

STRIDES PHARMA (CYPRUS) LIMITED
Reg. Number: 258780

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2022

STRIDES PHARMA (CYPRUS) LIMITED

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For the year ended 31 March 2022

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For the year ended 31 March 2022

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STRIDES PHARMA (CYPRUS) LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Androula Alexandrou
Krishnan Tirucheraï Parthasarathy
Angeliki Eliades

Company Secretary:

Cypcosecretarial Limited

Independent Auditors:

MGI Gregoriou & Co Ltd
Certified Public Accountants and Registered Auditors
Florinis, 7
GREG TOWER, 6th floor
P.C. 1065, Nicosia
Cyprus

Registered office:

Themistocli Dervi 3
Julia House, Floor 1
1066, Nicosia
Cyprus

Bankers:

Bank of Cyprus Public Company Ltd
Afrasia Bank Limited

Registration number:

HE258780

STRIDES PHARMA (CYPRUS) LIMITED

MANAGEMENT REPORT

The Board of Directors of Strides Pharma (Cyprus) Limited (the "Company") presents to the members its Management Report and audited financial statements of the Company for the year ended 31 March 2022.

Principal activities and nature of operations of the Company

The principal activities of the Company continue to comprise the holding of investments, trading of pharmaceutical products in SubSaharan Africa and other Emerging markets.

Review of current position, future developments and performance of the Company's business

The net profit for the year attributable to the shareholders of the Company amounted to €1,437,285 (2021: €699,571). On 31 March 2022 the total assets of the Company were €14,502,238 (2021: €13,402,170) and the net assets of the Company were €11,935,261 (2021: €10,497,976). The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7, 27 and 29 of the financial statements.

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 6.

Dividends

The Board of Directors does not recommend the payment of a dividend.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 March 2022 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 March 2022.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 31 to the financial statements.


Related party transactions

Disclosed in note 28 of the financial statements.

Independent Auditors

The Independent Auditors, MGI Gregoriou & Co Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,


Cyposecretarial Limited
Secretary

Nicosia, 30/09/2022

Independent Auditor's Report

To the Members of Strides Pharma (Cyprus) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Strides Pharma (Cyprus) Limited (the "Company"), which are presented in pages 6 to 35 and comprise the statement of financial position as at 31 March 2022, 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 (Cyprus) Limited as at 31 March 2022, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We were unable to obtain sufficient appropriate evidence about the matters described in the Basis for Qualified Opinion section above. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to these matters.

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.

Independent Auditor's Report (continued)

To the Members of Strides Pharma (Cyprus) Limited

Responsibilities of the Board of Directors for the Financial Statements (continued)

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.

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.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Independent Auditor's Report (continued)

To the Members of Strides Pharma (Cyprus) Limited

Other Matters

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.



Marios Anastasi
Certified Public Accountant and Registered Auditor
for and on behalf of
MGI Gregoriou & Co Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 30 September 2022

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 March 2022

	Note	2022 €	2021 €
Revenue	8	14,356,046	11,432,114
Cost of sales	9	(6,292,506)	(3,018,544)
Gross profit		8,063,540	8,413,570
Selling and distribution expenses	10	(2,083,351)	(1,456,674)
Administration expenses	11	(3,516,461)	(3,747,765)
Net impairment loss on financial and contract assets		(1,016,233)	(2,468,321)
Operating profit	12	1,447,495	740,810
Finance income		59,589	13,205
Finance costs		-	(54,444)
Net finance income/(cost)	14	59,589	(41,239)
Profit before tax		1,507,084	699,571
Tax	15	(69,799)	-
Net profit for the year		1,437,285	699,571
Other comprehensive income		-	-
Total comprehensive income for the year		1,437,285	699,571

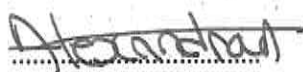
The notes on pages 10 to 35 form an integral part of these financial statements.


STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF FINANCIAL POSITION As at 31 March 2022

	Note	2022 €	2021 €
ASSETS			
Non-current assets			
Property, plant and equipment	16	19,489	27,701
Intangible assets	17	1	1
Investments in subsidiaries	18	<u>7,006,449</u>	<u>7,373,650</u>
		7,025,939	7,401,352
Current assets			
Inventories	19	19,883	-
Trade and other receivables	20	7,419,397	5,677,867
Cash and cash equivalents	21	<u>37,019</u>	<u>322,951</u>
		7,476,299	6,000,818
Total assets		<u>14,502,238</u>	<u>13,402,170</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2,857	2,857
Share premium		23,624,585	23,624,585
Accumulated losses		<u>(11,692,181)</u>	<u>(13,129,466)</u>
Total equity		<u>11,935,261</u>	<u>10,497,976</u>
Current liabilities			
Trade and other payables	25	1,181,603	598,284
Borrowings	23	-	1,117,834
Current tax liabilities	26	1,089,320	1,019,521
Provisions for other liabilities and charges		<u>296,054</u>	<u>168,555</u>
Total liabilities		<u>2,566,977</u>	<u>2,904,194</u>
Total equity and liabilities		<u>14,502,238</u>	<u>13,402,170</u>

On 30/09/2022 the Board of Directors of Strides Pharma (Cyprus) Limited authorised these financial statements for issue.


Androula Alexandrou
Director


Angeliki Eliades
Director

The notes on pages 10 to 35 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 April 2020	2,857	23,624,585	(13,829,037)	9,798,405
Comprehensive income				
Net profit for the year	-	-	699,571	699,571
Balance at 31 March 2021	2,857	23,624,585	(13,129,466)	10,497,976
Comprehensive income				
Net profit for the year	-	-	1,437,285	1,437,285
Balance at 31 March 2022	2,857	23,624,585	(11,692,181)	11,935,261

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 10 to 35 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Note	2022 €	2021 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,507,084	699,571
Depreciation of property, plant and equipment	16	8,212	10,103
Unrealised exchange profit		(115,305)	(228,720)
Amortisation of computer software	17	-	983
Impairment charge - investments in subsidiaries	18	367,201	-
Impairment charge of trade receivables	20	649,032	2,468,321
Provision for retrocession		-	(193,000)
Provision for expired products		127,499	(381,096)
Interest income	14	(27,669)	(13,205)
Interest expense	14	-	8,810
		2,516,054	2,371,767
Changes in working capital:			
Increase in inventories		(19,883)	-
Increase in trade and other receivables		(2,390,562)	(582,283)
Increase/(Decrease) in trade and other payables		571,125	(564,519)
Increase/(Decrease) in provisions	24	127,499	(574,096)
Cash generated from operations		804,233	650,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		27,669	13,205
Net cash generated from investing activities		27,669	13,205
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(1,117,834)	(644,539)
Net cash used in financing activities		(1,117,834)	(644,539)
Net (decrease)/increase in cash and cash equivalents		(285,932)	19,535
Cash and cash equivalents at beginning of the year		322,951	303,416
Cash and cash equivalents at end of the year	21	37,019	322,951

The notes on pages 10 to 35 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. Incorporation and principal activities

Country of incorporation

Strides Pharma (Cyprus) 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 Themistocli Dervi 3, Julia House, Floor 1, 1066, Nicosia, Cyprus.

Principal activities

The principal activities of the Company continue to comprise the holding of investments, trading of pharmaceutical products in SubSaharan Africa and other Emerging markets.

2. Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 4(a) of IFRS10 'Consolidated Financial Statements', has been used. The Company's ultimate parent Company Strides Pharma Science Limited, a Company incorporated in India produced consolidated financial statements available for public use in accordance with Generally Accepted Accounting Principles in India. These consolidated financial statements are available at their registered office and internet site and the Company does not intend to issue consolidated financial statements for the year ended 31 March 2022.

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

3. 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 2021. This adoption did not have a material effect on the accounting policies of the Company.

4. 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.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

- **Sale of goods**

Sales of goods are recognised at the point in time when the Company satisfies its performance obligation by transferring control over the promised goods to the customer, which is usually when the goods are delivered to the customer, risk of obsolescence and loss have been transferred to the customer and the customer has accepted the goods.

Finance income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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 Euro (€), 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.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws 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 they are approved by the Company's shareholders.

Property, plant and equipment

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

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Motor vehicles	20
Computers	20

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

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 or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - Classification (continued)

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition

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 - 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 amortised cost and FVOCI and 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 and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost 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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Financial assets (continued)

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

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

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

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit 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"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. 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. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets - modification (continued)

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.

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost 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 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities - Modifications

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Financial assets (continued)

Financial liabilities - Modifications (continued)

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

4. Significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

5. New accounting pronouncements

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

- *IFRS 17 "Insurance Contracts"* 1 January 2023

Amendments

**Effective for annual periods
beginning on or after:**

IFRS Interpretations Committee

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)* 1 January 2023
- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)* 1 January 2023
- *Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (All issued 14 May 2020)* 1 January 2022

(ii) Issued by the IASB but not yet adopted by the European Union

Amendments

**Effective for annual periods
beginning on or after:**

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)* 1 January 2023
- *Amendments to IAS 12 - "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)* 1 January 2023
- *Amendments to IFRS 17 "Insurance Contracts" Initial Application of IFRS 17 and IFRS 9 - Comparative Information* 1 January 2023

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

5. New accounting pronouncements (continued)

The above are expected to have no significant impact on the Company's financial statements when they become effective.

6. Financial risk management

Financial risk factors

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

6.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. 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.

6.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents and contractual cash flows of debt investments carried at amortised cost.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Company to reduce its credit risk significantly.

(ii) Impairment of financial assets

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

- financial assets at amortised cost
- cash and cash equivalents

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

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

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

- For all other financial assets 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 asset 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.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of the 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 financial 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 borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/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 borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower/counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Low credit risk

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Default

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 365 days past due. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Trade receivables and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, and contract assets).

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2022 or 1 April 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

On that basis, the loss allowance as at 31 March 2022 was determined as follows for both trade receivables and contract assets:

31 March 2022

	Current	1 - 30 days	31 - 60 days	61 - 180 days	More than	Total
	€	past due	past due	past due	past due	€
Expected loss rate	1.2%	3.1%	12.0%	36.0%	100.0%	
Gross carrying amount - trade receivables	4,872,144	1,850,284	190,720	477,715	3,940,758	11,331,621
Loss allowance	61,979	57,335	22,888	169,412	3,940,758	4,252,372

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables and contract assets (continued)

31 March 2021

	Current €	1 - 30 days past due €	31 - 90 days past due €	91 - 180 days past due €	More than 180 days past due €	Total €
Expected loss rate	-%	-%	-%	11.1%	100.0%	
Gross carrying amount - trade receivables	3,604,919	1,265,197	244,227	385,632	3,463,778	8,963,753
Loss allowance	-	-	-	42,805	3,463,778	3,506,583

The loss allowances for contract assets as at 31 March 2022 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2022	2021
	€	€
Balance at 1 April	3,506,583	1,001,629
Receivables written off during the year	96,758	36,633
Increase in loss allowance recognised in profit or loss during the year	649,032	2,468,321
Balance at 31 March	4,252,373	3,506,583

There were no significant trade receivable and contract asset balances written off during the year that are subject to enforcement activity.

Receivables from related parties

For receivables from related parties lifetime ECL was provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

For any new loans to related parties, which are not purchased or originated credit-impaired financial assets, the impairment loss is recognised as 12-month ECL on initial recognition of such instruments and subsequently the Company assesses whether there was a significant increase in credit risk.

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 March 2022 and 31 March 2021:

Company internal credit rating	2022	2021
	€	€
Performing	599,167	1,431,354
Total	599,167	1,431,354

There were no significant receivables from related parties written off during the year that are subject to enforcement activity.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. Financial risk management (continued)

6.2 Credit risk (continued)

(iii) Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets and contract assets:

Impairment losses	2022	2021
	€	€
Impairment charge - investments in subsidiaries	(367,201)	-
Impairment charge - trade receivables	(649,032)	(2,468,321)
Net impairment loss on financial and contract assets	(1,016,233)	(2,468,321)

(iv) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Company monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

6.3 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.

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. Financial risk management (continued)

6.3 Liquidity risk (continued)

31 March 2022

	Carrying amounts €	Contractual cash flows €	3-12 months €
Trade and other payables	1,093,758	1,093,758	-
Payables to related parties	87,845	87,845	-
	1,181,603	1,181,603	-

31 March 2021

	Carrying amounts €	Contractual cash flows €	3-12 months €
Trade and other payables	555,206	555,206	555,206
Payables to related parties	43,078	43,078	43,078
Loans from shareholders	1,117,834	1,117,834	1,117,834
	1,716,118	1,716,118	1,716,118

6.4 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 US Dollar. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

6.5 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

6.6 Capital risk management

Capital includes equity shares and share premium and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The carrying amounts and fair values of certain financial assets and liabilities are as follows:

	Carrying amounts		Fair values	
	2022	2021	2022	2021
	€	€	€	€
Financial assets				
Cash and cash equivalents	37,019	322,951	37,019	322,951
Investments at amortised cost	7,419,397	5,677,867	7,419,397	5,677,867
Financial liabilities				
Trade payables	(1,181,603)	(598,284)	(1,181,603)	(598,284)
Loans from related parties	-	(1,117,834)	-	(1,117,834)
	6,274,813	4,284,700	6,274,813	4,284,700

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

6. Financial risk management (continued)

Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

7. 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.

Judgments

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:

- **Calculation of loss allowance**

When measuring expected credit losses the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- **Provision for obsolete and slow-moving inventory**

The Company reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognised in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

- **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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

7. Critical accounting estimates and judgments (continued)

Critical judgements in applying the Company's accounting policies

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries 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 subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **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 6, Credit risk section.

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Useful live of depreciable assets**

The Board of Directors assesses the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Company. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

- **Provisions**

The amount recognised for provisions is estimated based on Board of Directors' past experience and its future expectations. However, the actual outcome may vary from the amount recognised.

8. Revenue

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2022	2021
	€	€
Sales of products	<u>14,356,046</u>	<u>11,432,114</u>
	<u>14,356,046</u>	<u>11,432,114</u>

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

9. Cost of sales

	2022	2021
	€	€
Costs of goods purchased	<u>6,292,506</u>	<u>3,018,544</u>
	<u>6,292,506</u>	<u>3,018,544</u>

10. Selling and distribution expenses

	2022	2021
	€	€
Promotion expenses	1,058,287	686,691
Commission expenses	891,954	687,472
Freight costs	<u>133,110</u>	<u>82,511</u>
	<u>2,083,351</u>	<u>1,456,674</u>

11. Administration expenses

	2022	2021
	€	€
Staff costs (Note 13)	2,016,335	1,665,283
Rent	10,377	5,799
Common expenses	51,672	28,387
Licenses and taxes	88,359	44,275
Product filing fees	510,440	1,377,529
Insurance	5,562	4,983
Other expenses	16,503	(77)
Subscriptions and contributions	45,885	8,681
Support service fees	395,391	355,282
Staff training	297,018	181,600
Auditors' remuneration	10,000	16,795
Legal fees	-	9,852
Other professional fees	26,877	35,308
Travelling	-	134
Inland travelling and accommodation	30,347	6,843
Rates and taxes	748	1,040
Amounts written off	1	(5,035)
Service charges	173	-
AMC costs	2,561	-
Amortisation of intangible assets	-	983
Depreciation	<u>8,212</u>	<u>10,103</u>
	<u>3,516,461</u>	<u>3,747,765</u>

12. Operating profit

	2022	2021
	€	€
Operating profit is stated after charging the following items:		
Amortisation of computer software (included in "Administration expenses") (Note 17)	-	983
Depreciation of property, plant and equipment (Note 16)	8,212	10,103
Staff costs (Note 13)	2,016,335	1,665,283
Auditors' remuneration	<u>10,000</u>	<u>16,795</u>

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

13. Staff costs

	2022	2021
	€	€
Salaries	<u>2,016,335</u>	<u>1,665,283</u>
	<u>2,016,335</u>	<u>1,665,283</u>

As all employees of the Company reside outside Cyprus the Company does not incur social security or pension costs. The number of employees employed by the Company during the year 2022 and 2021 were 8 and 8 respectively.

14. Finance income/(costs)

	2022	2021
	€	€
Net foreign exchange gains	77,016	-
Interest income	<u>27,669</u>	<u>13,205</u>
Finance income	<u>104,685</u>	<u>13,205</u>
Net foreign exchange losses	-	(796)
Interest expense	-	(8,810)
Other finance expenses	<u>(45,096)</u>	<u>(44,838)</u>
Finance costs	<u>(45,096)</u>	<u>(54,444)</u>
Net finance income/(cost)	<u>59,589</u>	<u>(41,239)</u>

15. Tax

	2022	2021
	€	€
Corporation tax	<u>69,799</u>	<u>-</u>
Charge for the year	<u>69,799</u>	<u>-</u>

The corporation tax rate in Cyprus is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

16. Property, plant and equipment

	Motor vehicles €	Computers - cost €	Total €
Cost			
Balance at 1 April 2020	141,529	5,150	146,679
Balance at 31 March 2021	141,529	5,150	146,679
Balance at 31 March 2022	141,529	5,150	146,679
Depreciation			
Balance at 1 April 2020	103,725	5,150	108,875
Charge for the year	10,103	-	10,103
Balance at 31 March 2021	113,828	5,150	118,978
Charge for the year	8,212	-	8,212
Balance at 31 March 2022	122,040	5,150	127,190
Net book amount			
Balance at 31 March 2022	19,489	-	19,489
Balance at 31 March 2021	27,701	-	27,701

17. Intangible assets

	Patents and trademarks €	Computer software €	Total €
Cost			
Balance at 1 April 2020	94,894	40,046	134,940
Balance at 31 March 2021	94,894	40,046	134,940
Balance at 31 March 2022	94,894	40,046	134,940
Amortisation			
Balance at 1 April 2020	94,894	39,062	133,956
On disposals	-	(1,378)	(1,378)
Amortisation for the year (Note 12)	-	2,361	2,361
Balance at 31 March 2021	94,894	40,045	134,939
Balance at 31 March 2022	94,894	40,045	134,939
Net book amount			
Balance at 31 March 2022	-	1	1
Balance at 31 March 2021	-	1	1

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

18. Investments in subsidiaries

	2022 €	2021 €
Balance at 1 April	7,373,650	7,373,650
Impairment charge	(367,201)	-
Balance at 31 March	7,006,449	7,373,650

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2022 Holding %	2021 Holding %	2022 €	2021 €
Strides Life Sciences Limited	Nigeria	Trading in pharmaceutical products	100	100	6,449	6,449
Universal Corporation Limited	Kenya	Manufacturing of pharmaceutical products	51	51	7,000,000	7,000,000
Strides Pharma (SA) Proprietary Limited	South Africa	Distribution of pharmaceutical products	60	60	-	367,201
					7,006,449	7,373,650

19. Inventories

	2022 €	2021 €
Finished products	19,883	-
	19,883	-

Inventories are stated at the lower of cost and net realisable value.

20. Trade and other receivables

	2022 €	2021 €
Trade receivables	6,874,465	4,699,264
Trade receivables from related parties	3,238,912	2,884,873
Less: credit loss on trade receivables	(4,252,373)	(3,506,583)
Trade receivables - net	5,861,004	4,077,554
Receivables from own subsidiaries (Note 28.3)	424,723	352,534
Receivables from related parties (Note 28.3)	174,444	1,080,012
Deposits and prepayments	106,837	-
Deposits and prepayments to related parties (Note 28.3)	537,051	10,397
Advances to subcontractors	23,018	20,388
Outstanding employer contributions	244,440	94,321
Other receivables	47,880	42,661
	7,419,397	5,677,867

The Company does not hold any collateral over the trading balances.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

20. Trade and other receivables (continued)

Movement in provision for impairment of receivables:

	2022 €	2021 €
Balance at 1 April	3,506,583	1,001,629
Impairment (reversal)/losses recognised on receivables	649,032	2,468,321
Receivables written off/(recovered) during the year	96,758	36,633
Balance at 31 March	4,252,373	3,506,583

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the financial statements.

21. Cash and cash equivalents

Cash balances are analysed as follows:

	2022 €	2021 €
Cash at bank and in hand	37,019	322,951
	37,019	322,951

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

22. Share capital

	2022 Number of shares	2022 €	2021 Number of shares	2021 €
Authorised				
Ordinary shares of US\$1 each	10,000	8,125	10,000	8,125
Issued and fully paid				
Balance at 1 April	3,516	2,857	3,516	2,857
Balance at 31 March	3,516	2,857	3,516	2,857

23. Borrowings

	2022 €	2021 €
Current borrowings		
Loans from shareholders	-	1,117,834

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

24. Provisions for other liabilities and charges

	Provision for retrocessions €	Provision for product expiry €	Total €
Balance at 1 April 2020	193,000	549,651	742,651
Utilised during the year	(193,000)	(381,096)	(574,096)
Balance at 31 March 2021/ 1 April 2021	-	168,555	168,555
Charged/(credited) to profit or loss	-	127,499	127,499
Balance at 31 March 2022	-	296,054	296,054

The amounts included in the statement of financial position include the following:

	2022 €	2021 €
Provisions to be used within twelve months	296,054	168,555

25. Trade and other payables

	2022 €	2021 €
Trade payables	311,405	43,081
Trade payables to related parties (Note 28.4)	476,157	224,726
Salaries and wages payable	5,472	31,110
Accruals	289,911	256,289
Deferred income	10,813	-
Payables to own subsidiaries (Note 28.4)	63,148	5,616
Payables to related parties (Note 28.4)	24,697	37,462
	1,181,603	598,284

26. Current tax liabilities

	2022 €	2021 €
Corporation tax	1,089,320	1,019,521
	1,089,320	1,019,521

27. Operating Environment of the Company

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

27. Operating Environment of the Company (continued)

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 March 2022 as it is considered as a non-adjusting event.

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the company's position and performance in case the crisis becomes prolonged.

28. Related party transactions

The Company is controlled by Strides Pharma Global Pte Ltd, incorporated in Singapore, which owns 100% of the Company's shares. The ultimate controlling party is Strides Pharma Science Limited which is incorporated and listed in India.

The following transactions were carried out with related parties:

28.1 Sales of goods and services

Name	Nature of transactions	2022 €	2021 €
Strides Lifesciences Limited, Nigeria	Trade	210,928	-
		<u>210,928</u>	<u>-</u>

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. Related party transactions (continued)

28.2 Purchases of goods and services

Name	Nature of transactions	2022 €	2021 €
Strides Pharma Science Limited	Trade	5,583,300	2,783,093
Strides Pharma Science Limited	Support services	313,521	274,517
Strides Pharma Global Pte Limited	Support services	74,093	72,788
Arco Lab Private Limited	Support services	7,777	7,978
Strides Pharma Global Pte Limited	Interest expense on loan	-	8,810
Strides Pharma (SA) Pty Limited	Interest income on loan	(27,669)	(13,205)
Universal Corporation Limited	Trade	6,274	-
		5,957,296	3,133,981

28.3 Receivables from related parties (Note 20)

Name	Nature of transactions	2022 €	2021 €
Universal Corporation Limited	Trade	29,457	27,828
Strides Pharma (SA) Pty Limited	Advance	359,657	308,194
Arrow Pharma Pte Limited	Trade	-	8,527
Strides Life Sciences Limited	Advance	65,070	44,340
Strides Pharma International Limited	Advance	48,880	39,543
Strides Pharma Global Pte Limited, Singapore	Advance	622,274	-
Strides Life Sciences Limited	Trade	3,209,456	2,833,104
Generic Partners UK Limited	Trade/Advance	8,620	8,620
Strides Pharma Science Limited	Advances	113,254	1,031,359
Strides CIS Ltd	Advances	490	490
Strides Global Consumer	Advances	3,202	-
		4,460,360	4,302,005

Receivables from related parties are non-interest bearing and repayable upon demand.

28.4 Payables to related parties (Note 25)

Name	Nature of transactions	2022 €	2021 €
Strides Pharma Global Pte Limited	Finance	19,381	-
Strides Arcolab International Limited	Finance	-	17,900
Strides Pharma Science Limited	Current account	-	17,697
Fair-Med Healthcare GmbH	Finance	38,165	-
Universal Corporation Limited	Advance	63,148	-
Strides Acrolab International Limited. UK	Advance	18,880	-
Arcolab India Private Limited	Current account	-	1,865
Universal Corporation Limited	Trade	-	20,766
Universal Corporation Limited	Finance	40,960	5,616
Strides Pharma Science Limited (Strides Shasun Limited), India	Finance	465,429	-
Strides Lifesciences Limited, Nigeria	Finance	67	-
		646,030	63,844

Payables to related parties are non-interest bearing and repayable upon demand.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

28. Related party transactions (continued)

28.5 Loans from related parties (Note 23)

Name	Nature of transactions	2022 €	2021 €
Strides Pharma Global Pte Limited	Finance	-	1,117,834
		-	1,117,834

29. Contingent liabilities

The Company as at 31 March 2022 had contingent liabilities with regards to the distribution agreement with one of its major clients. Under the agreement the Company undertakes to reimburse the damaged and expired products sold to the client as well as bear the corresponding delivery costs. In case of termination of the agreement the Company is obliged to take back at cost price or to reimburse the other party for the products remaining in their warehouse.

30. Commitments

On 1 June 2011 the Company entered into a distribution agreement with one of its major clients which is valid until 31 May 2016, and under which the two parties agreed that the Client would undertake the exclusive distribution of pharmaceutical products on behalf of the Company in specified territories in West Africa. The agreement has been renewed for further 6 years.

31. Events after the reporting period

As explained in note 27 the geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

Depending on the duration of the conflict between Russia and Ukraine, and continued negative impact on economic activity, the Company might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022 which relate to new developments that occurred after the reporting period.

Independent auditor's report on pages 3 to 5