

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEARS ENDED
MARCH 31, 2020 AND MARCH 31, 2019

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Timothy G. Gearity, CPA
185 Park Avenue
Rutherford, NJ 07070

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Natco Pharma, Inc. T/A Savemart

We have audited the accompanying financial statements of Natco Pharma, Inc. T/A Savemart (a C-Corporation) which comprise the balance sheets as of March 31, 2020 and March 31, 2019 and the related statements of income from operations, other comprehensive income, accumulated comprehensive income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

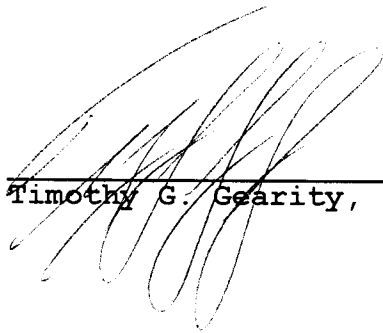
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Natco Pharma, Inc. T/A Savemart as of March 31, 2020 and March 31, 2019 respectively and the results of its operations, the results of its other comprehensive income, its cash flows and changes in its accumulated comprehensive income and retained earnings for the years then ended in conformity with U.S. generally accepted accounting principles.

Report on "Supporting Schedules to the Statements of Accumulated Comprehensive Income and Retained Earnings, the Statement of Income from Operations and the Statement of Comprehensive Income"

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Supporting Schedules to the Statements of Accumulated Comprehensive Income and Retained Earnings, the Statement of Income from Operations and the Statement of Comprehensive Income" is presented for the purposes of providing additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Timothy G. Gearity, CPA

Rutherford, NJ 07070, USA

April 27, 2020

NATCO PHARMA, INC.
BALANCE SHEET
MARCH 31, 2020 AND MARCH 31, 2019

ASSETS

	AS AT MARCH 31, 2020	AS AT MARCH 31, 2019
CURRENT ASSETS		
Cash	\$ 41,631	\$ 71,487
Investments in Marketable Securities	3,176,145	3,162,346
TOTAL CURRENT ASSETS	\$ 3,217,776	\$ 3,233,833
NONCURRENT ASSETS		
Note Receivable from NATCOfarma Do Brasil	\$ 1,824,975	\$ 1,824,975
Interest Receivable on Note to NATCOfarma Do Brasil	111,162	33,787
Investment in NATCOfarma DO Brasil	719,994	719,994
TOTAL NONCURRENT ASSETS	\$ 2,656,131	\$ 2,578,756
TOTAL ASSETS	\$ 5,873,907	\$ 5,812,589

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 112,354	\$ 28,479
Federal Income Taxes Payable	3,553	15,325
TOTAL CURRENT LIABILITIES	\$ 115,907	\$ 43,804
LONG-TERM LIABILITIES		
Deferred Federal Income Taxes Payable	\$ 25,441	\$ 30,391
Loan Payable to NATCO Pharma, Ltd.	1,650,000	1,650,000
TOTAL LONG-TERM LIABILITIES	\$ 1,675,441	\$ 1,680,391
TOTAL LIABILITIES	\$ 1,791,348	\$ 1,724,195
STOCKHOLDER'S EQUITY		
Common Stock, No Par Value, 1,500 Shares Authorized, 1,000 Shares Issued and Outstanding	\$ 1,000,000	\$ 1,000,000
Accumulated Other Comprehensive Income	105,804	124,426
Retained Earnings	2,976,755	2,963,968
TOTAL STOCKHOLDER'S EQUITY	4,082,559	4,088,394
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 5,873,907	\$ 5,812,589

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS) FROM OPERATIONS,
ACCUMULATED COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED
MARCH 31, 2020 AND MARCH 31, 2019

	YEAR ENDING MARCH 31, 2020	YEAR ENDING MARCH 31, 2019
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	<u>0</u>	<u>0</u>
Advertising Expense	0	0
Total	<u>0</u>	<u>0</u>
Less: Ending Inventory	0	0
TOTAL COST OF SALES	<u>0</u>	<u>0</u>
GROSS PROFIT	0	0
OPERATING EXPENSES	<u>0</u>	<u>0</u>
INCOME BEFORE ADMINISTRATIVE EXPENSES	0	0
ADMINISTRATIVE EXPENSES	<u>30,268</u>	<u>12,188</u>
INCOME FROM OPERATIONS	(30,268)	(12,188)
OTHER INCOME (EXPENSE)	<u>46,486</u>	<u>60,104</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>16,218</u>	<u>47,916</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	3,431	15,325
State Income Taxes	0	0
Total Income Taxes	<u>3,431</u>	<u>15,325</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	<u>\$ 12,787</u>	<u>\$ 32,591</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Beginning Balance	\$ 124,426	\$ 44,509
Unrealized Appreciation/(Decrease) in Marketable Securities	(23,572)	86,341
Deferred Federal Income Taxes Benefit/(Expense)	4,950	(6,424)
ENDING BALANCE	<u>\$ 105,804</u>	<u>\$ 124,426</u>
RETAINED EARNINGS		
Beginning Balance	\$ 2,963,968	\$ 2,931,377
Net Income	12,787	32,591
ENDING BALANCE	<u>\$ 2,976,755</u>	<u>\$ 2,963,968</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS) FROM OPERATIONS
FOR THE YEARS ENDED
MARCH 31, 2020 AND MARCH 31, 2019

	YEAR ENDING MARCH 31, 2020	YEAR ENDING MARCH 31, 2019
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	<u>0</u>	<u>0</u>
Advertising Expense	0	0
Total	<u>0</u>	<u>0</u>
Less: Ending Inventory	0	0
TOTAL COST OF SALES	<u>0</u>	<u>0</u>
GROSS PROFIT	0	0
OPERATING EXPENSES	<u>0</u>	<u>0</u>
INCOME BEFORE ADMINISTRATIVE EXPENSES	0	0
ADMINISTRATIVE EXPENSES	<u>30,268</u>	<u>12,188</u>
INCOME FROM OPERATIONS	(30,268)	(12,188)
OTHER INCOME (EXPENSE)	<u>46,486</u>	<u>60,104</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>16,218</u>	<u>47,916</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	3,431	15,325
State Income Taxes	0	0
Total Income Taxes	<u>3,431</u>	<u>15,325</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	<u>\$ 12,787</u>	<u>\$ 32,591</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2020 AND MARCH 31, 2019

	YEAR ENDING MARCH 31, 2020	YEAR ENDING MARCH 31, 2019
Other Comprehensive Income:		
Net Unrealized Appreciation of Marketable Securities	\$ (23,572)	\$ 86,341
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	0	0
State Income Taxes	0	0
Total Income Taxes	<u>0</u>	<u>0</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Tax Expense/(Benefit)	(4,950)	6,424
Deferred State Income Tax Expense/(Benefit)	0	0
Total Deferred Income Taxes	<u>(4,950)</u>	<u>6,424</u>
Other Comprehensive Income/(Loss) (Net of Taxes)	\$ <u>(18,622)</u>	\$ <u>79,917</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
MARCH 31, 2020 AND MARCH 31, 2019

	YEAR ENDING MARCH 31, 2020	YEAR ENDING MARCH 31, 2019
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 12,787	\$ 32,591
Other Comprehensive Income (Net of Tax)	(18,622)	79,917
Adjustments to reconcile net income (loss) to net cash provided in operating activities:		
Depreciation	0	0
Net Unrealized (Gains) Losses on Investment in Marketable Securities	23,572	(86,341)
Net change in operating assets and liabilities:		
(Increase) Decrease in Accounts Receivable		
(Increase) Decrease in Other Current Assets		
Increase (Decrease) in Accounts Payable/Accrued Expenses	83,875	14,229
Increase (Decrease) in Federal Corporate Taxes Payable	(11,772)	15,325
Increase (Decrease) in Deferred Federal Income Taxes Payable	(4,950)	6,424
Total Adjustments	<u>90,725</u>	<u>(50,363)</u>
Net Cash Provided/(Used) By Operating Activities	<u>84,890</u>	<u>62,145</u>
Cash Flows from Investing Activities:		
Long-Term Loans to NATCOfarma Do Brasil		(1,824,975)
Interest Receivable on L/T Loans to NATCOfarma Do Brasil	(77,375)	(33,787)
Investment in NATCOfarma Do Brasil		
Capital (Gains) on Sales of Marketable Securities	(37,371)	(59,578)
Investment Fund Redemptions Paid to Shareholder		82,997
Coupon Interest Payment Retained in Marketable Securities		
Investment Management/Bank Fees Paid/(Reduced) Directly from Investment A/C		
Net Cash Provided/(Used) By Investing Activities	<u>(114,746)</u>	<u>(1,835,343)</u>
Cash Flows from Financing Activities:		
Long-Term Loan proceeds from NATCO Pharma, Ltd.	<u>0</u>	<u>1,650,000</u>
Net Cash Provided By Financing Activities	<u>0</u>	<u>1,650,000</u>
Net Increase/(Decrease) in Cash	(29,856)	(123,198)
Cash at Beginning of Period	71,487	194,685
Cash at End of Period	<u>\$ 41,631</u>	<u>\$ 71,487</u>
SUPPLEMENTAL DISCLOSURE		
Income Taxes Paid:	Year Ending MARCH 31, 2020	Year Ending MARCH 31, 2019
Federal Tax	<u>\$ 14,983</u>	<u>\$ 0</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
SUPPORTING SCHEDULES TO
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS,
STATEMENT OF INCOME FROM OPERATIONS AND
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2020 AND MARCH 31, 2019

	YEAR ENDING MARCH 31, 2020	YEAR ENDING MARCH 31, 2019
OPERATING EXPENSES		
Cash Over & Short & Refused Coupons	\$ 0	\$ 0
Contributions	0	0
Depreciation	0	0
Insurance-Health, Life, Disability	0	0
Lease Expense	0	0
Payroll Tax Expenses	0	0
Rent	0	0
Repairs and Maintenance	0	0
Salaries - Store	0	0
Salaries - Bonus	0	0
Salaries - Pharmacy	0	0
Vacation/Holiday/Sick Pay	0	0
Service Charges	0	0
Supplies	0	0
Telephone	0	0
Travel	0	0
Utilities	0	0
TOTAL OPERATING EXPENSES	<u>\$ 0</u>	<u>\$ 0</u>
ADMINISTRATIVE EXPENSES		
Bank Service Charges	\$ 1,011	\$ 1,189
Employer Matching 401-K	0	0
Insurance-General	0	0
Legal and Accounting Fees	10,000	10,750
Business Registration Fees	0	249
Office Expense	19,257	0
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 30,268</u>	<u>\$ 12,188</u>
OTHER INCOME (EXPENSE)		
Interest Income	\$ 92,770	\$ 33,787
Capital Gains on Sales of Securities	37,371	59,578
Interest Expense	(83,875)	(25,979)
Other Income/(Expense)	220	(7,282)
TOTAL OTHER INCOME (EXPENSE)	<u>\$ 46,486</u>	<u>\$ 60,104</u>
OTHER COMPREHENSIVE INCOME		
Unrealized Appreciation (Decrease) in Marketable Securities	<u>\$ (23,572)</u>	<u>\$ 86,341</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
BUSINESS ACTIVITY

NATCO Pharma, Inc., a "C" Corporation, was incorporated in the State of Delaware on October 10, 2006. The Corporation was originally formed to acquire the assets of H. Morgan Corporation T/A Savemart on July 9, 2007. The Corporation had been engaged in the retail distribution of health and beauty aids and the operation of a pharmacy at 241 West Roseville Road, Lancaster, Pennsylvania until the effective date of March 31, 2016 when the tangible and intangible assets of NATCO Pharma, Inc. were sold to Care Mart, Inc. The operations of the store were then transferred to Care Mart, Inc. NATCO Pharma, Inc. has ceased all active operations since that date.

Following the sale of the store the Corporation has been making investments in NATCOfarma DO Brazil, an affiliate of NATCO Pharma, Inc., that, as of the date of this report, total \$719,994 along with holding a five-year note receivable of \$1,824,975. Other than maintaining a nominal cash position in an operating account, the majority of NATCO Pharma, Inc.'s liquid assets are invested in short-term marketable securities to be available for future use at the discretion of the Corporation's sole owner, NATCO Pharma, Ltd.

BASIS OF ACCOUNTING

The Corporation presents its financial statements on the accrual basis method of accounting in compliance with accounting principles generally accepted in the U.S.A.

CASH

For purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit.

MARKETABLE SECURITIES

Investments had been composed of two mutual funds holding both debt and equity highly-liquid instruments. On October 10, 2019 the two positions were combined into one account (See Note 3). The present purpose and use of the investment portfolio has been characterized as having the investments "available for sale" rather than being held to maturity and as such are reported in the financial statements at current market value as of the end of the reporting period. Unrealized gains and losses are reported in the Statement of Other Comprehensive Income.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a fair value 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 measurements] and the lowest priority to unobservable inputs [Level 3 measurements].

Assets and liabilities that are required to be recorded at fair value in the balance sheet are categorized based on the inputs to valuation techniques as follows:

Level 1. These are assets and liabilities where values are based on unadjusted quoted prices for identical assets in an active market that the Corporation has the ability to access. As of March 31, 2020 and March 31, 2019, there are no Level 1 assets or liabilities.

Level 2. These are assets and liabilities that are based on the following inputs:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. These are assets and liabilities where inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of March 31, 2020 and March 31, 2019 there are no Level 3 assets or liabilities.

The 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.

INCOME TAXES

The Corporation has elected taxation as a "C" Corporation for federal and state income tax purposes. The provisions for income taxes are based on taxes payable or refundable for the current year. Deferred tax assets or liabilities

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

are calculated by applying currently enacted income tax rates to temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Corporation has implemented the guidance for uncertainty in income taxes under the provisions of FASB ASC 740. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not that the tax positions taken will be sustained upon examination by the tax authorities.

As of March 31, 2020, the Corporation had no uncertain tax positions, nor interest and penalties that qualify for either recognition or disclosure in the financial statements.

With few exceptions, if any, the Corporation is no longer subject to federal, state or local income tax examinations by tax authorities for tax years ending prior to March 31, 2017.

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and 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. Actual results could differ from those estimates.

DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated up to the date of the issuance of this report on April 27, 2020.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Corporation maintains a checking account with Fulton Bank. Accounts maintained at commercial banks are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management regularly monitors the financial conditions at the bank and tries to keep these risks at a minimum. The Corporation has not previously suffered any such losses. At March 31, 2020, the Corporation's main cash balance of \$41,631 is within the protective limits of FDIC coverage regulations.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

NOTE 3 - INVESTMENTS IN MARKETABLE SECURITIES

On October 10, 2019 the Corporation liquidated its investment position valued at \$1,054,999 in the Global Dynamic Opportunities Fund Ltd. Cell 88. The proceeds from the sale were then absorbed into the Corporation's predominantly equity-oriented investment entitled "GDOF Cell 99" of the Global Dynamic Opportunities Fund Ltd. GDOF Cell 99 had been initially funded on July 11, 2016 with \$2,000,000 from the proceeds of the sale of the Corporation's store assets effective March 31, 2016, as referred to in Note 1.

An additional investment of \$1,099,998 had also been made from the sale of the store assets on December 1, 2016. Those assets had been placed with The Global Opportunities Fund Limited, referred hereafter to as "GOF, Ltd.", a predominantly fixed-income-oriented fund investment which added diversity and balance to the investment portfolio. The GOF, Ltd. fund was liquidated on 3/26/19. The proceeds from that sale were immediately placed in GDOF, Ltd. Cell 8. Almost six months later GDOF, Ltd. Cell 8 was cashed in on October 10, 2019 resulting in a recognized capital gain of \$37,371 to provide a second layer of funding to GDOF, Ltd. Cell 99.

The costs, fair market values and unrealized gains/(losses) from the investments, are being treated as being "available-for-sale" and as such, are reported on the financial statements at the period ending fair market value.

Investments in Marketable Securities consisted of the following as of March 31, 2020:

Description	Cost	Date Acquired	Fair Value			Accumulated Unrealized Gains/(Losses)
			Level 1	Level 2	Level 3	
GDOF Cell 99	\$ 2,000,000	11-Jul-2016	\$ 0	\$ 2,150,008	\$ 0	\$ 150,008
GDOF Cell 99	1,054,999	10-Oct-2019	0	1,026,137	0	(28,862)
Totals	\$ 3,054,999		\$ 0	\$ 3,176,145	\$ 0	\$ 121,146

Investments in Marketable Securities consisted of the following as of March 31, 2019:

Description	Cost	Date Acquired	Fair Value			Accumulated Unrealized Gains/(Losses)
			Level 1	Level 2	Level 3	
GDOF Cell 99	\$ 2,000,000	11-Jul-2016	\$ 0	\$ 2,147,414	\$ 0	\$ 147,414
GDOF Cell 8	1,017,628	26-Mar-2019	0	1,014,932	0	(2,696)
Totals	\$ 3,017,628		\$ 0	\$ 3,162,346	\$ 0	\$ 144,718

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

Investment income from these investments consisted of the following for each respective time period as of March 31:

	For the Year Ended Mar. 31, 2020	For the Year Ended Mar. 31, 2019
<u>Investment Income</u>		
Realized gains	\$ 37,371	\$ 59,578
Unrealized gains/(losses)	(23,572)	86,341
	<u>\$ 13,799</u>	<u>\$ 145,919</u>
	=====	=====

NOTE 4 - INVESTMENT IN NATCOFARMA DO BRASIL

The Corporation began acquiring an equity position in the affiliated operations of NATCOfarma Do Brasil through a combination of cash contributions and conversion of outstanding receivables and accrued interest on the receivable balance. The Corporation's total current investment position of \$719,994 holds 2,260,359 shares at a cost of \$0.318531 per share with an ownership position of 4.67% of the equity of NATCOfarma Do Brasil. The investment is being accounted for under the cost method of accounting, therefore, there are no incremental changes being reported to the carrying value of the investment for the Corporation's share of profit or loss from the operations of NATCOfarma Do Brasil.

NOTE 5 - LONG-TERM NOTE RECEIVABLE FROM NATCO DO FARMA BRAZIL

On April 9, 2018 the Corporation made an initial long-term loan of \$175,000 bearing simple interest at the rate of 5% per annum to NATCOfarma Do Brasil. Additional loans to the affiliate of \$1,649,975 (net of \$25 in bank charges) were added in November and December of 2018. The terms of the note continue to bear simple interest at the rate of 5% per annum for a term of five years from the date of each drawdown.

	As at Mar. 31, 2020	As at Mar. 31, 2019
Long-Term Loan to NATCOfarma Do Brasil	\$ 1,824,975	\$ 1,824,975
Interest Receivable on Long-Term Loan to NATCOfarma Do Brasil	111,162	33,787
Total	<u>\$ 1,936,137</u>	<u>\$ 1,858,762</u>
	=====	=====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

NOTE 6 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	As at Mar. 31, 2020	As at Mar. 31, 2019
Accrued Interest Payable to NATCO Pharma, Ltd. (Note 7)	\$ 109,854	\$ 25,979
Professional Fees Payable	<u>2,500</u>	<u>2,500</u>
Total Accrued Expenses/ Other Liabilities	<u>\$ 112,354</u>	<u>\$ 28,479</u>

NOTE 7 - LOANS PAYABLE TO NATCO PHARMA, LTD.

In December, 2018 loans totaling \$1,650,000 were advanced from the parent company, NATCO Pharma, Ltd. to the Corporation for the express purpose of providing working capital to the Corporation's affiliate, NATCOfarma Do Brasil. The repayment terms of the loans are set for five years from the date of the drawdowns with simple interest accruing on the loan balance at the rate of 5% per annum.

NOTE 8 - INCOME TAXES

The provision for federal income taxes for the two respective reporting periods was based on the taxable income (loss):

	As at Mar. 31, 2020	As at Mar. 31, 2019
Taxable Income	\$ 16,340	\$72,976*
Assumed Tax Rate	x 21%	X 21%
Federal Tax Expense	<u>\$ 3,431</u>	<u>\$15,325*</u>

- *(The Taxable Income Estimated Taxable Income and Federal Tax Expense were estimated when reported in the year ended March 31, 2019. The actual Taxable Income reported was \$71,347 and the actual Federal Tax Expense was \$14,983.)

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

NOTE 9 - DEFERRED FEDERAL INCOME TAXES PAYABLE

The deferred federal tax liability provisions reported as of each respective year-end are based on the federal tax rate (s) in effect for that time period as applied to the unrealized gains from marketable securities that have accumulated through that respective time period as indicated below:

<u>Tax Attribute(s)</u>	As at Mar. 31, <u>2020</u>	As at Mar. 31, <u>2019</u>
Accumulated unrealized gain on marketable securities	\$ 121,146	\$ 144,718
Assumed Tax Rate	<u>x 21%</u>	<u>x 21%</u>
 Deferred Federal Taxes Payable	 \$ 25,441 <u>=====</u>	 \$ 30,391 <u>=====</u>

NOTE 10 - INTEREST INCOME

The interest income reported was generated from the long-term note held with NATCOfarma Do Brasil (See Note 5):

<u>Borrower</u>	For the Year Ended Mar. 31, <u>2020</u>	For the Year Ended Mar. 31, <u>2019</u>
NATCOfarma Do Brasil	\$ <u>92,770</u>	\$ <u>33,787</u>
	<u>=====</u>	<u>=====</u>

NOTE 11 - INTEREST EXPENSE

The interest expense reported for the two respective time periods was incurred on the \$1,650,000 loan provided by the parent company, NATCO Pharma, Ltd. (See Note 7):

<u>Lender</u>	For the Year Ended Mar. 31, <u>2020</u>	For the Year Ended Mar. 31, <u>2019</u>
NATCO Pharma, Ltd.	\$ <u>83,875</u>	\$ <u>25,979</u>
	<u>=====</u>	<u>=====</u>

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND MARCH 31, 2019

NOTE 12 - RELATED PARTY TRANSACTIONS

As referred to in Notes 4 and 5 to these financial statements, the Corporation has invested cash, converted debt and associated interest receivable totaling \$719,994 to acquire a 4.67% equity position in the affiliated operations of NATCOfarma Do Brasil. The Corporation also holds a \$1,824,975 five-year note receivable with their affiliate which currently has an outstanding balance of interest receivable of \$111,162 as of March 31, 2020 following receipt of an interest payment of \$15,395 received from the affiliate on September 11, 2019. The amount of interest receivable on the note as of March 31, 2019 was \$33,787.

The parent company, NATCO Pharma, Ltd. had advanced \$1,650,000 to the Corporation in December, 2018 which had accrued interest payable as of \$109,854 as of March 31, 2019 and \$25,979 as of March 31, 2019. (See Notes 6 and 7).

Interest income of \$92,770 (Y/E 3/31/20) and \$33,787 (Y/E 3/31/19) was earned on the loan/five-year note with NATCOfarma Do Brasil. (See Note 10).

Interest expense of \$83,875 (Y/E 3/31/20) and \$25,979 (Y/E 3/31/19) has accrued on the \$1,650,000 loan provided by the parent company, NATCO Pharma, Ltd. (See Note 11).

NOTE 13 - OPERATING LEASES

There are currently no operating leases for which the Corporation is responsible. All previous lease obligations had been transferred to Care-Mart, Inc. effective with the asset sale of the Savemart store assets on April 1, 2016.