

STRIDES PHARMA (CYPRUS) LIMITED
Reg. Number: 258780

REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2023

STRIDES PHARMA (CYPRUS) LIMITED

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STRIDES PHARMA (CYPRUS) LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Georgios Kyriakou (appointed on 22 December 2022)
Gopala Vamsi Krishna Mandava (appointed on 23 November 2022)
Androula Alexandrou
Angeliki Eliades (resigned on 22 December 2022)
Krishnan Tirucherai Parthasarathy (resigned on 3 October 2022)

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:

Themistokli 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 2023.

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 €2,593,362 (2022: €1,437,285). On 31 March 2023 the total assets of the Company were €16,627,564 (2022: €14,502,238) and the net assets of the Company were €14,528,623 (2022: €11,935,261). 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, 29 and 31 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 2023 and at the date of this report are presented on page 1. Mr. Krishnan Tiruchera Parthasarathy and Ms. Angeliki Eliades resigned from their positions as Directors on 3 October 2022 and 22 December 2022 respectively. Mr. Gopala Vamsi Krishna Mandava and Mr. Georgios Kyriakou were appointed as Directors of the Company on 23 November 2022 and 22 December 2022 respectively.

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 33 to the financial statements.

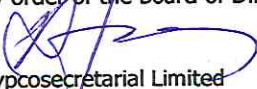
Related party transactions

Disclosed in note 30 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,


Cypcosecretarial Limited
Secretary

Nicosia, 5 September 2023

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 36 and comprise the statement of financial position as at 31 March 2023, 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 2023, 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 have nothing to report in this regard.

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.

Independent Auditor's Report (continued)

To the Members of Strides Pharma (Cyprus) Limited

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

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.



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

Nicosia, 5 September 2023

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	2023 €	2022 €
Revenue	8	15,028,195	14,356,046
Cost of sales	9	(5,985,332)	(6,292,506)
Gross profit		9,042,863	8,063,540
Other operating income	10	14,281	-
Selling and distribution expenses	11	(2,106,320)	(2,083,351)
Administration expenses	12	(3,513,234)	(3,516,461)
Net impairment loss on financial and contract assets		(342,745)	(1,016,233)
Operating profit	13	3,094,845	1,447,495
Finance income		26,892	104,685
Finance costs		(76,392)	(45,096)
Net finance (costs)/income	15	(49,500)	59,589
Profit before tax		3,045,345	1,507,084
Tax	16	(451,983)	(69,799)
Net profit for the year		2,593,362	1,437,285
Other comprehensive income		-	-
Total comprehensive income for the year		2,593,362	1,437,285

The notes on pages 10 to 36 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF FINANCIAL POSITION

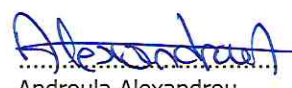
As at 31 March 2023

	Note	2023 €	2022 €
ASSETS			
Non-current assets			
Property, plant and equipment	17	39,786	19,489
Intangible assets	18	-	1
Investments in subsidiaries	19	22,484	7,006,449
Investments in associates	20	7,000,000	-
Non-current loans receivable	21	325,861	359,657
		<u>7,388,131</u>	<u>7,385,596</u>
Current assets			
Inventories	22	-	19,883
Trade and other receivables	23	8,866,732	7,059,740
Cash and cash equivalents	24	372,701	37,019
		<u>9,239,433</u>	<u>7,116,642</u>
Total assets		<u>16,627,564</u>	<u>14,502,238</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	25	2,857	2,857
Share premium		23,624,585	23,624,585
Accumulated losses		(9,098,819)	(11,692,181)
Total equity		<u>14,528,623</u>	<u>11,935,261</u>
Current liabilities			
Trade and other payables	27	740,979	1,181,603
Current tax liabilities	28	1,244,812	1,089,320
Provisions for other liabilities and charges	26	113,150	296,054
		<u>2,098,941</u>	<u>2,566,977</u>
Total equity and liabilities		<u>16,627,564</u>	<u>14,502,238</u>

On 5 September 2023 the Board of Directors of Strides Pharma (Cyprus) Limited authorised these financial statements for issue.



 Georgios Kyriakou
 Director



 Androula Alexandrou
 Director

The notes on pages 10 to 36 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 April 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
Comprehensive income				
Net profit for the year	-	-	2,593,362	2,593,362
Balance at 31 March 2023	2,857	23,624,585	(9,098,819)	14,528,623

The notes on pages 10 to 36 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2023 €	2022 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,045,345	1,507,084
Depreciation of property, plant and equipment	17	10,253	8,212
Unrealised exchange profit		-	(115,305)
(Reversal of impairment)/impairment charge - investments in subsidiaries	19	(9)	367,201
Impairment charge of trade receivables	23	342,754	649,032
Provision for expired products		113,150	127,499
Interest income	15	(26,892)	(27,669)
Amortisation of computer software	18	1	-
		3,484,602	2,516,054
Changes in working capital:			
Decrease/(increase) in inventories	22	19,883	(19,883)
Increase in trade and other receivables	23	(2,149,746)	(2,390,562)
(Decrease)/increase in trade and other payables	27	(440,624)	571,125
(Decrease)/increase in provisions	26	(296,054)	127,499
Cash generated from operations		618,061	804,233
Tax paid		(296,491)	-
Net cash generated from operating activities		321,570	804,233
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	17	(30,550)	-
Payment for purchase of investments in subsidiaries	19	(16,026)	-
Loans repaid/(granted)		60,688	-
Interest received		-	27,669
Net cash generated from investing activities		14,112	27,669
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	(1,117,834)
Net cash used in financing activities		-	(1,117,834)
Net increase/(decrease) in cash and cash equivalents		335,682	(285,932)
Cash and cash equivalents at beginning of the year		37,019	322,951
Cash and cash equivalents at end of the year	24	372,701	37,019

The notes on pages 10 to 36 form an integral part of these financial statements.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 Themistokli 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 intent to issue consolidated financial statements for the year ended 31 March 2023.

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 2022. 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.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the diminution is identified.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 and foreign exchange gains are 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 2023

4. Significant accounting policies (continued)

Finance costs

Bank charges and net foreign exchange losses 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 2023

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 2023

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 2023

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, including trade receivables 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.

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 2023

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.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. Significant accounting policies (continued)

Financial assets (continued)

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.

Trade payables

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

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.

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;

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. Significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

- 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.

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

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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.
- 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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

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.

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

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

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 have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 March 2023 or 1 April 2022 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 2023 was determined as follows for trade receivables:

31 March 2023

	Current €	1 - 30 days past due €	31 - 60 days past due €	61 - 180 days past due €	More than 180 days past due €	Total €
Expected loss rate	1.1%	7.0%	20.6%	35.2%	100.0%	
Gross carrying amount - trade and other receivables	3,785,652	101,352	129,782	1,352,174	3,738,776	9,107,736
Loss allowance	40,991	7,095	26,743	476,347	3,738,776	4,289,952

31 March 2022

	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	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	169,413	3,940,758	4,252,373

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables (continued)

The loss allowances for contract assets as at 31 March 2023 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2023	2022
	€	€
Balance at 1 April	4,252,373	3,506,583
Receivables (recovered)/written off during the year	(305,175)	96,758
Increase in loss allowance recognised in profit or loss during the year	<u>342,754</u>	<u>649,032</u>
Balance at 31 March	<u>4,289,952</u>	<u>4,252,373</u>

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

Loans to related parties

The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets as at 31 March 2023 and 31 March 2022:

Company internal credit rating	2023	2022
	€	€
Underperforming	<u>325,861</u>	<u>359,657</u>
Total	<u>325,861</u>	<u>359,657</u>

The Company does not hold any collateral as security for any loans to related parties.

There were no significant loans to related parties 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 2023 and 31 March 2022:

Company internal credit rating	2023	2022
	€	€
Performing	<u>1,116,728</u>	<u>239,510</u>
Total	<u>1,116,728</u>	<u>239,510</u>

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 2023

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

The Company does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

(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	2023	2022
	€	€
Reversal of impairment charge/(Impairment charge) - investments in subsidiaries	9	(367,201)
Impairment charge - trade receivables	<u>(342,754)</u>	<u>(649,032)</u>
Net impairment loss on financial and contract assets	<u>(342,745)</u>	<u>(1,016,233)</u>

(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 2023

6. Financial risk management (continued)

6.3 Liquidity risk (continued)

31 March 2023

	Carrying amounts €	Contractual cash flows €	3-12 months €
Trade and other payables	270,108	270,108	270,108
Payables to related parties	21,392	21,392	21,392
	291,500	291,500	291,500

31 March 2022

	Carrying amounts €	Contractual cash flows €	3-12 months €
Trade and other payables	803,847	803,847	803,847
Payables to related parties	87,845	87,845	87,845
	891,692	891,692	891,692

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	
	2023	2022	2023	2022
	€	€	€	€
Financial assets				
Cash and cash equivalents	372,701	37,019	372,701	37,019
Loan receivable	325,861	359,657	325,861	359,657
Investments at amortised cost	8,866,732	7,059,740	8,866,732	7,059,740
Financial liabilities				
Trade and other payables	(740,980)	(1,181,603)	(740,980)	(1,181,603)
	8,824,314	6,274,813	8,824,314	6,274,813

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 2023

7. Critical accounting estimates and judgments (continued)

Critical judgements in applying the Company's accounting policies

- **Impairment of investments in subsidiaries/associates**

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

- **Impairment of loans receivable**

The Company periodically evaluates the recoverability of loans receivable 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 in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans 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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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.

	2023 €	2022 €
Sales of products	<u>15,028,195</u>	<u>14,356,046</u>
	<u>15,028,195</u>	<u>14,356,046</u>

9. Cost of sales

	2023 €	2022 €
Costs of goods purchased	<u>5,985,332</u>	<u>6,292,506</u>
	<u>5,985,332</u>	<u>6,292,506</u>

10. Other operating income

	2023 €	2022 €
Insurance claim settled	<u>14,281</u>	<u>-</u>
	<u>14,281</u>	<u>-</u>

11. Selling and distribution expenses

	2023 €	2022 €
Promotion expenses	<u>1,007,972</u>	<u>1,058,287</u>
Commission expenses	<u>943,846</u>	<u>891,954</u>
Freight costs	<u>154,502</u>	<u>133,110</u>
	<u>2,106,320</u>	<u>2,083,351</u>

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

12. Administration expenses

	2023	2022
	€	€
Staff costs (Note 14)	2,163,532	2,016,335
Rent	10,378	10,377
Common expenses	51,795	51,672
Licenses and taxes	12,137	88,359
Product filing fees	628,857	510,440
Insurance	4,452	5,562
Other expenses	-	16,503
Subscriptions and contributions	21,396	45,885
Support service fees	430,795	395,391
Staff training	70,602	297,018
Computer supplies and maintenance	108	-
Auditors' remuneration	29,411	10,000
Legal fees	(4,000)	-
Other professional fees	51,322	26,877
Inland travelling and accommodation	16,257	30,347
Rates and taxes	13,175	748
Amounts written off	74	1
Service charges	338	173
AMC costs	2,351	2,561
Amortisation of computer software	1	-
Depreciation	10,253	8,212
	<u>3,513,234</u>	<u>3,516,461</u>

13. Operating profit

	2023	2022
	€	€
Operating profit is stated after charging the following items:		
Depreciation of property, plant and equipment (Note 17)	10,253	8,212
Staff costs (Note 14)	2,163,532	2,016,335
Auditors' remuneration	29,411	10,000
Amortisation of computer software (Note 18)	<u>1</u>	<u>-</u>

14. Staff costs

	2023	2022
	€	€
Salaries	<u>2,163,532</u>	<u>2,016,335</u>
	<u>2,163,532</u>	<u>2,016,335</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 years 2023 and 2022 were 12 and 8 respectively.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. Finance (costs)/income

	2023	2022
	€	€
Interest income	26,892	27,669
Net foreign exchange gains	-	77,016
Finance income	26,892	104,685
Net foreign exchange losses	(19,367)	-
Other finance expenses	(57,025)	(45,096)
Finance costs	(76,392)	(45,096)
Net finance (costs)/income	(49,500)	59,589

16. Tax

	2023	2022
	€	€
Corporation tax	451,983	69,799
Charge for the year	451,983	69,799

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 2023

17. Property, plant and equipment

	Motor vehicles €	Computers - cost €	Total €
Cost			
Balance at 1 April 2021	141,529	5,150	146,679
Balance at 31 March 2022	141,529	5,150	146,679
Additions	30,550	-	30,550
Balance at 31 March 2023	172,079	5,150	177,229
Depreciation			
Balance at 1 April 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
Charge for the year	10,253	-	10,253
Balance at 31 March 2023	132,293	5,150	137,443
Net book amount			
Balance at 31 March 2023	39,786	-	39,786
Balance at 31 March 2022	19,489	-	19,489

18. Intangible assets

	Patents and trademarks €	Computer software €	Total €
Cost			
Balance at 1 April 2021	94,894	40,046	134,940
Balance at 31 March 2022	94,894	40,046	134,940
Balance at 31 March 2023	94,894	40,046	134,940
Amortisation			
Balance at 1 April 2021	94,894	40,045	134,939
Amortisation for the year (Note 13)	-	1	1
Balance at 31 March 2022	94,894	40,045	134,939
Balance at 31 March 2023	94,894	40,045	134,939
Net book amount			
Balance at 31 March 2023	-	-	-
Balance at 31 March 2022	-	1	1

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. Investments in subsidiaries

	2023 €	2022 €
Balance at 1 April	7,006,449	7,373,650
Additions	16,026	-
Reversal of impairment/(Impairment charge)	9	(367,201)
Reclassification to investment in associate (Note 20)	(7,000,000)	-
Balance at 31 March	22,484	7,006,449

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2023 Holding %	2022 Holding %	2023 €	2022 €
Strides Life Sciences Limited	Nigeria	Trading in pharmaceutical products	100	100	22,484	6,449
Universal Corporation Limited	Kenya	Manufacturing of pharmaceutical products	-	51	-	7,000,000
Strides Pharma (SA) Proprietary Limited	South Africa	Distribution of pharmaceutical products	60	60	-	-
					22,484	7,006,449

The investment in Universal Corporation Limited was reclassified from an investment in subsidiary to an investment in associate (Note 20) due to the decrease in ownership percentage from 51% to 49% during the year, resulting to loss of control over the entity.

20. Investments in associates

	2023 €	2022 €
Balance at 1 April	-	-
Reclassification from investment in subsidiary (Note 19)	7,000,000	-
Balance at 31 March	7,000,000	-

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	2023 Holding %	2022 Holding %	2023 €	2022 €
Universal Corporation Limited	Kenya	Manufacturing of pharmaceutical products	49	-	7,000,000	-
					7,000,000	-

The investment in associate is stated at cost.

21. Non-current loans receivable

	2023 €	2022 €
Loans to own subsidiaries (Note 30.4)	325,861	359,657
	325,861	359,657

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

21. Non-current loans receivable (continued)

The loan to own subsidiary is unsecured, bears interest which is linked to the prime interest rate of the Reserve Bank of South Africa and is repayable until 17 March 2026.

The exposure of the Company to credit risk in relation to loans receivable is reported in note 6 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

22. Inventories

	2023	2022
	€	€
Finished products	-	19,883
	<u>-</u>	<u>19,883</u>

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

23. Trade and other receivables

	2023	2022
	€	€
Trade receivables	5,897,574	6,874,464
Trade receivables from related parties (Note 30.3)	3,201,530	3,238,913
Less: credit loss on trade receivables	<u>(4,289,952)</u>	<u>(4,252,373)</u>
Trade receivables - net	4,809,152	5,861,004
Receivables from own subsidiaries (Note 30.3)	34,409	65,066
Receivables from related parties (Note 30.3)	1,082,319	174,444
Deposits and prepayments	104,325	21,648
Deposits and prepayments from related parties (Note 30.3)	2,444,781	622,240
Advances to subcontractors	83,822	23,018
Outstanding employer contributions	251,046	244,440
Other receivables	<u>56,878</u>	<u>47,880</u>
	<u>8,866,732</u>	<u>7,059,740</u>

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

Movement in provision for impairment of receivables:

	2023	2022
	€	€
Balance at 1 April	4,252,373	3,506,583
Impairment (reversal)/losses recognised on receivables	(6,013)	649,032
Receivables written off/(recovered) during the year	<u>43,592</u>	<u>96,758</u>
Balance at 31 March	<u>4,289,952</u>	<u>4,252,373</u>

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.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

24. Cash and cash equivalents

Cash balances are analysed as follows:

	2023 €	2022 €
Cash at bank and in hand	<u>372,701</u>	<u>37,019</u>
	372,701	37,019

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.

25. Share capital

	2023 Number of shares	2023 €	2022 Number of shares	2022 €
Authorised				
Ordinary shares of €1 each	<u>10,000</u>	<u>8,125</u>	<u>10,000</u>	<u>8,125</u>
Issued and fully paid				
Balance at 1 April	<u>3,516</u>	<u>2,857</u>	<u>3,516</u>	<u>2,857</u>
Balance at 31 March	<u>3,516</u>	<u>2,857</u>	<u>3,516</u>	<u>2,857</u>

26. Provisions for other liabilities and charges

	Provision for retrocessions €	Provision for product expiry €	Total €
Balance at 1 April 2021	-	168,555	168,555
Charged/(credited) to profit or loss	-	<u>127,499</u>	<u>127,499</u>
Balance at 31 March 2022/ 1 April 2022	-	296,054	296,054
Charged/(credited) to profit or loss	-	<u>(182,904)</u>	<u>(182,904)</u>
Balance at 31 March 2023	-	<u>113,150</u>	<u>113,150</u>

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

	2023 €	2022 €
Provisions to be used within twelve months	<u>113,150</u>	<u>296,054</u>

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

27. Trade and other payables

	2023	2022
	€	€
Trade payables	205,632	258,599
Trade payables to related parties (Note 30.5)	45,690	488,003
Salaries and wages payable	-	5,472
Accruals	449,479	289,911
Deferred income	18,786	10,813
Payables to own subsidiaries (Note 30.5)	-	104,108
Payables to associates (Note 30.5)	21,392	24,697
	740,979	1,181,603

28. Current tax liabilities

	2023	2022
	€	€
Corporation tax	1,244,812	1,089,320
	1,244,812	1,089,320

29. Operating Environment of the Company

On 24 February 2022, Russia launched a war in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already 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. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

30. 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:

30.1 Sales of goods and services

		2023	2022
	<u>Nature of transactions</u>	€	€
Strides Lifesciences Limited	Trade	-	210,928
		-	210,928

30.2 Purchases of goods and services

		2023	2022
	<u>Nature of transactions</u>	€	€
Strides Pharma Science Limited	Trade	5,228,020	5,583,300
Strides Pharma Science Limited	Support services	358,966	313,521
Strides Pharma Global Pte Limited	Support services	63,411	74,093
Arco Lab Private Limited	Support services	8,419	7,777
Universal Corporation Limited	Trade	27,069	6,274
		5,685,885	5,984,965

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

30. Related party transactions (continued)

30.3 Receivables from related parties (Note 23)

Name	Nature of transactions	2023 €	2022 €
Universal Corporation Limited	Trade	-	29,457
Strides Life Sciences Limited	Advance	34,409	65,066
Strides Pharma International Limited	Advance	12	48,878
Strides Pharma Global Pte Limited	Advance	2,444,781	622,240
Strides Life Sciences Limited	Trade	3,201,530	3,209,456
Strides Global Consumer Healthcare Ltd	Advance	-	3,202
Generic Partners UK Limited	Trade/Advance	8,620	8,620
Strides Pharma Science Limited	Advances	984,567	113,254
Strides Biopharma Limited	Trade/advance	47,400	-
Strides CIS Limited	Advances	41,720	490
		6,763,039	4,100,663

The company Strides Global Consumer Healthcare Ltd is not considered a related party effective from August 9, 2022.

30.4 Loans to related parties (Note 21)

	2023 €	2022 €
Strides Pharma (SA) Proprietary Limited	325,861	359,657
	325,861	359,657

The loan to own subsidiary is unsecured, bears interest which is linked to the prime interest rate of the Reserve Bank of South Africa and is repayable until 17 March 2026. Interest charged in the year amounted to €26,892 (2022: €27,669) (Note 15).

30.5 Payables to related parties (Note 27)

Name	Nature of transactions	2023 €	2022 €
Strides Pharma Global Pte Limited	Trade	-	19,381
Universal Corporation Limited	Advance	-	63,148
Fair-Med Healthcare GmbH	Trade	45,690	3,126
Strides Acrolab International Limited	Advance	19,360	18,879
Universal Corporation Limited	Finance	-	40,960
Strides Pharma Science Limited	Trade	-	465,429
Strides Lifesciences Limited	Trade	-	67
Arcolab Private Limited	Finance	2,032	5,818
		67,082	616,808

31. Contingent liabilities

The Company as at 31 March 2023 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. A provision of €113,150 is held as at 31 March 2023 with regards to this (Note 26).

32. Commitments

The Company had no capital or other commitments as at 31 March 2023.

STRIDES PHARMA (CYPRUS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

33. Events after the reporting period

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

Independent auditor's report on pages 3 to 5