

**NATCO LIFESCIENCES PHILIPPINES
INC.**

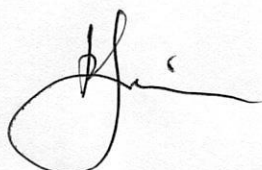
Management Report

March 31, 2021

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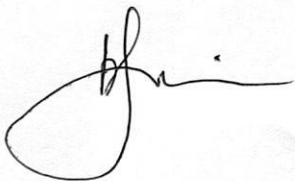
NATCO LIFESCIENCES PHILIPPINES INC
STATEMENTS OF FINANCIAL POSITION
March 31, 2021 and 2020
(In Philippine Peso)

	Note	March 31, 2021	March 31, 2020
ASSETS			
Current Assets			
Cash	4	828,965	4,541,974
Trade and other receivables	5	3,126,609	179,000
Inventory	6	5,707,535	-
Prepayments and other current assets	7	639,934	237,633
Total Current Assets		10,303,043	4,958,607
Non-current Assets			
Property and equipment	8	316,055	239,224
Deferred Tax Asset	15	4,983,726	2,991,954
Total Non-current Assets		5,299,780	3,231,178
TOTAL ASSETS		15,602,823	8,189,785
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	9	12,128,832	2,494,643
Total Current Liabilities		12,128,832	2,494,643
Total Liabilities		12,128,832	2,494,643
Equity			
Share Capital		30,744,507	27,141,100
Accumulated earnings (loss)		(27,270,516)	(21,445,958)
Total Equity		3,473,991	5,695,142
TOTAL LIABILITIES AND EQUITY		15,602,824	8,189,785



NATCO LIFESCIENCES PHILIPPINES INC
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended March 31, 2021 and 2020
(In Philippine Peso)

	Note	March 31, 2021	March 31, 2020
Sales - net	10	7,051,783	-
Cost of sales	11	(2,483,425)	-
Gross profit		4,568,358	-
Other income	12	(172,737)	13,552
Gross income		4,395,621	13,552
Administrative expenses	13	(12,306,522)	(3,268,248)
Loss before tax		(7,910,901)	(3,254,696)
Income taxes	15	1,991,771	904,727
Net loss		(5,919,130)	(2,349,969)
Other comprehensive income (loss)- net of tax		-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		(5,919,130)	(2,349,969)



NATCO LIFESCIENCES PHILIPPINES INC
STATEMENTS OF CASH FLOWS
For the Year Ended March 31, 2021
(In Philippine Peso)

March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	(5,919,129.94)
Adjustment on Retained Earnings, Beg	94,572
Deferred Taxes	(1,991,771.47)
Depreciation	(97,350.92)
Unrealized foreign exchange loss (gain)	(176,495.81)
Interest income	
Operating cash flows before working capital changes	(8,090,175.98)
Decrease (increase) in operating assets:	
Other receivables	(2,947,609.24)
Inventory	(5,707,534.96)
Prepayments and other current assets	(402,301.48)
Increase (decrease) in operating liabilities:	
Trade and other payables	9,634,189.16
Cash generated from (used in) operations	(7,513,432.50)
Interest received	3,157.00
Net cash generated from (used in) operating activities	(7,510,275.50)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of property and equipment	20,520.00
Net cash generated from (used in) investing activities	20,520.00

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of Capital Stock	3,603,407.08
Net cash generated from (used in) financing activities	3,603,407.08

EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH 173,338.81

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (3,713,010)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 4,541,974.23

CASH AND CASH EQUIVALENTS AT END OF YEAR 828,965



NATCO LIFESCIENCES PHILIPPINES INC
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended March 31, 2021 and 2020
(In Philippine Peso)

	Share Capital	Retained Earnings	Total
Balance, March 30, 2020	27,141,100	(21,445,958)	5,695,142
Adjustment on Retained Earnings, Beg		94,572	94,572
Net Loss March 31, 2021	-	(5,919,130)	(5,919,130)
Deposit for future stock subscription	3,603,407	-	3,603,407
Adjusted Balance, March 31, 2021	30,744,507	(27,270,516)	3,473,991

See Notes to Financial Statements.



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, primarily to manufacture, process, promote all kinds of pharmaceutical and/or food preparation and merchandise drugs, medicines, hospital supplies and all other acts, things in connection with business. The Company is a wholly-owned subsidiary of Natco Pharma Limited located in India.

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.

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs to complete and sell.

When the net realizable value of the inventories is lower than the cost, the Company provides allowance for the decline in the value of the inventory and recognizes the write down as an expense in the income statement. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in selling price less cost to complete and sell because of change in economic circumstances, a reversal of the allowance is recognized so that new carrying amount is the lower of the cost or the revised selling price less cost to complete and sell. Any impairment reversal is recognized in profit or loss but is limited to the amount of the original impairment loss recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Property and Equipment

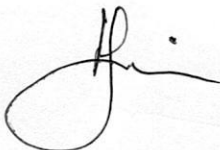
Property and equipment are carried at cost less accumulated depreciation and any impairment in value.

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

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

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business. Revenue is reduced for sales returns.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

1. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
2. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold:
 - a. the amount of revenue can be measured reliably;
 - b. it is probable that the economic benefits associated with the transaction will flow to the Company; and
 - c. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Company's revenue comes from the sale of cancer medicines.

Related Parties and Related Party Transaction

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- a. 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.
- b. One entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a group of which the other entity is a member.
- c. Both entities are joint venture of the same third party.
- d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- e. The entity is a post 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.
- f. The entity is controlled or jointly controlled by a person identified above.
- g. A person identified above has significant influence over the entity or is a member of the key management personnel of the entity or the parent of the entity.
- h. Management entity providing key management personnel services to a reporting entity

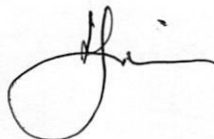
A related party transactions is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similarly offered by non related in an economic comparable market.

Impairment of Assets

Assessments is made at year-end whether there is any indications that an asset may be impaired. If any such indication exists, a formal estimate is made of the recoverable amount of the asset.

Stockholder's Equity

The Company's authorized capital stock is 1,000,000 shares with Ph100 par value. Total stocks subscribed at par value is 271,441 shares or equivalent of P27,144,100.



FINANCIAL 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.

4 CASH AND CASH EQUIVALENTS

		2021	2020
Cash in Bank	P	823,965	4,536,974
Petty Cash Fund		5,000	5,000
TOTAL	P	828,965	4,541,974

5 TRADE AND OTHER RECEIVABLES

		2021	2020
Revolving Fund	P	70,000	45,000
Accounts Receivable		2,991,659	-
Advances to Employees		49,750	134,000
Advances to Suppliers		15,200	-
TOTAL	P	3,126,609	179,000

6 INVENTORIES

The Company's inventories consists of medicines for cancer patiesnts. As of March 31, 2021, inventories amounted to P5,707,535.

The cost of inventories sold and recognized as cost of sales amounted to P2,483,425.

7 PREPAYMENTS

		2021	2020
Net Input VAT	P	574,995	213,533
Prepaid expenses		63,944	24,100
Creditable Withholding Tax (CWT)		996	-
TOTAL	P	639,934	237,633

The prepaid expense is composed of advance rentals for the two units (1D and 1B) to be used at the end of the lease term.

8 PROPERTY AND EQUIPMENT - NET

		2021	2020
Office Equipment	P	412,084	270,490
Furnitures and Fixtures		104,663	84,143
Total	P	516,747	354,633
Less: Accumulated Depreciation		(200,693)	(115,410)
Total Net Cost of Property and Equipment	P	316,055	239,224

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

9 TRADE AND OTHER PAYABLES

		2021	2020
Accounts Payable	P	769,420.14	35,000
Accrued payroll		112,933.45	56,495
Advances HO (Liability)		11,160,227.94	2,347,168
HDMF Loan Payable		1,660.70	4,513
SSS Loan Payable		1,488.97	-
SSS/PHIC/HDMF Payable		23,641.60	20,073
Withholding Tax Payable- Salary		50,421.43	30,960
Withholding Tax Payable-EWT		9,037.95	434
Total Trade and Other Payables	P	12,128,832	2,494,643

10 REVENUE

		2021	2020
Sales	P	8,651,580	-
Sales returns and discounts		(1,599,797)	-
Net Sales	P	7,051,782.86	-

All revenue is from the sale of inventory, medicine for lung cancer patients. The Company has engaged the services of distributors to facilitate the sales logistics such as but not limited to warehousing, inventory delivery to customers and sales invoicing. The company pays distributor fee ranging from 6%-10% of its sales.

11 COST OF SALES

		2021	2020
Beginning Inventory	P	2,578,304	-
Purchases		996,755	-
Less:			
FOC Inventory		350,949	-
Ending Inventory		5,707,535	-
Cost of Sales	P	(2,483,425)	-

12 OTHER INCOME

		2021	2020
Interest Income	P	3,759	409
Realized Forex Gain (Loss)		-	(10,785)
Unrealized Forex Gain (Loss)		(176,496)	23,928
Total	P	(172,737)	13,552

13 ADMINISTRATIVE EXPENSES

		2021	2020
13th Month and Other Bonuses	P	454,600	56,495
Accounting/Professional/ Consultancy Fee		1,087,786	264,000
Bank Charges		7,229	2,625
Commission Expense		432,748	-
Communication Expenses		315,941	47,953
Courier Expenses		10,603	10,665
Depr Exp - Furniture & Fixtures		18,881	4,207
Depr Exp - Office Equipment		66,402	15,176
Documentation & Processing Fee		16,200	3,700
Employee Incentives		404,270	476,434
Fuel and Oil		278,928	48,483
Insurance Expense		144	132,790
Marketing Expense		2,274,765	118,000
Meals And Representation		198,245	277,421
Miscellaneous Expense		98,310	5,880
Office Supplies Expense		95,988	13,119
Other Office Expenses		87,916	-
Parking and Toll Fee		111,016	8,256
Penalty		15,508	-
Professional Development		-	132,080
Rent Expense		217,800	36,300
Repairs And Maintenance		53,360	31,500
Salaries And Wages		4,553,371	1,090,753
SSS/PHIC/HDMF Contributions		252,244	140,615
Taxes and Licenses		289,444	45,060
Transportation Allowance		894,417	280,726
Utilities Expense		70,408	26,011
Total Operating and Administrative Expenses	P	12,306,522	3,268,248

14 SUPPLEMENTAL INFORMATION ON TAXES AND LICENSES

		2021	2020
Business Permit	P	35,000	28,500
FDA Renewal Fee		239,249	-
Annual Registration Fee		500	500
Cedula		725	725
Other Taxes		13,970	15,335
Total	P	289,444	45,060

15 NET OPERATING LOSS CARRY OVER AND DEFERRED TAX ASSET

NET OPERATING LOSS CARRY OVER		2021
Net loss before income tax		(7,910,901)
<i>Permanent Differences</i>		
Miscellaneous Expense		98,310
Interest Income		3,759
Representation expense		162,986
Penalty		15,508
<i>Temporary Differences</i>		
Unrealized Forex Loss		176,496
Net Operating Loss Carry Over		(7,461,361)
DEFERRED TAX ASSET		2021
<i>Temporary Differences</i>		
Unrealized Forex Gain - net		(508)
Net Operating Loss Carry Over - 2019		1,948,954
Net Operating Loss Carry Over - 2020		2,667,899
Net Operating Loss Carry Over - 2021		367,381
Deferred Tax Asset - Net	P	4,983,726

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 _____.

