

# DONNIE RAY A. LIM, MSA, CPA

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

To The Stockholders and Board of Directors  
NATCO LIFESCIENCES PHILIPPINES, INC.  
(A Subsidiary of NATCO PHARMA LIMITED)  
Unit 1-B Ground Floor, Manor Building 2629 Taft Avenue  
Brgy. 719 Zone 78 Malate Manila

I have audited the financial statements of NATCO LIFESCIENCES PHILIPPINES, INC. (A Subsidiary) which comprise the statement of financial position as at March 31, 2020 (4<sup>th</sup> Quarter of FY ending March 31, 2020), 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.

### Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NATCO LIFESCIENCES PHILIPPINES, INC. as at March 31, 2020 (4<sup>th</sup> Quarter of FY ending March 31, 2020), and its financial performance and its cash flows for the year then ended in accordance Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

### Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs 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 PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

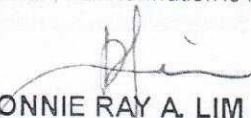
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

My audits are conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in **Notes (14)** to financial statements is presented for purpose of filing with the Bureau of Internal Revenue and is not a required part of basic financial statements. Such information is the responsibility of the management of **NATCO LIFESCIENCES PHILIPPINES, INC.** The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole



**DONNIE RAY A. LIM**

TIN NO. 937-424-226-000

BOA Accreditation No. 5892 valid until December 31, 2020

BIR Accreditation No. 19-006337-1-2021

CPA Board Certificate No. 123292 valid until October 4, 2021

PTR No. 3875636c dated January 08, 2020

06/10/2020

Davao City, Philippines

NATCO LIFESCIENCES PHILIPPINES INC  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED MARCH 31, 2020  
 In Philippine Peso

	Note	2020	2019
Sales - net		-	-
Cost of sales		-	-
Gross profit		-	-
Other income	9	17,882	120
Gross income		17,882	120
Administrative expenses	13	(9,867,816)	(1,649,996)
Profit before tax		(9,849,934)	(1,649,876)
Income taxes	15	2,991,954	-
Net profit		(6,857,980)	(1,649,876)
Other comprehensive income (loss)- net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(6,857,980)</b>	<b>(1,649,876)</b>

**NATCO LIFESCIENCES PHILIPPINES INC**  
**STATEMENT OF FINANCIAL POSITION**  
As of March 31, 2020  
In Philippine Peso

	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	4,541,974	148,946
Trade and other receivables	6	179,000	35,000
Prepayments and other current assets	7	237,633	266,981
Total Current Assets		4,958,607	450,927
<b>Non-current Assets</b>			
Property and equipment	8	239,224	276,577
Deferred Tax Asset	15	2,991,954	-
Total Non-current Assets		3,231,178	276,577
<b>TOTAL ASSETS</b>		<b>8,189,785</b>	<b>727,504</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	2,494,643	2,482,169
Loans Payable	10	-	5,403,100
Total Current Liabilities		2,494,643	7,885,269
Total Liabilities		2,494,643	7,885,269
<b>Equity</b>			
Share Capital	11	27,141,100	10,197,753
Accumulated earnings		(21,445,958)	(17,355,518)
Total Equity		5,695,142	(7,157,765)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,189,785</b>	<b>727,504</b>

**NATCO LIFESCIENCES PHILIPPINES INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2020**  
**In Philippine Peso**

	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Loss before tax	(9,849,934)
Adjustment on Retained Earnings, Beg	2,767,539
Depreciation	37,354
Unrealized foreign exchange loss (gain)	13,016
Interest income	
Operating cash flows before working capital changes	(7,032,025)
Decrease (increase) in operating assets:	
Other receivables	(144,000)
Prepayments and other current assets	29,348
Increase (decrease) in operating liabilities:	
Trade and other payables	12,474
Cash generated from (used in) operations	(7,134,203)
Interest received	2,615
Net cash generated from (used in) operating activities	(7,131,588)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisitions of property and equipment	-
Net cash generated from (used in) investing activities	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Issuance of Capital Stock	11,540,247
Net cash generated from (used in) financing activities	11,540,247
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH</b>	<b>(15,631)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>4,393,029</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>148,946</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4,541,974</b>

NATCO LIFESCIENCES PHILIPPINES INC  
 SEPARATE STATEMENT OF CHANGES IN EQUITY  
 FOR THE PERIOD ENDED March 31, 2020 AND 2019  
 In Philippine Peso

	Share Capital	Retained Earnings	Total
Balance, March 31, 2019	10,197,753	(17,355,518)	(7,157,765)
Adjustment on Retained Earnings, Beg		2,767,539	2,767,539
Issuance of shares of stock	16,943,347		16,943,347
Net Loss for 2019		(6,857,980)	(6,857,980)
<b>Balance, December 31, 2019</b>	<b>27,141,100</b>	<b>(21,445,958)</b>	<b>5,695,142</b>

# **NATCO LIFESCIENCES PHILIPPINES, INC.**

Unit 1-B Ground Floor, Manor Building 2629 Taft Avenue Brgy. 719 Zone 78 Malate Manila

## **NOTES TO FINANCIAL STATEMENTS**

### **1 ORGANIZATION**

NATCO LIFESCIENCES PHILIPPINES, INC. was organized in the year 2017 and was finally registered with the Securities and Exchange Commission in March 19, 2018.

The Corporation's registered office, which is also its principal place of business is located at Unit 1-B Ground Floor, Manor Building 2629 Taft Avenue Brgy. 719 Zone 78 Malate Manila.

### **2 BASIS OF PREPARATION**

The financial statements of the enterprise have been prepared in accordance with Philippine Financial Reporting Standard under the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board. The financial statements are presented in Philippine Peso, the Company's functional and reporting currency. All values are rounded to the nearest peso except as otherwise indicated.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Assets**

Financial Assets include cash and accounts receivable. All financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction cost.

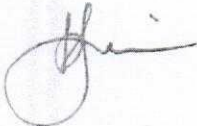
Cash includes cash in bank and on hand that are subject to insignificant risk.

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the enterprise provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in the current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.



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

<u>Category</u>	<u>Estimated Life in Years</u>
Office Equipment	5
Furnitures and fixtures	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

#### Accounts Payable and Other Financial Liabilities

Financial liabilities include accounts payable and accrued expenses, taxes payable and loans payable.

Financial liabilities are recognized when the enterprise becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as expense in the income statement under the caption interest expense.

Accounts Payable and accrued expenses are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Taxes Payable are cash obligations of the enterprise that is payable to the Bureau of Internal Revenue, as mandated by law.

Loans Payable are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue cost, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognized from the balance sheet only when the obligations are extinguished either through discharge, cancellation or expiration.

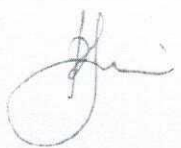
#### Revenue and Cost Recognition

Contract costs are recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recovered.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The enterprise uses the percentage method to determine the appropriate amount to recognize as revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated cost for each contract. Costs incurred in the year in connection with the future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as materials and supplies, prepayments or other assets, depending on their nature.





### Stockholder's Equity

The Company's authorized capital stock is 1,000,000 shares with Ph100 par value. Additional issuances for the fiscal year is 169,433 shares at PHP100 par value. As of March 31, 2020 subscribed and paid-up is Php27,141,100.

### 4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

#### Judgments

In the process of applying the enterprise's accounting policies, judgments is exercised by management to distinguished between provision and contingencies. No provision and contingencies were recognized during the year.

#### Estimates and Assumptions

The estimates and assumptions used in the financial statements are based upon managements's evaluation of relevant facts and circumstances of the enterprise financial statements. Actual results could differ from those estimates. The following are relevant estimates performed by management on its interim financial statements.

#### Estimated Useful Lives of the Property and Equipment

The company estimates the useful lives of the property and equipment based on the economic lives of the property and equipment. The estimated useful lives of the property and equipment are reviewed periodically and updated if expectations differ materially from pervious estimates due to physical wear and tear, technical or commercial obsolescence and other legal or other limits on the use of the property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstance. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

### 5 CASH AND CASH EQUIVALENTS

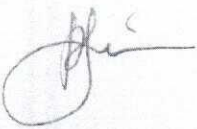
		2020	2019
Cash in Bank	P	4,536,974	143,946
Petty Cash Fund		5,000	5,000
<b>TOTAL</b>	<b>P</b>	<b>4,541,974</b>	<b>148,946</b>

### 6 TRADE AND OTHER RECEIVABLES

		2020	2019
Revolving Fund	P	45,000	35,000
Advances to Employees		134,000	-
<b>TOTAL</b>	<b>P</b>	<b>179,000</b>	<b>35,000</b>

### 7 PREPAYMENTS

		2020	2019
Input VAT		213,533	153,307
Prepayments		24,100	113,674
<b>TOTAL</b>	<b>P</b>	<b>237,633</b>	<b>266,981</b>



8 PROPERTY AND EQUIPMENT - NET

		2020	2019
Office Equipment	P	224,011	224,011
Furnitures and Fixtures		84,143	84,143
<b>Total</b>	P	<b>308,154</b>	<b>308,154</b>
Addition:			
Office Equipment		46,480	
Less: Accumulated Depreciation		(115,410)	(31,576)
<b>Total Net Cost of Property and Equipment</b>	P	<b>239,224</b>	<b>276,577</b>

There was no disposal or sale of asset for the year 2019 and 2020.

9 TRADE AND OTHER PAYABLES

		2019	2018
Accounts Payable	P	35,000	758,913
Withholding Tax Payable		434	2,632
Withholding Tax Payable- Compensation		30,960	37,220
SSS/PHIC/HDMF Payable		24,586	8,733
Advances HO (Liability)		2,347,168	1,670,600
Accrued Payroll		56,495	-
Output VAT		-	4,071
<b>Total Trade and Other Payables</b>	P	<b>2,494,643</b>	<b>2,482,169</b>

10 RECLASSIFICATION ON LOANS PAYABLE

On July 19, 2019, the Company reclassifies all its Loans to "Deposits for future stock subscription" pending the approval of the application for an increase in Authorized Capital Stocks. The amount of Loan to be reclassified are as follows:

		2020	2019
Loans Payable - Current Portion	P	-	5,403,100
<b>Total</b>	P	<b>-</b>	<b>5,403,100</b>

Amount subscribed for capital stocks is PHP5,403,100.

11 CAPITAL STOCKS

		2019	2018
Capital Stock, beginning	P	10,197,753	10,197,753
Additional Funds for Future Stock Subscription		16,943,347	
<b>Total</b>	P	<b>27,141,100</b>	<b>10,197,753</b>

12 OTHER INCOME

		2019	2018
Interest Income	P	2,615	120
Other Income		2,250	
Unrealized Forex Gain (Loss)		13,017	
<b>Total</b>	P	<b>17,882</b>	<b>120</b>

13 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

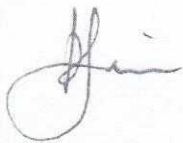
	2020	2019
Salaries And Wages	2,929,447	627,053
Meals And Representation	1,309,681	99,283
Marketing Expense	944,403	56,413
Transportation And Travel	817,180	115,246
Professional/ Consultancy Fee	764,202	375,132
SSS/PHIC/HDMF Contributions	484,901	70,754
Employee Incentives	476,434	-
Transportation Allowance	404,000	137,045
13th Month and Other Bonuses	353,993	-
Communication Expenses	161,789	26,059
Miscellaneous Expense	157,494	7,858
Rent Expense	153,928	22,000
Fuel and Oil	150,759	11,114
Insurance Expense	132,790	-
Professional Development	132,080	-
Office Supplies Expense	95,377	7,763
Utilities Expense	85,853	11,285
Depreciation Expense	83,833	-
Parking and Toll Fee	50,486	12,031
Taxes and Licenses	45,616	29,725
Documentation & Processing Fee	43,111	10,100
Repairs And Maintenance	40,000	31,000
Courier Expenses	28,100	-
Bank Charges	11,575	1,135
Realized Forex Loss (Gain)	10,785	-
<b>Total Operating and Administrative Expenses</b>	<b>9,867,816</b>	<b>1,649,996</b>

14 SUPPLEMENTAL INFORMATION ON TAXES AND LICENSES

	2020	2019
Business Permit	35,000	28,500
Annual Registration Fee	500	500
Cedula	725	725
Other Taxes	9,391	-
<b>Total</b>	<b>45,616</b>	<b>29,725</b>

15 NET OPERATING LOSS CARRY OVER AND DEFERRED TAX ASSET

NET OPERATING LOSS CARRY OVER		2020
NOLCO Beginning		(6,946,514)
Net loss before income tax January 2020 to March 2020		(2,991,827)
<i>Permanent Differences</i>		
Miscellaneous Expense		5,880
Interest Income		(409)
<i>Temporary Differences</i>		
Unrealized Forex Loss		(23,928)
<b>Net Operating Loss Carry Over</b>		<b>(9,956,799)</b>



DEFERRED TAX ASSET	2020
Beginning Balance	2,087,227.76
<i>Permanent Differences</i>	
Miscellaneous Expense	-
Interest Income	-
<i>Temporary Differences</i>	
Unrealized Forex Loss	7,179
Net Operating Loss Carry Over	897,548
<b>Deferred Tax Asset</b>	<b>2,991,954</b>

16 APPROVAL OF FINANCIAL STATEMENTS AND OTHER MATTERS

The President of the company, who was authorized by the Board of Directors to cause the issuance of financial statements, approved the issuance of the comparative financial statements on \_\_\_\_\_.