

NATCO PHARMA ASIA PTE. LTD.
(Incorporated in Singapore)
Reg. No: 201230076Z

**ANNUAL FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2018**

<u>CONTENTS</u>	<u>PAGE</u>
DIRECTORS' STATEMENT	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 27

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

DIRECTORS' STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The directors present their statement to the members together with the audited financial statements of Natco Pharma Asia Pte. Ltd. (the "Company") for the financial year ended 31 March 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

Mente Subba Rao
Virkar Girish Suresh
Ramasamy Jayapal

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below:

<u>Name of directors</u>	<u>Deemed interest</u>	
	<u>At beginning of the financial year</u>	<u>At end of the financial year</u>
<u>Ordinary shares of the Holding Company</u>		
Mente Subba Rao	5,850	44,850

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

DIRECTORS' STATEMENT FOR THE FINANCIAL ENDED 31 MARCH 2018

5. SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option as at the end of the financial year.

6. AUDITORS

V. P. Kumaran & Co. has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors



.....
Mente Subba Rao
Director



.....
Virkar Girish Suresh
Director

Singapore, 30 APR 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NATCO PHARMA ASIA PTE. LTD.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Natco Pharma Asia Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of 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 are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 of the financial statements which indicates that the Company incurred a net loss of \$363,313 for the financial year ended 31 March 2018. The financial statements have been prepared on a going concern basis as continued financial support will be given by the holding company to meet the Company's liabilities as and when they fall due. Our opinion is not modified on this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement as set out on pages 1 and 2.

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

Other Information (continued)

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 Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include 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 SSAs 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 SSAs, we exercise professional judgement 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 management.
- Conclude on the appropriateness of management's 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 going concern. If we conclude that a material uncertainty exist, 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 fair presentation.

We communicate with the 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 and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

VP Kumaran & Co

V. P. KUMARAN & CO

Public Accountants and
Chartered Accountants

Singapore, 30 April 2018

AJ/VP/LK/NZ

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 \$	2017 \$
ASSETS			
Non-current assets			
Plant and equipment	4	1,937	6,384
Current assets			
Inventories	5	76,654	7,220
Cash and cash equivalents	6	29,401	23,702
Trade and other receivables	7	24,027	13,793
Total current assets		<u>130,082</u>	<u>44,715</u>
Total assets		<u>132,019</u>	<u>51,099</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	88,678	99,445
Total current liabilities		<u>88,678</u>	<u>99,445</u>
Net assets/(liabilities)		<u>43,341</u>	<u>(48,346)</u>
EQUITY			
Share capital	9	1,370,000	915,000
Accumulated losses		(1,326,659)	(963,346)
Total equity		<u>43,341</u>	<u>(48,346)</u>

The accompanying notes form an integral part of these financial statements.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		\$	\$
CONTINUING OPERATIONS			
REVENUE			
Sale of goods		45,090	1,721,875
Other income	10	30,000	2,969
		<u>75,090</u>	<u>1,724,844</u>
COSTS AND EXPENSES			
Depreciation	4	5,928	23,987
Purchase		12,769	1,677,594
Staff cost	11	250,712	170,961
Other operating expenses		168,994	185,128
Total costs and expenses		<u>438,403</u>	<u>2,057,670</u>
LOSS BEFORE TAX	12	(363,313)	(332,826)
INCOME TAX EXPENSE	13	-	-
LOSS REPRESENTING TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(363,313)</u>	<u>(332,826)</u>

The accompanying notes form an integral part of these financial statements.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Share capital	Accumulated losses	Total equity
	\$	\$	\$
2018			
Balance at beginning of financial year	915,000	(963,346)	(48,346)
Shares issued during the financial year (Note 9)	455,000	-	455,000
Total comprehensive loss for the financial year	-	(363,313)	(363,313)
Balance at end of financial year	<u>1,370,000</u>	<u>(1,326,659)</u>	<u>43,341</u>
2017			
Balance at beginning of financial year	665,000	(630,520)	34,480
Shares issued during the financial year (Note 9)	250,000	-	250,000
Total comprehensive loss for the financial year	-	(332,826)	(332,826)
Balance at end of financial year	<u>915,000</u>	<u>(963,346)</u>	<u>(48,346)</u>

The accompanying notes form an integral part of these financial statements.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 \$	2017 \$
Capital cash flows from operating activities			
Loss before tax		(363,313)	(332,826)
Adjustment for:			
Depreciation of plant and equipment		5,928	23,987
Operating loss before working capital changes		<u>(357,385)</u>	<u>(308,839)</u>
Changes in working capital:			
Inventories		(69,434)	(7,220)
Trade and other receivables		(10,234)	5,047
Trade and other payables		(26,657)	23,466
Net cash flows used in operating activities		<u>(463,710)</u>	<u>(287,546)</u>
Capital cash flows from investing activities			
Purchase of plant and equipment	4	(1,481)	(1,382)
Net cash flows used in investing activities		<u>(1,481)</u>	<u>(1,382)</u>
Capital cash flows from financing activities			
Proceeds from issuance of ordinary shares	9	455,000	250,000
Changes in amount due to director		15,890	4,499
Net cash flows generated from financing activities		<u>470,890</u>	<u>254,499</u>
Net change in cash and cash equivalents		5,699	(34,429)
Cash and cash equivalents at beginning of financial year		<u>23,702</u>	<u>58,131</u>
Cash and cash equivalents at end of financial year	6	<u><u>29,401</u></u>	<u><u>23,702</u></u>

The accompanying notes form an integral part of these financial statements.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 April 2018.

1. CORPORATE INFORMATION

Natco Pharma Asia Pte. Ltd. (the “Company”) is a limited private liability company incorporated and domiciled in Singapore.

The registered office of the Company is located at

111 North Bridge Road
#16-04 Peninsula Plaza
Singapore 179098

The principal place of business of Company is at

62 Ubi Road 1,
#03-21, Oxley Bizhub 2,
Singapore 408734

The principal activities of the Company are those relating to wholesale of medical and pharmaceutical products (western) and R & D pharmaceutical products.

The holding company during the financial year is Natco Pharma Limited incorporated in India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar (SGD or \$) and all values are rounded to the nearest dollar as indicated.

2.2 Going concern

The Company incurred a net loss of \$363,313 (2017: \$332,826) for the financial year ended 31 March 2018. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern depends on the immediate holding company undertaking to provide continuing financial support to enable the Company to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern (continued)

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

The immediate and ultimate holding company, Natco Pharma Limited, have agreed to provide adequate funds for the Company to meet its liabilities.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2017. The adoption of these standards did not have any effect on the financial performance or position of the Company.

2.4 Standards issued but not yet effective

The Company has not adopted the standards that have been issued but not yet effective.

The directors expect that the adoption of these standards will have no material impact on the financial statements in the period of initial application.

2.5 Foreign currency

The Company's financial statements are presented in Singapore dollar, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in statement of comprehensive income.

2.6 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying plant and equipment. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|--------------------------|---------|
| • Office equipment | 3 years |
| • Furniture and fittings | 3 years |
| • Renovations | 3 years |

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in statement of comprehensive income in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company's cash management.

2.8 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through statement of comprehensive income, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

2.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Provisions (continued)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.10 Inventories

Inventories are stated at cost. Cost is determined using the first in first out cost method. The cost of inventories comprises purchase cost and all direct cost incurred in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in statement of comprehensive income except to the extent that the tax relates to items recognised outside statement of comprehensive income, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.14 Related parties

A related party is defined as follows:

(a) *A person or a close member of that person's family is related to the Company if that person:*

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) *An entity is related to the Company if any of the following conditions applies:*

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments made in applying accounting policies

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on the amounts recognised in the financial statements:

Determination of functional currency

The Company measures foreign currency transactions in the functional currency of the Company. In determining the functional currency of the Company, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of the goods and services. The functional currency of the Company is determined based on management's assessment of the economic environment in which it operates and its process of determining sales prices.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Income taxes

The Company has exposure to income taxes. A degree of judgment is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes would be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

4. PLANT AND EQUIPMENT

	Office equipment	Furniture and fittings	Renovation	Total
	\$	\$	\$	\$
2018				
Cost				
At beginning of financial year	1,382	7,003	64,685	73,070
Additions during the financial year	1,481	-	-	1,481
At end of financial year	2,863	7,003	64,685	74,551
Accumulated depreciation				
At beginning of financial year	92	6,951	59,643	66,686
Depreciation for the financial year	834	52	5,042	5,928
At end of financial year	926	7,003	64,685	72,614
Net carrying amount				
At end of financial year	1,937	-	-	1,937

	Office equipment	Furniture and fittings	Renovation	Total
	\$	\$	\$	\$
2017				
Cost				
At beginning of financial year	-	7,003	64,685	71,688
Additions during the financial year	1,382	-	-	1,382
At end of financial year	1,382	7,003	64,685	73,070
Accumulated depreciation				
At beginning of financial year	-	4,617	38,082	42,699
Depreciation for the financial year	92	2,334	21,561	23,987
At end of financial year	92	6,951	59,643	66,686
Net carrying amount				
At end of financial year	1,290	52	5,042	6,384

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

5. INVENTORIES

	2018	2017
	\$	\$
Finished goods	76,654	7,220

Finished goods comprised of medical and pharmaceutical products. The cost of inventories recognised as an expense and included cost of sale amount to \$12,769 (2017: \$1,677,594).

6. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash at bank	28,223	22,524
Cash on hand	1,178	1,178
	<u>29,401</u>	<u>23,702</u>

The carrying amounts of cash and cash equivalents approximate their fair values and are denominated in Singapore dollar.

7. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade receivables	12,562	-
Deposits	11,450	11,590
Good and services tax	15	1,092
Prepayment	-	1,111
	<u>24,027</u>	<u>13,793</u>

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

There are no trade receivables that are past due at the end of the reporting period. Trade receivables are all within its credit limit and management believes that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable.

The carrying amounts of other receivables approximate their fair values and are denominated in Singapore dollar.

8. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade payables - Holding company	15,221	7,220
Other payables	25,855	60,513
Amount due to director	47,602	31,712
	<u>88,678</u>	<u>99,445</u>

Trade payables

Trade payables are non interest bearing and are normally settled on 30 days' term.

Amount due to director

Amount due to director is non-trade related, unsecured, non-interest bearing and is repayable on demand.

The carrying amounts of trade and other payables approximate their fair values and are denominated in Singapore dollar.

9. SHARE CAPITAL

	2018	2018	2017	2017
Issued and fully paid	No. of shares	\$	No. of shares	\$
ordinary shares:				
At beginning of financial year	915,000	915,000	665,000	665,000
Shares issued during the financial year	455,000	455,000	250,000	250,000
At end of financial year	<u>1,370,000</u>	<u>1,370,000</u>	<u>915,000</u>	<u>915,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and have no par value.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

10. OTHER INCOME

	2018	2017
	\$	\$
Out of court legal settlement compensation	30,000	-
Government grant	-	1,350
GST refund received	-	1,619
	<u>30,000</u>	<u>2,969</u>

Out of court legal settlement compensation arises due to a settlement agreed with a third party with regard to patent issue in Singapore.

11. STAFF COST

	2018	2017
	\$	\$
Director's salary	93,900	92,400
Staff salaries	107,053	36,074
CPF contributions	15,759	6,487
Director's accomodation	34,000	36,000
	<u>250,712</u>	<u>170,961</u>

12. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	2018	2017
	\$	\$
<i>After charging:</i>		
Legal fee	17,385	35,117
Exchange loss	-	33,309
Rental expense	65,200	67,200
	<u>65,200</u>	<u>67,200</u>

13. INCOME TAX EXPENSE

a) Income tax expense

	2018	2017
	\$	\$
Current year's income tax provision	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

13. INCOME TAX EXPENSE (CONTINUED)

b) *Reconciliation of effective tax*

	2018	2017
	\$	\$
Loss before tax	(363,313)	(332,826)
Income tax expense using the corporate tax rate of 17% (2017: 17%)	(61,763)	(56,580)
Non-deductible expenses	1,535	4,078
Unutilised tax losses	60,228	52,502
	-	-

14. RELATED PARTY DISCLOSURE

During the financial year, in addition to information disclosed elsewhere in the financial statements, significant related party transactions between the Company and related parties carried out on terms agreed between the parties in the normal course of business are as follows:

a) **Related Party**

	2018	2017
	\$	\$
Professional fee paid to a company where a director has an interest	6,000	6,000

b) **Remuneration of key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors of the Company.

During the financial year, the following payments were made to the directors of the Company representing the total remuneration of key management personnel:

	2018	2017
	\$	\$
Directors' remuneration	93,900	92,400
Directors' accomodation	34,000	36,000

Balances with related party are set out in Note 8.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

15. COMMITMENTS

Operating lease commitments

The Company has entered into non-cancellable operating lease for rental of office premises. At statement of financial position date, the Company was committed to making the following payment with respect of the lease:

	2018	2017
	\$	\$
Not later than one year	46,000	31,200
Later than one year but not later than five years	11,000	13,000
	<u>57,000</u>	<u>44,200</u>
Rental expense incurred during the year	<u>65,200</u>	<u>67,200</u>

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

The following tables set out the financial instruments as at the end of financial year.

	Loans and receivables	Liabilities at amortised cost	Total
	\$	\$	\$
2018			
<i>Assets</i>			
Cash and cash equivalents	29,401	-	29,401
Trade and other receivables	24,012	-	24,012
	<u>53,413</u>	-	<u>53,413</u>
<i>Liabilities</i>			
Trade and other payables	-	88,678	88,678
2017			
<i>Assets</i>			
Cash and cash equivalents	23,702	-	23,702
Trade and other receivables	11,590	-	11,590
	<u>35,292</u>	-	<u>35,292</u>
<i>Liabilities</i>			
Trade and other payables	-	99,445	99,445

**16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(CONTINUED)**

(b) *Financial risk management objectives and policies*

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

Credit risk

Credit risk refers to the risk that counter parties may default on their contractual obligations resulting in a financial loss to the Company. As there are no trade receivable and cash and bank balances are placed with reputable local financial institutions, the Company has no exposure to credit risk.

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Company's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Company.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(CONTINUED)

(b) *Financial risk management objectives and policies (continued)*

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	One year or less \$	Two to five years \$	Total \$
2018			
<u>Financial assets</u>			
Cash and cash equivalents	29,401	-	29,401
Trade and other receivables	24,012	-	24,012
Total undiscounted financial assets	<u>53,413</u>	<u>-</u>	<u>53,413</u>
<u>Financial liabilities</u>			
Trade and other payables	88,678	-	88,678
Total undiscounted financial liabilities	<u>88,678</u>	<u>-</u>	<u>88,678</u>
Total net undiscounted financial liabilities	<u>(35,265)</u>	<u>-</u>	<u>(35,265)</u>
2017			
<u>Financial assets</u>			
Cash and cash equivalents	23,702	-	23,702
Trade and other receivables	11,590	-	11,590
Total undiscounted financial assets	<u>35,292</u>	<u>-</u>	<u>35,292</u>
<u>Financial liabilities</u>			
Trade and other payables	99,445	-	99,445
Total undiscounted financial liabilities	<u>99,445</u>	<u>-</u>	<u>99,445</u>
Total net undiscounted financial liabilities	<u>(64,153)</u>	<u>-</u>	<u>(64,153)</u>

Foreign currency risk

Foreign exchange risk arises from change in foreign exchange rates that may have an adverse effect on the Company in the current reporting period and in the future years. The Company's exposure to foreign currency risk is minimal as all transactions are dealt with in local currency.

**16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(CONTINUED)**

(b) Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Company has no interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

17. FAIR VALUES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and cash equivalents, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

18. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Company is not subject to externally imposed capital requirements. Management monitors capital based on a gearing ratio.

18. CAPITAL RISK MANAGEMENT

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as other payables plus provision for directors' fees less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	2018	2017
	\$	\$
Net debt	59,277	75,743
Total equity	43,341	(48,346)
Total capital	<u>102,618</u>	<u>27,397</u>
Gearing ratio	<u>58%</u>	<u>276%</u>

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	2018	2017
	\$	\$
Revenue	45,090	1,721,875
Less : Purchases		
Purchases	82,203	1,684,814
Opening inventory	7,220	-
Less: Closing inventory	(76,654)	(7,220)
	<u>12,769</u>	<u>1,677,594</u>
Gross profit	32,321	44,281
Other Income		
Legal claim compensation	30,000	
Government Grant	-	1,350
GST refund received	-	1,619
	<u>30,000</u>	<u>2,969</u>
	<u>62,321</u>	<u>47,250</u>
COSTS AND EXPENSES		
Staff Cost		
Staff salaries	107,052	36,074
Director's salary	93,900	92,400
CPF contribution	15,441	6,273
Skill Development Levy	319	214
Rent - others	34,000	36,000
	<u>250,712</u>	<u>170,961</u>
Depreciation expense		
Depreciation - furniture and fittings	52	2,334
Depreciation - office equipment	834	92
Depreciation - renovation	5,042	21,561
	<u>5,928</u>	<u>23,987</u>

This statement does not form part of the audited financial statements of the Company.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (CONTINUED)

	2018	2017
	\$	\$
Other Operating Expenses		
Audit fee	6,250	3,000
Bank charges	155	569
Brokerage	-	500
Business promotion	-	4,300
CDAC Expenses	37	14
Clearing expenses	2,146	632
Conveyance	18,979	4,654
Electricity expenses - City Sq.	1,334	1,027
Electricity expenses - Ubi	1,720	1,018
Exchange loss	-	33,309
Insurance charges	687	687
Legal charges	17,385	35,117
Office expenses	12,761	4,327
Office rent	31,200	31,200
Postage and courier	-	469
Printing and stationary expenses	969	1,252
Product registration charges (HSA)	24,115	27,608
Professional fees	28,450	11,450
Recruitment charges	-	425
Repair and maintainance	2,007	168
RLD sample purchase	12,920	10,389
Secretarial Fees	600	2,400
Staff welfare	3,090	2,562
Telephone expenses	2,861	4,600
Travelling expenses	1,331	200
Web design charges	-	3,250
	<hr/>	<hr/>
	168,994	185,128
	<hr/>	<hr/>
Loss representing total comprehensive loss for the financial year	(363,312)	(332,826)
	<hr/> <hr/>	<hr/> <hr/>

This statement does not form part of the audited financial statements of the Company.

NATCO PHARMA ASIA PTE. LTD.
(Reg. No: 201230076Z)

SELECTED SCHEDULES TO BALANCE SHEET
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	2018	2017
	\$	\$
Other Receivables		
Deposit - Office	5,450	5,450
Deposit - other	6,000	6,000
Deposit - SP Services	-	140
GST receivable	15	1,092
Sundry debtors	12,284	-
SIMON	278	-
Prepayment - Electricity expenses	-	1,111
	24,027	13,793
	<hr/>	<hr/>
Trade and other Payables		
Trade payables		
Trade payables - Holding company	15,221	7,220
	<hr/>	<hr/>
Other payables		
Sundry creditors	22,755	57,513
Audit fees	3,100	3,000
	<hr/>	<hr/>
	25,855	60,513
	<hr/>	<hr/>
Amount due to director		
Director salary payable	15,400	7,700
Advance from director	32,202	24,012
	<hr/>	<hr/>
	47,602	31,712
	<hr/>	<hr/>
Total of Trade and other payables	88,678	99,445
	<hr/>	<hr/>

This statement does not form part of the audited financial statements of the Company.