

**STRIDES PHARMA INTERNATIONAL
LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2020**

STRIDES PHARMA INTERNATIONAL LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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STRIDES PHARMA INTERNATIONAL LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Krishnan Tirucherai Parthasarathy Amit Gupta Yiannis Eliades Maria Stella Katsari Angeliki Eliades
Company Secretary:	Cypcosecretarial Limited
Independent Auditors:	Deloitte Limited Certified Public Accountants and Registered Auditors 24 Spyrou Kyprianou Avenue 1075 Nicosia Cyprus
Registered office:	3 Themistocles Dervis Julia House 1066, Nicosia Cyprus
Bankers:	Bank of Cyprus Public Company Ltd State Bank of India
Registration number:	HE258759

Independent Auditor's Report

To the Members of Strides Pharma International Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Strides Pharma International Limited (the "Company"), which are presented in pages 4 to 21 and comprise the statement of financial position as at 31 March 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Strides Pharma International Limited as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 5 to the financial statements which indicates that even though the Company has made a profit of US\$266.140 thousand during the year from 1 April 2019 to 31 March 2020, as of that date the Company's current liabilities exceeded its current assets by US\$1.195.987 thousand. As stated in note 5, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (continued)

To the Members of Strides Pharma International Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Maria Paschalis
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 7 December 2020

STRIDES PHARMA INTERNATIONAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
Revenue		-	-
Other operating income		-	5.313
Net impairment loss on financial assets	9	(300.000)	(4.304.058)
Administration expenses		<u>(2.056.553)</u>	<u>(2.197.337)</u>
Operating loss	10	(2.356.553)	(6.496.082)
Net finance income	11	<u>1.056.433</u>	730.255
Loss before tax		(1.300.120)	(5.765.827)
Tax	12	<u>1.566.260</u>	545.017
Profit/(loss) for the year		266.140	(5.220.810)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		<u>266.140</u>	<u>(5.220.810)</u>

The notes on pages 8 to 21 form an integral part of these financial statements.

STRIDES PHARMA INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

	Note	2020 US\$	2019 US\$
Assets			
Non-current assets			
Investments in subsidiaries	13	-	-
Trade and other receivables	14	<u>16.778.624</u>	<u>15.764.453</u>
		16.778.624	15.764.453
Current assets			
Trade and other receivables	14	<u>3.865.400</u>	<u>5.631.184</u>
Cash at bank	15	<u>74.885</u>	<u>563.722</u>
		3.940.285	6.194.906
TOTAL ASSETS		<u>20.718.909</u>	<u>21.959.359</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	<u>438.000</u>	<u>438.000</u>
Retained earnings		<u>13.972.262</u>	<u>13.706.122</u>
Total equity		<u>14.410.262</u>	<u>14.144.122</u>
Non-current liabilities			
Non current tax liabilities	18	<u>1.172.375</u>	<u>-</u>
		1.172.375	-
Current liabilities			
Trade and other payables	17	<u>4.265.325</u>	<u>4.248.673</u>
Current tax liabilities	18	<u>870.947</u>	<u>3.566.564</u>
		5.136.272	7.815.237
Total liabilities		<u>6.308.647</u>	<u>7.815.237</u>
TOTAL EQUITY AND LIABILITIES		<u>20.718.909</u>	<u>21.959.359</u>

On 7 December 2020 the Board of Directors of Strides Pharma International Limited authorised these financial statements for issue.



Angeliki Eliades
Director



Yiannis Eliades
Director

The notes on pages 8 to 21 form an integral part of these financial statements.

STRIDES PHARMA INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital US\$	Retained earnings US\$	Total US\$
Balance at 1 April 2018	438.000	18.926.932	19.364.932
Net loss for the year	-	(5.220.810)	(5.220.810)
Balance at 31 March 2019/ 1 April 2019	438.000	13.706.122	14.144.122
Net profit for the year	-	266.140	266.140
Balance at 31 March 2020	438.000	13.972.262	14.410.262

The notes on pages 8 to 21 form an integral part of these financial statements.

STRIDES PHARMA INTERNATIONAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Note	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,300,120)	(5,765,827)
Adjustments for:			
Impairment charge - investments in subsidiaries	13	-	4,304,058
Expected credit loss on receivables from related parties	20	300,000	-
Interest income	11	(1,014,171)	(523,890)
Interest expense	11	129,007	-
		(1,885,284)	(1,985,659)
Changes in working capital:			
Decrease in trade and other receivables		1,465,784	7,597,176
Increase/(Decrease) in trade and other payables		16,652	(5,290,464)
Cash (used in)/generated from operations		(402,848)	321,053
Tax paid		(85,989)	(12,250)
Net cash (used in)/generated from operating activities		(488,837)	308,803
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net (decrease)/increase in cash and cash equivalents		(488,837)	308,803
Cash and cash equivalents at beginning of the year		563,722	254,919
Cash and cash equivalents at end of the year	15	74,885	563,722

The notes on pages 8 to 21 form an integral part of these financial statements.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Incorporation and principal activities

Country of incorporation

Strides Pharma International Limited (the "Company") was incorporated in Cyprus on 3 December 2009 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Julia House, 3 Themistocles Dervis, 1066, Nicosia, Cyprus.

Principal activities

The principal activities of the Company continue to comprise the holding of investments and financing activities.

On 6 September 2017, the shareholders of the Company approved the merger of the Company with its subsidiary Strides Pharma Limited with effective date 12 December 2017.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap. 113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2020.

The European Commission has concluded that since parent companies are required by the EU Accounting (2013/34/EU) Directive to prepare separate financial statements and since the Cyprus Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IFRS 10 "Consolidated Financial statements" requiring the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention.

3. Functional and presentation currency

The financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company.

4. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 April 2019. This adoption did not have a material effect on the accounting policies of the Company.

5. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Going concern basis

Even though the Company has made a profit of US\$266.140 and, as at that date its current liabilities exceeded its current assets by US\$1.195.987. The Company is dependent upon the continuing financial support of its shareholder without which there would be significant doubt about its ability to continue as a going concern as well as its ability to realise its assets and discharge its liabilities in the ordinary course of business. The shareholder has indicated its intention to continue providing such financial assistance for the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. Significant accounting policies (continued)

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue

Recognition and measurement

Revenues earned by the Company are recognised on the following bases:

- **Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

- **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Income tax

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which it is approved by the Company's shareholders.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. Significant accounting policies (continued)

Financial instruments

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents and financial assets at amortised cost.

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial assets".

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For receivables from related parties the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets - modification (continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

7. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

7.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2020 US\$	2019 US\$
Fixed rate instruments		
Financial assets	<u>15,560,000</u>	<u>15,560,000</u>
	<u>15,560,000</u>	<u>15,560,000</u>

Sensitivity analysis

Any increase/(decrease) in interest rates will have no effect on results and equity of the Company, because, all financial instruments are fixed rate.

7.2 Credit risk

Credit risk arises from cash and cash equivalents and contractual cash flows of debt investments carried at amortised cost.

(i) Risk management

Banks and financial institutions, with credit ratings acceptable by the management are used.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Financial risk management (continued)

7.2 Credit risk (continued)

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- receivables from the related parties
- cash and cash equivalents

Receivables from related parties

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables from related parties as disclosed in note 20.2.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the counterparty.

During the year ended 31 March 2020, the Company categorised certain receivables from related companies as non performing at Stage 3. A loss allowance of US\$300,000 was recognised in the profit or loss of the Company. The remaining receivables were classified as performing balances without any expected credit losses.

Cash and cash equivalents

The table below shows an analysis of the Company's bank accounts by the credit rating of the bank in which they are held:

		2020	2019
<u>Bank group based on credit ratings by Moody's</u>	<u>No of banks</u>	<u>US\$</u>	<u>US\$</u>
Caa1	1	-	94
Baa3	1	<u>74.885</u>	<u>563.628</u>
		<u>74.885</u>	<u>563.722</u>

Even though the cash and cash equivalents are subject to the IFRS 9 impairment model, the estimated impairments as at 31 March 2020 was not significant. As such, the Company has not recognised an impairment charges for cash and cash equivalents as at 31 March 2020.

7.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Financial risk management (continued)

7.3 Liquidity risk (continued)

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 March 2020	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$
Other payables	121.722	121.722	121.722
Payables to related parties	4.053.866	4.053.866	4.053.866
	4.175.588	4.175.588	4.175.588

31 March 2019	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$
Other payables	149.462	149.462	149.462
Payables to related parties	3.980.228	3.980.228	3.980.228
	4.129.690	4.129.690	4.129.690

7.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, British Pound and Australian Dollar. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

8. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Going concern basis**

The assessment of the Company for the appropriateness of the use of the going concern basis is disclosed in note 5.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8. Critical accounting estimates and judgments (continued)

• Impairment of investment in subsidiary

The Company periodically evaluates the recoverability of investment in subsidiary whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiary may be impaired, the estimated future discounted cash flows associated with this subsidiary would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

• Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

• Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 7, Credit risk section.

9. Loss from investing activities

	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
Impairment charge - investments in subsidiaries (Note 13)	-	(4.304.058)
Impairment charge - receivables from related parties (Note 20)	<u>(300.000)</u>	<u>-</u>
	<u>(300.000)</u>	<u>(4.304.058)</u>

10. Operating loss

	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
Operating loss is stated after charging the following items:		
Director's fees	<u>905</u>	<u>1.872</u>

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. Finance income/(costs)

	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
Interest income (Note 20.1)	1,014,171	523,890
Foreign exchange gains	<u>172,471</u>	<u>209,036</u>
Finance income	<u>1,186,642</u>	<u>732,926</u>
Interest expense	(129,007)	-
Sundry finance expenses	<u>(1,202)</u>	<u>(2,671)</u>
Finance costs	<u>(130,209)</u>	<u>(2,671)</u>
Net finance income	<u>1,056,433</u>	<u>730,255</u>

12. Tax

	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
Corporation tax - current year	83,740	54,983
Corporation tax - prior years	<u>(1,650,000)</u>	<u>(600,000)</u>
Credit for the year	<u>(1,566,260)</u>	<u>(545,017)</u>

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	01/04/2019- 31/03/2020 US\$	01/04/2018- 31/03/2019 US\$
Loss before tax	<u>(1,300,120)</u>	<u>(5,765,827)</u>
Tax calculated at the applicable tax rates	(162,515)	(720,728)
Tax effect of expenses not deductible for tax purposes	294,143	802,505
Tax effect of allowances and income not subject to tax	(17,288)	(26,794)
Tax effect of group tax relief	(30,600)	-
Prior year tax	<u>(1,650,000)</u>	<u>(600,000)</u>
Tax charge	<u>(1,566,260)</u>	<u>(545,017)</u>

The corporation tax rate is 12,5%.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13. Investments in subsidiaries

	2020 US\$	2019 US\$
Balance at 1 April	-	-
Additions	-	4,304,058
Impairment charge (Note 9)	-	(4,304,058)
Balance at 31 March	-	-

On 2 May 2018, the Board of Directors approved the acquisition of Strides CIS Limited from Strides Pharma Global Pte Ltd for a consideration value of US\$4,304,058, which was fully impaired during the prior year to reduce the value of the investment down to its recoverable amount. The Board of Directors is currently evaluate the possible options of dissolving the subsidiary company, therefore its recoverable amount determined as US\$Nil.

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2020 Holding %	2019 Holding %
Strides CIS Limited	Cyprus	Marketing and sales of pharmaceutical products	100	100

14. Trade and other receivables

	2020 US\$	2019 US\$
Receivables from related companies (Note 20.2)	20,914,893	21,256,632
Less: credit loss on receivables from related parties (Note 20.2)	(300,000)	-
Net receivables from related parties	20,614,893	21,256,632
Other receivables	29,131	139,005
	20,644,024	21,395,637
Less non-current receivables	(16,778,624)	(15,764,453)
Current portion	3,865,400	5,631,184

The Company has recognised an expected credit loss of US\$300,000 (2019: US\$Nil) on receivables from related parties as of the year end 31 March 2020.

The fair values of the receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 7 of the financial statements.

15. Cash at bank

Cash balances are analysed as follows:

	2020 US\$	2019 US\$
Cash at bank	74,885	563,722
	74,885	563,722

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the financial statements.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16. Share capital

	2020 Number of shares	2020 US\$	2019 Number of shares	2019 US\$
Authorised				
Ordinary shares of US\$1 each	<u>500.000</u>	<u>500.000</u>	500.000	500.000
Issued and fully paid				
Balance at 1 April	<u>438.000</u>	<u>438.000</u>	438.000	438.000
Balance at 31 March	<u>438.000</u>	<u>438.000</u>	438.000	438.000

17. Trade and other payables

	2020 US\$	2019 US\$
Accruals	89.737	118.983
Other creditors	121.722	149.462
Payables to related companies (Note 20.3)	<u>4.053.866</u>	<u>3.980.228</u>
	<u>4.265.325</u>	<u>4.248.673</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Tax liabilities

	2020 US\$	2019 US\$
Corporation tax	<u>2.043.322</u>	<u>3.566.564</u>
	<u>2.043.322</u>	<u>3.566.564</u>

19. Operating Environment of the Company

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

20. Related party transactions

The Company is controlled by Strides Pharma Science Limited (formerly Strides Shasun Limited), incorporated in India, which owns 100% of the Company's shares.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

20. Related party transactions (continued)

The following transactions were carried out with related parties:

20.1 Income and expenses with related companies

		01/04/2019- 31/03/2020	01/04/2018- 31/03/2019
	<u>Nature of transactions</u>	US\$	US\$
Strides Pharma (Cyprus) Limited	Interest income	-	47.333
Strides Pharma Inc.	Interest income	-	272.105
Strides Pharma Science Limited (shareholder)	Guarantee fees	1.806.070	1.922.803
Strides Arcolab International Limited	Interest income	1.014.171	204.452
		<u>2.820.241</u>	<u>2.446.693</u>

20.2 Receivables from related companies (Note 14)

		2020	2019
<u>Name</u>	<u>Nature of transactions</u>	US\$	US\$
Strides CIS Limited	Current a/c	421.799	222.091
Beltapharma S.P.A	Current a/c	45.852	46.634
Strides Pharma UK Limited	Current a/c	-	339.116
Strides Pharma Inc	Finance	3.136.618	3.136.618
Strides Arcolab International Limited	Current a/c	-	1.215.720
Strides Arcolab International Limited	Finance	16.778.624	15.764.453
Strides Pharma Global (UK) Limited	Current a/c	532.000	532.000
Expected credit losses on receivables from related parties		<u>(300.000)</u>	<u>-</u>
		<u>20.614.893</u>	<u>21.256.632</u>

All amounts receivable from related companies, except the balances mentioned below, are current accounts without interest charge and repayment date.

On 23 January 2019, the principal amount of the loan receivable from Strides Pharma Inc. was repaid in full, leaving the outstanding interest accrued of US\$3.136.618. No interest income recognised for the year ended 31 March 2020.

On 25 January 2019, the Company (lender) entered into a loan facility agreement with Strides Arcolab International Limited (borrower) for the total amount US\$20.000.000. The loan bears interest of 6,5% per annum and is repayable by 25 January 2024. As at 31 March 2019, the borrower utilized US\$15.560.000 out of the total facility amount. During the year, interest income of US\$1.014.171 (2019: US\$204.452) was recognized in the statement of profit or loss.

During the year ended 31 March 2020, the Company recognised a loss allowance for Strides CIS Limited amounting to US\$300.000.

20.3 Payables to related companies (Note 17)

		2020	2019
<u>Name</u>	<u>Nature of transactions</u>	US\$	US\$
Strides Pharma (Cyprus) Limited	Current a/c	45.800	45.800
Strides Pharma Global Pte Ltd	Current a/c	155.000	50.000
SVADS Holding SA	Current a/c	3.672.000	3.884.428
Strides Pharma UK Limited	Current a/c	181.066	-
		<u>4.053.866</u>	<u>3.980.228</u>

All amounts payables to related companies are current accounts without interest charge and repayment date.

STRIDES PHARMA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. Contingent liabilities

The below contingent liability was transferred to the Company due to the merger with Strides Pharma Limited during the year 31 March 2018.

On 24 January 2012 Strides Pharma Limited sold its share in Ascent Pharmahealth Limited to a third party called Watson Pharmaceuticals Inc. For the sale, various warranties and guarantees were given to the other party. Strides Pharma Science Limited (formerly Strides Shasun Limited) has agreed to guarantee these obligations of Strides Pharma Limited under the sale agreement. The Board of Directors of the Company after taking into consideration a legal advice obtained on the current exposure of the Company against the specific guarantees is of the opinion that no significant financial loss will arise.

22. Commitments

The Company had no capital or other commitments as at 31 March 2020.

23. Events after the reporting period

There were no material events after the reporting period, except from the below, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 2 and 3