<b>Property, plant and equipment, net</b>	<b>18,313,971</b>	<b>3,615,585</b>

Depreciation expense for the year ended March 31, 2021 is \$ 161,143 (March 31, 2020: \$ 111,392).

During the previous year ended March 31, 2020, the Group had acquired a manufacturing facility 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 facilities in U.S. with a soft gel capsule manufacturing suite for formulations with containment needs. The Florida plant is under construction and hence, the same has been included under capital work-in-progress.

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

**7 Other intangible assets, net**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Gross other intangible assets	15,149,774	10,297,300
Accumulated amortization	(1,441,934)	(618,364)
<b>Other intangible assets, net</b>	<b>13,707,840</b>	<b>9,678,936</b>
Capital work-in-progress	167,170	4,500,000
<b>Other intangible assets</b>	<b>13,875,010</b>	<b>14,178,936</b>

Intangible assets amortization expense for the year ended March 31, 2021 is \$823,570 (March 31, 2020: \$544,472). The amortization expense for the next five years and thereafter is estimated as follows:

<b>Year ending March 31:</b>	<b>Amount</b>
2022	1,021,572
2023	1,021,572
2024	1,021,572
2025	1,021,572
2026	1,021,572
Thereafter	8,599,980
<b>Total</b>	<b>13,707,840</b>

**8 Other non-current assets**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Capital advances	-	2,800,731
Prepaid expenses	171,875	-
Restricted cash*	1,000,000	-
Security deposits	296,869	301,080
<b>Total</b>	<b>1,468,744</b>	<b>3,101,811</b>

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

**9 Accrued payables**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Accrued expenses	2,073,265	3,894,257
Accrued payroll	860,586	1,312,133
Interest accrued on borrowings	129,159	33,227
Other statutory dues	16,702	130,396
<b>Total</b>	<b>3,079,711</b>	<b>5,370,013</b>

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

**10 Debts**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Short-term debt	15,000,000	15,000,000
Current maturities of long-term debt	910,410	3,333,333
Long-term debt	48,529,080	9,727,281
<b>Total</b>	<b>64,439,490</b>	<b>28,060,614</b>

**Details of security and terms of repayment for borrowings:**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<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 Repayment terms: Repayable in 18 structured quarterly instalments after an initial moratorium period of 6 months from the date of first disbursement. The loan was fully repaid during the year.	-	13,333,333
<b>(ii) Bank loan 2</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>(iii) Bank loan 3</b> Gross loan sanctioned: 65,000,000 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 next 3 years.	45,011,176	-
<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 outstanding term as at March 31, 2021 is 58 instalments.	4,852,628	-
<b>Total</b>	<b>64,863,804</b>	<b>28,333,333</b>

**Reconciliation of debt:**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Short-term debt	15,000,000	15,000,000
Long-term debt	49,863,804	13,333,333
<b>Gross debt</b>	<b>64,863,804</b>	<b>28,333,333</b>
Less: Unamortised processing fee	(424,314)	(272,719)
<b>Total debt, net of unamortised processing fee</b>	<b>64,439,490</b>	<b>28,060,614</b>



**Strides Pharma Inc.**  
**Notes forming part of the consolidated financial statements**  
*(All amounts in \$, except 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, 2020: \$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, 2021, 16,584 (March 31, 2020: 15,137) 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.

During the current year ended March 31, 2021, the Group has allotted 1,447 shares at a par value of \$10 per share and the excess amount of \$4,582 received towards fractional shares have been refunded.

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

**13 Revenue from operations, net**

Particulars	31-Mar-21	31-Mar-20
Sale of products	177,324,585	162,164,470
<b>Total</b>	<b>177,324,585</b>	<b>162,164,470</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 2021 and 2020, respectively:

Particulars	31-Mar-21	31-Mar-20
<b>Gross sales</b>	<b>467,425,284</b>	<b>416,259,329</b>
<b>Gross to net accruals / adjustments:</b>		
Chargebacks	(249,738,098)	(199,484,526)
Rebates (including government rebate programs) and other sales allowances	(37,576,452)	(50,764,278)
Returns	(2,786,150)	(3,846,055)
<b>Total gross to net adjustments</b>	<b>(290,100,699)</b>	<b>(254,094,859)</b>
<b>Net sales</b>	<b>177,324,585</b>	<b>162,164,470</b>

The Group's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of sale of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. The Group on April 01, 2019 adopted the new revenue recognition standard using the modified retrospective transition approach and determined that the existing revenue recognition practices are in compliance with ASC 606. Accordingly, there was no cumulative effect adjustment to the balance of accumulated surplus in the balance sheet for the year ended March 31, 2019, as the adoption did not result in a change to our timing of revenue recognition.

Particulars	31-Mar-21	31-Mar-20
<b>1. Revenue disaggregated by product line:</b>		
Oral dosages	177,324,585	162,164,470
<b>2. Revenue disaggregated by timing of recognition:</b>		
At a point in time	177,324,585	162,164,470
<b>3. Revenue disaggregated based on geographical regions:</b>		
United States of America	177,324,585	162,164,470

**14 Cost of revenue**

Particulars	31-Mar-21	31-Mar-20
<b>Total</b>	<b>145,293,959</b>	<b>137,558,093</b>

**15 Selling, general and administrative expenses**

Particulars	31-Mar-21	31-Mar-20
Employee benefits expense	5,188,783	4,596,480
Marketing and business development expenses	88,483	102,480
Freight and warehousing expenses	4,589,601	6,046,997
Legal and professional expenses	5,164,277	3,119,893
Supply penalties	4,885,995	753,343
Insurance expenses	522,484	486,369
Bad debts written off	104,918	-
Operating lease expenses	319,605	300,255
Travel	97,637	313,986
Trade shows	44,380	169,543
Repairs & maintenance	351,301	279,135
Others	815,388	876,707
<b>Total</b>	<b>22,172,852</b>	<b>17,045,188</b>

**Strides Pharma Inc.****Notes forming part of the consolidated financial statements***(All amounts in \$, except share data)***16 Other operating income**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Support service income	592,138	1,441,859
Insurance claim	784,052	-
Others	403,504	34,564
<b>Total</b>	<b>1,779,694</b>	<b>1,476,423</b>

**17 Other income**

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Gain on sale of assets	-	10,000
Fair value gain on investments	1,438,718	-
Miscellaneous income	7,730	11,264
<b>Total</b>	<b>1,446,448</b>	<b>21,264</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, 2021. However, there is a state tax liability of \$190,000. Accordingly, the current Income tax expense for the year ended March 31, 2021 is \$190,000.

Deferred tax expense recorded for the year is \$2,262,096 (March 2020: \$444,341) at federal and state level.

For the year ended March 31, 2021, 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 Group's deferred income tax assets and liabilities as of March 31, 2021 are as follows:

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<b>Deferred tax assets:</b>		
Accrued expenses	128,782	389,895
Investments	2,966	2,836
Net operating loss carry forward	3,313,947	4,202,349
Inventory obsolescence reserve	285,511	291,083
Interest related adjustments	1,294,204	1,822,895
Research and development	1,581,946	1,691,322
Others	140,342	36,814
	<b>6,747,698</b>	<b>8,437,194</b>
Valuation allowance	-	-
<b>Total deferred tax assets</b>	<b>6,747,698</b>	<b>8,437,194</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipments	(126,756)	(41,170)
Other intangible assets	(3,342,377)	(3,492,008)
Unrealised gain on investments	(360,774)	-
Others	(275,872)	-
<b>Total deferred tax liabilities</b>	<b>(4,105,779)</b>	<b>(3,533,178)</b>
<b>Deferred tax assets (net)</b>	<b>2,641,920</b>	<b>4,904,016</b>

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, 2021, the Group has federal and state net operating loss carryforwards of \$52,477,572 and \$11,886,940, 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 is \$13,461,932, 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 2021 and 2020. There are open statutes of limitations for taxing authorities to audit the Group's tax returns from 2016 through current period.

**Strides Pharma Inc.****Notes forming part of the consolidated financial statements***(All amounts in \$, except 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:

<b>Leases</b>	<b>Balance sheet classification</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<b>Assets</b>			
Operating lease right of use assets	Non-current assets	<b>7,532,969</b>	<b>9,887,416</b>
<b>Liabilities</b>			
Operating lease liabilities	Non-current liabilities	6,942,798	9,188,546
	Current liabilities	766,694	609,942
<b>Total Operating lease liabilities</b>		<b>7,709,492</b>	<b>9,798,488</b>

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, 2021 and March 31, 2020:

	<b>31-Mar-21</b>	<b>31-Mar-20</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Cash flow from operating leases	1,115,777	752,245

The Group facilitates an office space and factory premise under operating leases which have non-cancellable terms through March 2034 . Future minimum payments under non-cancelable operating lease are as follows:

<b>Year ended March 31,</b>	<b>Amount</b>
2022	809,153
2023	812,970
2024	833,488
2025	762,156
2026. and onwards	8,118,374
<b>Total minimum lease payments</b>	<b>11,336,141</b>
Less: imputed interest	3,626,650
<b>Operating lease liabilities</b>	<b>7,709,492</b>

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Weighted average remaining lease terms (years) – operating leases	13.02	13.98
Weighted average – discount rate	6.00%	6.00%

**Strides Pharma Inc.**

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

(All amounts in \$, except 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**

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-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20
<b>Purchase of goods</b>											
1	Strides Pharma Science Limited, India	97,278	104,481								
2	Strides Pharma Global Pte Limited, Singapore					173,510,246	146,235,492				
3	Solara Active Pharma Science Limited, India									80,737	-
<b>Services received</b>											
1	Strides Pharma Global Pte Limited, Singapore					85,104	75,694				
2	Strides Pharma Canada Inc, Canada					33,015	-				
3	Arco Lab Private Limited, India					131,706	132,500				
<b>Guarantee commission</b>											
1	Strides Pharma Science Limited, India	188,917	300,821								
<b>Support service income</b>											
1	Strides Pharma Science Limited, India	-	317,054								
2	Strides Pharma Global Pte Limited, Singapore					-	717,984				
3	Strides Consumer LLC, USA							99,996	99,996		
4	Shasun USA Inc, USA									234,359	306,825
5	Solara Active Pharma Science Limited, India									17,200	-
6	Tenshi Kaizen Private Limited, India									5,242	-
7	Tenshi Kaizen USA Inc, USA									1,495	-
8	Naari Pte Limited, Singapore									5,262	-
9	Aurore Life Science									2,600	-
10	Alivira Animal Health Limited, India									225,984	-
<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	(204,458)	(126,123)								
2	Strides Pharma Canada Inc, Canada					-	518				
3	Strides Pharma Asia Pte Limited, Singapore					-	300,000				
4	Strides Pharma Global Pte Limited, Singapore					9,308,628	1,702,142				
5	Strides Consumer LLC, USA							59,551	140,439		
6	Strides Arcolab International Limited, UK									(96,000)	-
7	Arco Lab Private Limited, India					(69)	-				
8	Shasun USA Inc, USA									-	62
9	Shasun Pharma Solutions Inc, USA					1,000	3,550				
10	Stabilis Pharma Inc, USA					1,000	-				
11	Solara Active Pharma Science Limited, India									-	4,592
12	Stelis Biopharma LLC, USA									71,214	-
13	Vivimed Life Sciences Private Limited, India					-	94,561				

**Strides Pharma Inc.**

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

(All amounts in \$, except share data)

**20 Related party transactions and balances**

**Related party balances**

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-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21	31-Mar-20
<b>Trade payables</b>											
1	Strides Pharma Science Limited, India	(7,730)	55,183								
2	Strides Pharma Global Pte Limited, Singapore					79,650,766	66,386,757				
<b>Payable for transfer of IP</b>											
1	Strides Arcolab International Limited, UK			-	499,872						
<b>Other receivables/(payables)</b>											
1	Altima Innovations Inc., USA					-	2,683,079				
2	Arco Lab Private Limited, India					(32,069)	(2,762)				
3	Shasun Pharma Solutions Inc, USA					6,511	5,511				
4	Stabilis Pharma Inc., USA					3,533	2,533				
5	Shasun USA Inc, USA									582,587	648,228
6	Strides Consumer LLC, USA							347,570	196,039		
7	Strides Pharma Science Limited, India	1,404,467	1,886,225								
8	Stelis Biopharma LLC, USA							60,428	-		
9	Strides Global Consumer Healthcare Limited, UK							-	(924,121)		
10	Strides Pharma Asia Pte Limited, Singapore					300,000	300,000				
11	Strides Arcolab International Limited, UK					(96,000)	-				
12	Strides Pharma Global (UK) Limited, UK					(26,008)	(26,602)				
13	Solara Active Pharma Science Limited, India									18,840	243,644
14	Tenshi Kaizen USA Inc, USA									85,294	83,798
15	Tenshi Kaizen Private Limited, India									5,242	-
16	Vivimed Life Sciences Private Limited, India					94,561	94,561				
17	Strides Pharma Canada Inc, Canada					2,691	13,661				
<b>Inter-set 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 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.

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.

During the current year, the Group has received customer claims of \$25,156,151 against the estimated returns provision of \$20,965,114 as at March 31, 2020. Furthermore, the Group is carrying a provision of \$1,848,699 as at March 31, 2021 for further claims expected in future.

### **22 Business combination**

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, 2021 is \$5,590,193 (March 31, 2020: \$6,470,848).

The gross assets acquired includes product marketing and distribution rights amounting to \$14,500,000 and Goodwill amounting to \$26,174,783. The goodwill arising from the acquisition relates to the synergies and consequential cost reductions and is not tax deductible.

### **23 Commitments and contingencies**

#### **a) Commitments**

Particulars	31-Mar-21	31-Mar-20
Capital commitments, net of advances	858,984	1,868,475

#### **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.

### **24 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 32% of net revenues from two customers during the year ended March 31, 2021.

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

Customers	Net Revenue
Customer A	19%
Customer B	13%

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.

## Strides Pharma Inc.

### Notes forming part of the consolidated financial statements

(All amounts in \$, except share data)

#### (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 exposed to foreign exchange risk as majority of its transactions are held in USD, the 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, 2021.

## 25 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, 2021 and March 31, 2020:

Particulars	Basis of fair valuation measurement	31-Mar-21	31-Mar-20
<b>Assets</b>			
Investment in common stock of Sonnet Biotherapeutics Holdings Inc, USA	Level 1 inputs - Quoted price of investment in active markets	1,438,718	-
<b>Total</b>		<b>1,438,718</b>	<b>-</b>
<b>Liabilities</b>			
Contingent payment related to acquisitions	Level 3 inputs - Significant unobservable inputs	5,590,193	6,470,848
<b>Total</b>		<b>5,590,193</b>	<b>6,470,848</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.



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

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.

<b>Particulars</b>	<b>31-Mar-21</b>	<b>31-Mar-20</b>
Fair value at the beginning of the year	6,470,848	6,745,417
Add: Unwinding during the year	1,002,981	930,000
Less: Payments during the year	(1,883,636)	(1,204,569)
<b>Fair value at the end of the year</b>	<b>5,590,193</b>	<b>6,470,848</b>

**26 PPP Loan**

During the current year ended March 31, 2021, the Group received loan proceeds for an amount of \$789,727 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after Twenty-four weeks ("the covered period") as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Group has already received forgiveness for the loan and therefore, the Group has recognized the amount of \$489,727 as reduction of payroll expense during the year ended March 31, 2021 and the balance of \$300,000 is reduced from the payroll cost capitalised.

**27 Subsequent events**

The Group has evaluated subsequent events occurring after the consolidated financial statements date through July 14, 2021 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.