



DONNIE RAY A. LIM, MSA, CPA

CERTIFIED PUBLIC ACCOUNTANT

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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, 2022 (4th Quarter of FY ending March 31, 2022)**, 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, 2022 (4th Quarter of FY ending March 31, 2022)**, 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 forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in **Notes (17)** to financial statements in presented for purpose of filling 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 respect 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 October 4, 2023

BIR Accreditation No. 19-006337-001 valid until April 11, 2022

CPA Board Certificate No. 123292 valid until October 4, 2024

PTR No.6593329c dated January 11, 2022

05/24/2022

Davao City, Philippines

Natco Lifesciences Philippines, Inc.

Financial Statements
As at March 31, 2022 and 2021

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NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>03/31/2022</u>	<u>03/31/2021</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash	4	P 1,713,520	P 828,965
Trade and other receivables	5	8,309,172	3,126,609
Inventory	6	7,514,846	5,707,535
Prepayments and other current assets	7	<u>1,312,396</u>	<u>639,934</u>
Total Current Assets		<u>18,849,935</u>	<u>10,303,043</u>
NON-CURRENT ASSETS			
Property and equipment – net	8	291,756	316,055
Deferred Tax Asset	16	<u>5,470,000</u>	<u>4,983,726</u>
Total Non-current Assets		<u>5,761,757</u>	<u>5,299,780</u>
TOTAL ASSETS		<u>P 24,611,691</u>	<u>P 15,602,823</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	9	P 4,607,374	P 12,128,832
Loans Payable	11	3,117,600	–
Total Current Liabilities		<u>7,724,974</u>	<u>12,128,832</u>
Total Liabilities		<u>7,724,974</u>	<u>12,128,832</u>
EQUITY			
Share Capital	10	34,271,900	30,744,507
Accumulated earnings (loss)		(17,385,183)	(27,270,516)
Total Equity		<u>16,886,717</u>	<u>3,473,991</u>
TOTAL LIABILITIES AND EQUITY		<u>P 24,611,691</u>	<u>P 15,602,823</u>

See Notes to Financial Statements.



NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Sales - net	12	P 22,845,581	P 7,051,783
Cost of sales	13	(5,604,062)	(2,483,425)
Gross profit		<u>P 17,241,519</u>	<u>P 4,568,358</u>
Other income (loss)	14	(P 107,735)	(P 172,737)
Gross income		17,133,784	4,395,621
Administrative expenses	15	(P 18,009,742)	(P 12,306,522)
Loss before tax		(875,958)	(7,910,901)
Income taxes		<u>P 410,914</u>	<u>P 1,991,771</u>
Net loss		(465,045)	(5,919,130)
Other comprehensive income (loss)- net of tax		<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>(P 465,045)</u>	<u>(P 5,919,130)</u>

See Notes to Financial Statements.



NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	<u>Share Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance at March 31, 2021	P 30,744,507	(P 27,270,516)	P 3,473,991
Retained Earnings, Beginning		10,350,378	10,350,378
Net Loss	—	(465,045)	(465,045)
Additional stock subscription	<u>3,527,393</u>	<u>—</u>	<u>3,527,393</u>
Balance at December 31, 2021	<u>P 34,271,900</u>	<u>(P 17,385,183)</u>	<u>P 16,886,717</u>

See Notes to Financial Statements.



NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	(P 465,045)	(P 5,919,130)
Adjustments for:		
Retained Earnings, Beg	10,350,378	94,572
Deferred Taxes	(486,275)	(1,991,771)
Depreciation	3,778	97,351
Unrealized foreign exchange (loss) gain	34,033	(176,496)
Operating profit before working capital changes	9,436,870	(8,090,176)
Decrease (increase) in operating assets:		
Other receivables	(5,182,563)	(2,947,609)
Inventory	(1,807,311)	(5,707,535)
Prepayments and other current assets	672,462	(402,301)
Increase (decrease) in operating liabilities:		
Trade and other payables	(4,403,859)	9,634,189
Cash generated from operations	(2,629,324)	(7,513,433)
Interest received	<u>245</u>	<u>3,157</u>
Net Cash From Operating Activities	(<u>2,629,079</u>)	(<u>7,510,276</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of asset	20,520	20,520
Net Cash Used in Investing Activities	<u>20,520</u>	<u>20,520</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit for Future Stock Subscription	3,527,393	3,603,407
Cash Used In Financing Activities	<u>3,527,393</u>	<u>3,603,407</u>
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH		
	(34,278)	173,339
NET INCREASE (DECREASE) IN CASH	<u>884,555</u>	(<u>3,713,010</u>)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	828,965	4,541,974
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>P 1,713,520</u>	<u>P 828,965</u>

See Notes to Financial Statements.



NATCO LIFESCIENCES PHILIPPINES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

NATCO LIFESCIENCES PHILIPPINES, INC. was organized in the year 2017 and was 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 Barangay. 719 Zone 78 Malate Manila.

The primary purpose of the Company is 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) for Small Entities. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

In March 2018, the SEC resolved to adopt PFRS for Small Entities (the Framework) as part of its rules and regulations on financial reporting. This Framework was developed in response to feedback of small entities that PFRS for SMEs is too complex to apply. By reducing choices for accounting treatment, eliminating topics that are not generally relevant to small entities, simplifying methods for recognition and measurement, and reducing disclosure requirements, this Framework allows small entities to comply with the financial reporting requirements without undue cost or burden.



As defined by the Commission, small entities are those that meet all of the following criteria:

- Total assets of between 3.0 million to 100.0 million or total liabilities of between 3.0 million to 100.0 million;
- Are not required to file financial statements under Part II of SRC Rule 68;
- Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in public market; and
- Are not holders of secondary licenses issued by regulatory agencies.

Under PFRSs for SMEs, lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Under PFRSs for SEs, all lease payments are recognized as expense in profit or loss in the period in which they are incurred.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expenses, and other comprehensive income in a single statement of comprehensive income.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Cash

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

2.3 Trade and Other Receivables

Trade and other receivables, which do not bear interest, are recognized, and carried at original invoice amounts. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in statement of comprehensive income, and the carrying value of the receivable is reduced through an allowance account.

Trade and other receivables are stated at face value less any allowance for doubtful accounts.

2.4 Prepayments

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the



future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.5 Inventories

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.

2.6 Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. 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 while expenditures for repairs and maintenance are charged to expense during the period in which they are incurred.

Except for land, which is not depreciated, depreciation on property and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Number of years</u>
Office equipment	5
Furniture and fixtures	5

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

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against operations.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the item and are recognized as part of other income in statement of comprehensive income.



2.7 Impairment of Assets

Assessments is made at year-end whether there are 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.

2.8 Trade and Other Payables

Trade and other payables are recognized in the statement of financial position at amounts established in exchanges, usually the amounts to be paid. These are present obligation of the Company on the basis of normal credit terms arising from past transactions or events, the settlement of which is expected to result in an outflow from the Company's resources embodying benefits and do not bear interest.

2.9 Equity

Capital stock represents the par value of common shares that have been issued and outstanding. Additional paid-in capital is the proceeds received in excess of the par value of common shares issued.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

2.10 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 not 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.

2.11 Operating Expenses

Operating expenses are recognized as incurred and include expenses incurred to administer the business.



2.12 Foreign Currency Denominated Transactions and Translations

Transactions in foreign currencies are recorded in Peso using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the functional currency exchange rate at the date of the reporting period. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in profit or loss in the period in which they arise.

2.13 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets and current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and deferred assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.14 Events after the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.



3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these 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 management'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 previous 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

	<u>03/31/2022</u>	<u>03/31/2021</u>
Cash in Bank	P 1,708,520	P 823,965
Petty Cash Fund	5,000	5,000
	<u>P 1,713,520</u>	<u>P 828,965</u>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to P1,062 and P P3,759 for the period ended March 31,2022 and 2021, respectively.



5. TRADE AND OTHER RECEIVABLES

	<u>03/31/2022</u>	<u>03/31/2021</u>
Revolving Fund	P 95,000	P 70,000
Accounts Receivable	8,088,339	2,991,659
Advances to Employees	115,333	49,750
Advances to Suppliers	10,500	15,200
	<u>P 8,309,172</u>	<u>P 3,126,609</u>

As of March 31, 2022, no receivables were impaired.

6. INVENTORIES

The Company's inventories consists of medicines for cancer patients. As of March 31, 2022, inventories amounted to P7,514,846.

The cost of inventories sold and recognized as cost of sales amounted to P5,604,062.

7. PREPAYMENTS

	<u>03/31/2022</u>	<u>03/31/2021</u>
Net Input VAT	P 1,205,368	P 574,995
Prepaid expenses	73,848	63,944
Creditable Withholding Tax (CWT)	33,180	996
	<u>P 1,312,396</u>	<u>P 639,934</u>

8. PROPERTY AND EQUIPMENT

As of March 31, 2022:

	Computer Equipment	Furniture and Fixtures	Total
Cost			
Beginning balance	P 412,084	P 104,663	P 516,747
Additions	177,049	-	177,049
Ending balance	<u>589,133</u>	<u>104,663</u>	<u>693,796</u>
Accumulated Depreciation			
Beginning balance	(150,866)	(49,827)	(200,693)
Depreciation	(180,414)	(20,933)	(201,347)
Ending balance	<u>(331,280)</u>	<u>(70,760)</u>	<u>(402,040)</u>
Net Book Value	<u>P 257,853</u>	<u>P 33,903</u>	<u>P 291,756</u>

As of March 31, 2021:

	Computer Equipment	Furniture and Fixtures	Total
Cost			
Beginning balance	P 412,084	P 104,663	P 516,747
Ending balance	412,084	104,663	516,747
Accumulated Depreciation			
Beginning balance	(84,463)	(30,946)	(115,409)
Depreciation	(66,402)	(18,881)	(85,283)
Ending balance	(150,865)	(49,827)	(200,692)
Net Book Value	P 261,219	P 54,836	P 316,055

9. TRADE AND OTHER PAYABLES

	03/31/2022	03/31/2021
Accounts payable	P 3,029,127	P 769,420
Accrued payroll	112,933	112,933
Advances - others (Liability)	1,160,769	11,160,228
Due to employees	38,073	-
HDMF loan payable	1,661	1,661
Interest payable	77,483	-
SSS loan payable	7,182	1,489
SSS/PHIC/HDMF payable	63,185	23,642
Withholding tax payable - salary	53,943	50,421
Withholding tax payable - EWT	60,334	9,038
Withholding tax payable - FWT	2,685	-
	P 4,607,374	P 12,128,832

10. SHARE CAPITAL

The details of the Company's share capital as of March 31, 2022 is shown below.

	Shares	Amount
Total Subscribed shares – P100 par value	342,719	P 34,271,900

Natco Pharma Limited owns 99.95% of the total subscribed shares. The parent company is headquartered in Hyderabad, India.



11. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In 2018, the Company entered into a loan agreement with Natco Pharma Limited (NPL). The loan offer from NPL is an amount up to USD 500,000 within the limit and guidelines as prescribed in the NPL's resolution dated 8th August, 2018, and is only drawable on need basis by Natco Lifesciences Philippines Inc. Terms and conditions for the offer of loan are as follows:

Maximum amount: USD 500,000

Maximum tenure of the loan: Five years from the date of each drawdown.

Prepayment option: Natco Lifesciences Philippines Inc. can repay in full or part of the loan amounts utilized any time before the expiry of five years.

Rate of Interest: 5% per annum.

1. Entity	Nature of Relationship	
Natco Pharma Limited	Ultimate Parent	
2. Due to related parties		
<i>Purchases</i>	USD	PHP
Purchases from Natco Pharma Ltd	54,062	2,717,671
<i>Trade payable</i>		
Payable to Natco Pharma Ltd	44,812	2,270,064
<i>Interest payable</i>		
October 2021 to December	767	38,847
January 2022 to Mach 2022	750	38,636
<i>Loans payable</i>		
Loan from Natco Pharma Ltd	60,000	3,117,600



12. REVENUE

	<u>03/31/2022</u>	<u>03/31/2021</u>
Sales	P 29,420,565	P 8,651,580
Sales returns and discounts	(6,574,984)	(1,599,797)
	P 22,845,581	P 7,051,783

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.

13. COST OF SALES

	<u>03/31/2022</u>	<u>03/31/2021</u>
Beginning inventory	P 5,707,535	P –
Purchases	7,474,204	8,190,960
Other charges booked to inventory	125,446	–
Less:		
FOC (inventory reclassified to marketing expense)	188,277	–
Ending inventory	7,514,846	5,707,535
	P 5,604,062	P 2,483,425

14. OTHER INCOME (LOSS)

	<u>03/31/2022</u>	<u>03/31/2021</u>
Interest income	P 1,062	P 3,759
Realized forex gain (loss)	(66)	–
Unrealized forex gain (loss)	(108,730)	(176,496)
	P (107,735)	(P 172,737)

15. ADMINISTRATIVE EXPENSES

	<u>03/31/2022</u>	<u>03/31/2021</u>
13th month and other bonuses	P 438,424	P 454,600
Accounting/ professional/ consultancy fee	1,434,142	1,087,786
Bank charges	24,233	7,229
Commission expense	1,358,065	432,748
Communication expenses	395,582	315,941
Courier expenses	57,089	10,603
Depreciation expense - furniture & fixtures	20,933	18,881
Depreciation expense - office equipment	180,414	66,402
Documentation & processing fee	390,452	16,200
Employee incentives	112,385	404,270
Fuel and oil	615,706	278,928
Insurance expense	76,307	144



	03/31/2022	03/31/2021
Interest expense	135,573	-
Marketing expense	3,302,771	2,274,765
Meals and representation	444,305	198,245
Miscellaneous expense	212,774	98,310
Office supplies expense	131,848	95,988
Other office expenses	342,053	87,916
Parking and toll fee	192,819	111,016
Penalty	1,035	15,508
Rent expense	303,710	217,800
Repairs and maintenance	102,230	53,360
Salaries and wages	5,573,819	4,553,371
SSS/PHIC/HDMF contributions	399,574	252,244
Taxes and licenses	306,561	289,444
Transportation allowance	1,416,278	894,417
Utilities expense	40,661	70,408
	P 18,009,742	P 12,306,522

16. NET OPERATING LOSS CARRY OVER AND DEFERRED TAX ASSET

	03/31/2022
Net loss before income tax	(P 875,958)
<i>Permanent Differences</i>	
Miscellaneous expense	212,774
Representation expense	330,077
Interest expense	135,573
Penalty	1,035
Interest income	(1,062)
<i>Temporary Differences</i>	
Unrealized forex loss	108,730
Net taxable loss	(P 88,830)

	03/31/2022
<i>Temporary Differences</i>	
Unrealized forex (gain) loss	P 13,943
Net Operating Loss Carry Over - 2019	1,948,954
Net Operating Loss Carry Over - 2020	2,667,899
Net Operating Loss Carry Over - 2021	839,205
Deferred tax asset – net	P 5,470,000

17. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented below and in the succeeding page is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which BIR under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) *Output VAT*

The Company is a VAT-registered company with output VAT declaration of P558,030 for the period ending March 31, 2022.

(b) *Input VAT*

The Company, as a VAT-registered entity, claimed input VAT of P236,298 for the period ending March 31, 2022.

(c) *Taxes on Importation*

The Company claimed importation taxes of P952,105 for the period ending March 31, 2022.

(d) *Taxes and Licenses*

The details of taxes and licenses is broken down as follows:

	<u>03/31/2022</u>	<u>03/31/2021</u>
Business permit	P 39,811	P 35,000
FDA renewal/documentation fee	237,910	239,249
Annual registration fee	500	500
Cedula	-	725
Other taxes	28,340	13,970
	<u>P 306,561</u>	<u>P 289,444</u>

(e) *Withholding Taxes*

The details of total withholding taxes for the period ending March 31, 2022 are shown below.

Compensation	P633,779
Expanded	<u>322,074</u>
	<u>P 955,853</u>

(f) *Deficiency Tax Assessments and Tax Cases*

As of March 31, 2022, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

