

# **Zydus Therapeutics Inc.**

## **FINANCIAL STATEMENTS**

**Years Ended March 31, 2023 and 2022**

**RAM ASSOCIATES, CPAS**

3240 East State Street Ext.  
Hamilton, NJ 08619  
Tel: 609 631 9552 / 609 631 9553  
Fax: 888 319 8898  
email: [ram@ramassociates.us](mailto:ram@ramassociates.us)

# Zydus Therapeutics Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder's  
of Zydus Therapeutics Inc.

### Opinion

We have audited the accompanying financial statements of Zydus Therapeutics Inc. (a Delaware corporation), which comprise the balance sheet as of March 31, 2023, and the related statements of operations, changes in stockholder's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zydus Therapeutics Inc. as of March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 required to be independent of Zydus Therapeutics Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

We performed a compilation engagement with respect to the year ended March 31, 2022 financial statements, and our report thereon, dated May 3, 2023, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Zydus Therapeutics Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Zydus Therapeutics Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Zydus Therapeutics Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Ram Associates

Hamilton, New Jersey

May 15, 2023

**Zydus Therapeutics Inc.**  
**Balance Sheets**  
**March 31,**

*(all in thousands except shares)*

	<b>2023</b>	<b>2022</b>
	(Audited)	(Compiled)
<b><u>ASSETS</u></b>		
<b>Current assets :</b>		
Cash	\$ 577	\$ 279
Prepaid expenses	53	29
Other current assets	1	192
Total current assets	631	500
<b>Fixed assets, net</b>	53	24
<b>Intangible assets, net</b>	16,600	16,600
<b>Operating lease right of use asset</b>	281	-
<b>TOTAL ASSETS</b>	<b>\$ 17,565</b>	<b>\$ 17,124</b>
<b><u>LIABILITIES AND STOCKHOLDER'S DEFICIT</u></b>		
<b>Current liabilities :</b>		
Accounts payable and accrued expenses	\$ 1,097	\$ 431
Other current liabilities	2,510	2,689
Current portion of operating lease	63	-
Total current liabilities	3,670	3,120
<b>Long-term liabilities :</b>		
Loan from related parties	26,100	6,450
Operating lease - net of current portion	222	-
Accrued dividend on preference shares	21,247	8,872
Total current and long-term liabilities	51,239	18,442
<b>Stockholder's deficit</b>		
Series A non-convertible preferred stock, \$0.001 par value 5,000 shares authorized, 3,000 shares issued and outstanding	210,000	210,000
Common stock, \$0.001 par value - 5,000 shares authorized, 3,000 shares issued and outstanding	129,495	129,495
Capital reserve	(275,889)	(275,889)
Accumulated deficit	(97,280)	(64,924)
Total stockholder's deficit	(33,674)	(1,318)
<b>TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT</b>	<b>\$ 17,565</b>	<b>\$ 17,124</b>

-See accompanying notes to financial statements-

**Zydus Therapeutics Inc.**  
**Statements of Operations**  
**For The Years Ended March 31,**

*(all in thousands except shares)*

	<b>2023</b>	<b>2022</b>
	(Audited)	(Compiled)
<b>Operating expenses:</b>		
Research and development	\$ 11,184	\$ 6,723
General and administrative expenses	8,183	3,800
Total operating expenses	19,367	10,523
<b>Operating loss before other income and (expense)</b>	(19,367)	(10,523)
<b>Other income and (expense):</b>		
Depreciation	(7)	(3)
Interest expense	(606)	(15)
Total other income and (expense)	(613)	(18)
<b>Net operating loss before income tax</b>	(19,980)	(10,541)
Income taxes:		
State income tax	(1)	-
Total income taxes	(1)	-
<b>Net loss</b>	(19,981)	(10,541)
Dividend on preferred stock	(12,375)	(8,872)
<b>Net loss attributable to common stockholder's</b>	\$ (32,356)	\$ (19,413)

-See accompanying notes to financial statements-

**Zydus Therapeutics Inc.**  
**Statements of Changes in Stockholder's Deficit**  
**For The Years Ended March 31, 2023 (Audited) and March 31, 2022 (Compiled)**  
*(all in thousands except shares)*

	<u>Common stock</u>		<u>Preferred stock</u>		<u>Capital reserve</u>	<u>Accumulated deficit</u>	<u>Total stockholder's deficit</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>			
<b>Balance at March 31, 2021</b>	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Common control merger	3,000	129,495	3,000	210,000	(275,889)	(45,511)	18,095
Net loss						(19,413)	(19,413)
<b>Balance at March 31, 2022</b>	<u>3,000</u>	<u>\$ 129,495</u>	<u>3,000</u>	<u>\$ 210,000</u>	<u>\$ (275,889)</u>	<u>\$ (64,924)</u>	<u>\$ (1,318)</u>
Net loss						(32,356)	(32,356)
<b>Balance at March 31, 2023</b>	<u><u>3,000</u></u>	<u><u>\$ 129,495</u></u>	<u><u>3,000</u></u>	<u><u>\$ 210,000</u></u>	<u><u>\$ (275,889)</u></u>	<u><u>\$ (97,280)</u></u>	<u><u>\$ (33,674)</u></u>

-See accompanying notes to financial statements-

**Zydus Therapeutics Inc.**  
**Statements of Cash Flows**  
**For The Years Ended March 31,**

*(all in thousands except shares)*

	<b>2023</b>	<b>2022</b>
	(Audited)	(Compiled)
<b>Cash flows from operating activities</b>		
Net loss	\$ (32,356)	\$ (19,413)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	7	3
Amortization of right of use asset	4	-
Provision for preferred dividend	12,375	8,872
Changes in assets and liabilities :		
(Increase) / decrease in :		
Prepaid expenses	(24)	(29)
Other current assets	191	(192)
Increase / (decrease) in :		
Accounts payable and accrued expenses	666	431
Other current liabilities	(179)	2,689
Total adjustments	13,040	11,774
Net cash used in operating activities	(19,316)	(7,639)
<b>Cash flows from investing activities</b>		
Capital expenditures	(36)	(27)
Net cash used in investing activities	(36)	(27)
<b>Cash flows from financing activities</b>		
Increase in loan from related parties	19,650	6,450
Common control merger	-	1,495
Net cash provided by investing activities	19,650	7,945
<b>Net increase in cash and cash equivalents</b>	298	279
<b>Cash and cash equivalent at the beginning of the year</b>	279	-
<b>Cash and cash equivalent at the end of the year</b>	\$ 577	\$ 279
<b>Supplementary disclosure of cash flows information:</b>		
<b>Cash paid during the years for:</b>		
Income taxes	\$ 1	\$ -
Interest	506	10

-See accompanying notes to financial statements-



# ZYDUS THERAPEUTICS INC.

## NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

### 1) Organization and Description of Business

Zydus Therapeutics Inc. (“the Company”) was incorporated in Delaware on February 18, 2021 and is a 100% subsidiary of Zydus Worldwide DMCC (Zydus Dubai). Zydus Dubai is fully owned by Zydus Lifesciences Limited (formerly known as Cadila Healthcare Limited), India, (“Zydus Life”).

The Company is a clinical stage, specialty-focused bio-pharmaceutical company focused on developing transformative treatments. The Company aims to market and distribute these transformative branded pharmaceutical products post regulatory approval.

The corporate office of the Company is located at Pennington, New Jersey. The building is owned by Zydus Healthcare (USA) LLC (“Zydus Healthcare”), a related party.

### 2) Summary of Significant Accounting Policies

#### *Accounting Policies*

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP); consequently, revenue is recognized when services are rendered, and expenses are reflected when costs are incurred.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations. The company has not reported any revenue in the current or previous fiscal years.

#### *Revenue Recognition*

The Company has not recognized any revenue during the year under audit since the Company is still in the development stage.

# ZYDUS THERAPEUTICS INC.

## NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

### *Cash and cash equivalents*

The Company considers all highly-liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and impairment loss if any. The Company provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 8 years.

### *Intangible assets*

Company owns global ex-India license for a product. Company to start amortization of the license on commercialization of the underlying product. Intangible assets are reviewed annually for impairment or when events or circumstances indicate their carrying amount may not be recoverable. Based on the evaluation of intangible assets completed during the years ended March 31, 2023 and 2022, no impairment was recorded.

### *Concentrations*

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade accounts receivable. The Company maintains cash balances, which may exceed federally insured limits. As on March 31, 2023, the Company had uninsured cash balances totalling \$340 held in one institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

### *Impairments*

In accordance with U.S. GAAP, we evaluate the carrying amount of our long-lived assets such as property and equipment, and finite-lived intangible assets subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by the comparison of its carrying amount with the future net cash flows the asset is expected to generate. We look primarily to the undiscounted future cash flows in the assessment of whether or not long-lived assets have been impaired. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. During the year the Company has not recorded any impairment

# ZYDUS THERAPEUTICS INC.

## NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

### *Fair Value Measurements*

FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. FASB ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash, accounts receivable, accounts payable and accrued expenses and other liabilities.

### *Income taxes*

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), etc. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses and tax credits that are available to offset future taxable income. As at March 31, 2023 and 2022 the Company had not recognizes any deferred tax asset.

### *Research and Development Cost*

Research and development costs are expensed as incurred. ZTI has spent \$11,184 and \$6,723 on research and development for the years ended March 31, 2023 and 2022, respectively.

### *Advertising Costs*

The Company expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2023 and 2022 was \$Nil.

### **3) Property and Equipment**

Property and equipment consisted of the following on March 31,

## ZYDUS THERAPEUTICS INC.

### NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

	2023	2022
Computer and Equipment	\$ 23	\$ 16
Fixed Assets in progress	37	11
	60	27
Less: Accumulated Depreciation	7	3
Net Fixed Assets	\$ 53	\$ 24

Depreciation expenses during the years ended March 31, 2023 and 2022 were \$ 7 and \$ 3 respectively.

#### 4) Intangible assets

Intangible assets consisted of the following at March 31,

	2023	2022
Product license	\$ 16,600	\$ 16,600
Accumulated amortization	-	-
Total	\$ 16,600	\$ 16,600

#### 5) Accounts payable

Accounts payable includes amounts due to Zydus Life, the parent Company. The balance due on March 31, 2023 and 2022 were \$ 4 and \$130 respectively.

Accounts payable includes amounts due to Zydus Pharmaceuticals (USA) Inc. The balance due on March 31, 2023 and 2022 were \$106 and \$7 respectively.

Accounts payable includes amounts due to Zydus Healthcare USA LLC. The balance due on March 31, 2023 and 2022 were \$6 and \$ 34 respectively.

Accounts payable includes amounts due to Viona Pharmaceuticals Inc. The balance due on March 31, 2023 and 2022 were Nil and \$ 0.4 respectively.

#### 6) Accrued expenses.

Accrued expenses represent amounts accrued towards various expenses. Accrued expenses outstanding were as follows:

# ZYDUS THERAPEUTICS INC.

## NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

For the years ended March 31,

	2023	2022
Clinical Trial Expenses	\$ 1,575	\$ 2,242
Bonus	290	53
Support Services	261	-
Contract Employees	209	65
Legal & Professional Charges	130	125
Other Admin	45	204
<b>Total</b>	<b>\$ 2,510</b>	<b>\$ 2,689</b>

### 7) Short-Term Debt

*Loan from Zydus Pharmaceuticals (USA) Inc.*

The Company had outstanding loan \$26,100 and \$ 6,450 for the years ended March 31<sup>st</sup>, 2023, and 2022 respectively from Zydus Pharmaceuticals (USA) Inc., a related party. The Company has paid interest at the applicable arm's length rate on this loan.

### 8) Preferred Shares

With effect from July 1, 2021 Zydus Discovery DMCC [ZDD], Dubai, a related party, is merged with the Company. Pursuant to the merger of ZDD, the Company had acquired global ex-India license for a product, other current assets and current liabilities of ZDD. The merger is between the related parties and accounted for using accounting methodology of "Business Combinations under common control". All the assets and liabilities of ZDD are recorded by the Company at their book value as appearing in books of ZDD as on the effective date of merger. In consideration of the merger, the Company had issued 3,000 shares of Series A non-convertible preferred stock of USD 210,000 [per share par value of \$ 0.001 issued at \$70] and 3,000 common stock of USD 129,495 [per share par value of \$ 0.001 issued at f \$43.165]. The difference between the book value of the net assets acquired and the fair value of consideration given is accounted as "Capital Reserve" of USD (275,481).

The Company has accrued cumulative dividends on the outstanding shares from the date of issuance at the rate of 5.5% per annum. The balance accrued towards cumulative dividend were \$21,247 and \$8,872 as of March 31, 2023 and 2022, respectively.

### 9) Employee Benefit Plan

The Company participates in a savings plan under section 401(k) of the Internal Revenue Code (Code) covering all eligible employees. The plan provides that the Company can make matching

## ZYDUS THERAPEUTICS INC.

### NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

contributions, which is equivalent to the employee's contributions subject to a maximum of 5% of the gross pay of the employee subject to Federal limits. All qualifying matching contributions are 100% vested at the completion of five years of service by an employee and are subject to certain withdrawal restrictions. For the years ended March 31, 2023 and 2022, the Company's contribution to the plan, were \$ 84 and \$31 respectively.

#### 10) Contingent Liability

The Company has agreed to pay severance package covering three to nine months of annual salary to an employee for the agreement period, in the event the Company terminates employment without any specific reasons (without cause). The contingent liabilities for the years ended March 31, 2023 and 2022 were approximately \$ 319 and \$ 319 respectively

#### 11) Related Party Transactions

- a) During the years ended March 31, 2023, and 2022, the Company spent \$ 264 and \$ 131 respectively for support service provided by Zydus Life, the parent company.
- b) During the years ended March 31, 2023, and 2022, the Company has paid \$ 70 and \$ 64 respectively for the lease rentals to Zydus Healthcare and also reimbursed \$ 92 and \$ 193 respectively for IP and other expenses incurred by Zydus Healthcare on behalf of the Company.
- c) During the years ended March 31, 2023, and 2022, the Company incurred \$ 606 and \$ 15 respectively for interest toward loan from Zydus Pharmaceuticals (USA) Inc (ZPU) and also reimbursed \$ 6 and \$ 20 respectively for various expenses incurred by ZPU on behalf of the Company. During the years ended March 31, 2023, and 2022, the Company also took additional loan of \$ 19,850 and \$ 6,250 from ZPU.
- d) During the years ended March 31, 2023, and 2022 the Company reimbursed \$0.0 and \$ 0.4 Viona Pharmaceuticals Inc. (Viona) towards the expenses incurred by Viona on behalf of the Company.

#### 12) Product Liability

Accruals for product liability claims if any are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. From time to time the Company is subject to claims and law suits arising in the ordinary course of business, including patent, product liability and other litigation. In determining whether liabilities should be recorded for pending claims, the Company assesses the allegations made and the likelihood that it will be able to defend against the claim successfully. The Company records provisions to the extent it concludes that a contingent liability is probable, and the amount thereof is estimable. Because litigation outcomes and contingencies are unpredictable, and because excessive verdicts can occur, these assessments involve complex judgments about future events and can rely heavily on estimates and assumptions. The Company is not involved in product liability lawsuits.

# ZYDUS THERAPEUTICS INC.

## NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

### 13) Income Tax

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management evaluates all available evidence about future taxable income and other possible sources of realization of deferred tax assets. Deferred tax asset realization for income from products under development to be initiated on major positive outcome/approval from the regulatory authorities.

The Company recognizes the tax benefit from uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters as other expense in the statement of income. Based on management's evaluations, there are no uncertain tax positions requiring recognition as of the date of these financial statements.

The Company has not made any provision for income taxes since there is no taxable income for the years under audit. The Company files its income tax returns on a calendar year basis.

There are no on-going open period income tax audits with any Federal, State and/or local tax authorities.

### 14) New Accounting Pronouncements

i) In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. In addition, a lessee is required to record (i) a right-of-use asset and a lease liability on its balance sheet for all leases with accounting lease terms of more than 12 months regardless of whether it is an operating or financing lease and (ii) lease expense in its statement of operations for operating leases and amortization and interest expense in its statement of operations for financing leases. Leases with a term of 12 months or less may be accounted for similar to prior guidance for operating leases today. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842), which added an optional transition method that allows companies to adopt the standard as of the beginning of the year of adoption as opposed to the earliest comparative period presented. In November 2019, the FASB issued guidance delaying the effective date for all entities, except for public business entities. For nonpublic entities, this guidance is effective for annual periods beginning after December 15, 2020. In June 2020, the FASB issued additional guidance delaying the effective date for all entities, except for public

# ZYDUS THERAPEUTICS INC.

## NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2023 and 2022 (In thousands except share and per share data)

business entities. For public entities, ASU 2016-02 was effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. For nonpublic entities, this guidance is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Company adopted ASU 2016-02 effective from April 1, 2022. The adoption of ASU 2016-02 standard did not have a material impact on the Company's financial statements.

ii) Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (Credit Losses) - The amendment in this ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this update affect an entity to varying degrees depending on the credit quality of the assets held by the entity, their duration, and how the entity applies current GAAP. Accounting Standards Update 2019-10 amends the mandatory effective dates for implementation of accounting for Credit Losses for all entities as follows:

Public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application continues to be allowed. The Company is currently evaluating the effect that implementation of this ASU will have on its financial statements.

### 15) Leasing Arrangements

The Company leases certain office space. The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

The lease terms include options to extend the leases when it is reasonably certain that the Company will exercise that option. These operating leases contain renewal options for periods ranging from three to five years that expire at various dates with no residual value guarantees. Future obligations relating to the exercise of renewal options is included in the measurement if, based on the judgment of management, the renewal option is reasonably certain to be exercised. Factors in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of the renewal rate compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option is not exercised. The exercise of lease renewal options is at the Company's sole discretion. Certain leases also include options to purchase the leased property. The depreciable



**ZYDUS THERAPEUTICS INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended March 31, 2023 and 2022**  
**(In thousands except share and per share data)**

life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The lease assets and liabilities were calculated utilizing the risk-free discount rate (3.6%), according to the Company's elected policy.

	Classification	03/31/2023
<b>Assets</b>	Operating lease right of use assets	\$ 281
<b>Liabilities</b>	Current portion of operating lease	\$ 63
	Noncurrent portion of operating lease	\$ 222

Operating lease costs for the year ended March 31, 2023, was \$74 and is included in general and administrative expenses in the accompanying statement of operations.

Supplemental cash flow and other information is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 71
Lease assets obtained in exchange for lease liabilities	342
Weighted-average remaining lease term (years)	4.17
Weighted average discount rate	4.00%

Total future minimum payments required under the lease obligations are as follows as of March 31, 2023,

2024	\$ 72
2025	72
2026	74
2027	75
2028	13
Total lease payments	306
Less: amount representing interest	21
Total lease obligation	\$ 285

**16) Subsequent events**

The Company has evaluated subsequent events through May 15, 2023, the date, which the financial statements were available to be issued. No reportable subsequent events have occurred through May 15, 2023, which would have a significant effect on the financial statements as of March 31, 2023, except as otherwise disclosed.