

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEARS ENDED
MARCH 31, 2022 AND MARCH 31, 2021

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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, 2022 and March 31, 2021 and the related statements of income and 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, 2022 and March 31, 2021 respectively and the results of its operations, its cash flows and changes in its retained earnings for the years then ended in conformity with U.S. generally accepted accounting principles.

Report on "Supporting Schedule to the Statement of Income/(Loss) and Retained Earnings"

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Supporting Schedule to the Statement of Income/(Loss) and Retained Earnings" 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

May 22, 2022

NATCO PHARMA, INC.
BALANCE SHEET
MARCH 31, 2022 AND MARCH 31, 2021

ASSETS

	MARCH 31, 2022	MARCH 31, 2021
CURRENT ASSETS		
Cash	\$ 343,846	\$ 119,592
Investments in Marketable Securities	0	3,006,694
Other Current Assets	52,496	4,672
TOTAL CURRENT ASSETS	\$ 396,342	\$ 3,130,958
NONCURRENT ASSETS		
Investment in NATCOfarma DO Brasil	\$ 2,674,794	\$ 2,674,794
Investment in Dash Pharmaceuticals LLC	18,000,000	
Loan to Dash Pharmaceuticals LLC	4,000,000	
Deferred Federal Income Taxes Benefit	0	1,649
TOTAL NONCURRENT ASSETS	\$ 24,674,794	\$ 2,676,443
TOTAL ASSETS	\$ 25,071,136	\$ 5,807,401

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 51,014	\$ 3,250
Federal Income Taxes Payable	0	0
TOTAL CURRENT LIABILITIES	\$ 51,014	\$ 3,250
LONG-TERM LIABILITIES		
Loan Payable to Natco Pharma (Canada), Inc.	\$ 4,000,000	\$ 0
TOTAL LONG-TERM LIABILITIES	\$ 4,000,000	\$ 0
TOTAL LIABILITIES	\$ 4,051,014	\$ 3,250
STOCKHOLDER'S EQUITY		
Common Stock, \$1,000 Par Value, 35,000 Shares Authorized, 17,850 Shares Issued and Outstanding as of March 31, 2022 and 3,000 Shares Authorized, 2,650 Issued and Outstanding as of March 31, 2021.	\$ 17,850,000	\$ 2,650,000
Retained Earnings	3,170,122	3,154,151
TOTAL STOCKHOLDER'S EQUITY	\$ 21,020,122	\$ 5,804,151
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 25,071,136	\$ 5,807,401

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS)
AND RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2022 AND MARCH 31, 2021

	FOR THE YEAR ENDED <u>MARCH 31, 2022</u>	FOR THE YEAR ENDED <u>MARCH 31, 2021</u>
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>15,836</u>	 <u>11,706</u>
INCOME FROM OPERATIONS	(15,836)	(11,706)
 OTHER INCOME (EXPENSE)	 <u>27,207</u>	 <u>102,328</u>
 NET INCOME (LOSS) BEFORE INCOME TAXES	 <u>11,371</u>	 <u>90,622</u>
 FEDERAL AND STATE INCOME TAXES		
Federal Income Tax Expense (Benefit)	(6,249)	46,120
State Income Taxes	0	0
Total Income Taxes	<u>(6,249)</u>	<u>46,120</u>
 DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes (Benefit)		(27,090)
Deferred State Income Taxes	1,649	0
Total Deferred Income Taxes	<u>1,649</u>	<u>(27,090)</u>
 TOTAL INCOME TAXES	 <u>(4,600)</u>	 <u>19,030</u>
 NET INCOME (LOSS)	 <u>\$ 15,971</u>	 <u>\$ 71,592</u>
 RETAINED EARNINGS		
Beginning Balance	\$ 3,154,151	\$ 3,082,559
Net Income	15,971	71,592
ENDING BALANCE	<u>\$ 3,170,122</u>	<u>\$ 3,154,151</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
MARCH 31, 2022 AND MARCH 31, 2021

	FOR THE YEAR ENDED <u>MARCH 31, 2022</u>	FOR THE YEAR ENDED <u>MARCH 31, 2021</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 15,971	\$ 71,592
Net change in operating assets and liabilities:		
(Increase) Decrease in Other Current Assets	(47,824)	(4,672)
(Increase) Decrease in Deferred Federal and State Income Taxes Benefit	1,649	(1,649)
Increase (Decrease) in Accounts Payable/Accrued Expenses	47,764	(109,104)
Increase (Decrease) in Federal and State Corporate Taxes Payable	0	(3,553)
Increase (Decrease) in Deferred Federal and State Income Taxes Payable	0	(25,441)
Total Adjustments	<u>1,589</u>	<u>(144,419)</u>
Net Cash Provided/(Used) By Operating Activities	<u>17,560</u>	<u>(72,827)</u>
Cash Flows from Investing Activities:		
Sale/Redemption of Marketable Securities	2,998,000	3,510,709
Purchase of Marketable Securities	0	(3,215,616)
Capital (Gains)/Loss on Sale of Marketable Securities	8,694	(125,642)
Long-Term Loans to NATCOfarma DO	0	1,824,975
Interest Receivable - Long-Term Loans to NATCOfarma DO	0	111,162
Investment in NATCOfarma Do Brasil	0	(1,954,800)
Net Cash Provided/(Used) By Investing Activities	<u>3,006,694</u>	<u>150,788</u>
Cash Flows from Financing Activities:		
Conversion to Common Shares of NATCO Pharma, Inc. from payoff of Loan Payable to NATCO Pharma, Ltd.		1,650,000
Satisfaction of Loan Payable to NATCO Pharma, Ltd.		(1,650,000)
Loan from NATCO Canada	4,000,000	0
Loan to Dash Pharmaceuticals LLC	(4,000,000)	
NATCO Pharma Ltd. Acquisition of Additional Shares of NATCO Pharma, Inc.	15,200,000	
NATCO Pharma, Inc. Acquisition of 100% of Dash Pharmaceuticals LLC	(18,000,000)	0
Net Cash Provided By Financing Activities	<u>(2,800,000)</u>	<u>0</u>
Net Increase/(Decrease) in Cash	224,254	77,961
Cash at Beginning of Period	119,592	41,631
Cash at End of Period	<u>\$ 343,846</u>	<u>\$ 119,592</u>
 SUPPLEMENTAL DISCLOSURE		
Income Taxes Paid:		
Federal Taxes	<u>\$ 0</u>	<u>\$ 50,792</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
SUPPORTING SCHEDULES TO
STATEMENT OF INCOME/(LOSS) AND
RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2022 AND MARCH 31, 2021

	FOR THE YEAR ENDED <u>MARCH 31, 2022</u>	FOR THE YEAR ENDED <u>MARCH 31, 2021</u>
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	\$ 0	\$ 0
ADMINISTRATIVE EXPENSES		
Bank Service Charges	\$ 1,086	\$ 941
Annual Business Registration Fees	0	0
Insurance-General	0	0
Legal and Accounting Fees	14,750	10,750
Office Expenses	0	15
Investment Management Fees	0	0
TOTAL ADMINISTRATIVE EXPENSES	\$ 15,836	\$ 11,706
OTHER INCOME (EXPENSE)		
Interest Income	\$ 43,251	\$ 54,042
Interest Income - Loan to Dash Pharmaceuticals LLC	41,129	0
Capital Gains/(Loss) on Redemption of Marketable Securities	(8,694)	125,642
Other Expenses	0	(814)
Miscellaneous Income	35	0
Interest Expense	(48,514)	(76,542)
TOTAL OTHER INCOME (EXPENSE)	\$ 27,207	\$ 102,328

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS ACTIVITY

NATCO Pharma, Inc., a "C" Corporation, and hereafter referred to as "NPI", was incorporated in the State of Delaware on October 10, 2006. NPI had originally been formed to acquire the assets of H. Morgan Corporation T/A Savemart on July 9, 2007. NPI had been engaged in the retail sale 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. NPI had ceased all of its active operations on that date.

Following the sale of the store NPI has been progressively making loans and investments in NATCOfarma DO Brazil, an affiliate of NPI. As of December 31, 2021, NPI had converted all of the outstanding loans and associated interest accruing on those loans into 13,102,296 common shares of NATCOfarma DO Brazil, for an 14.14% equity ownership position of the affiliate's common equity.

On December 24, 2021 NATCO Pharma, Ltd. acquired 15,200 common shares of NPI with an investment of \$15,200,000. NPI had liquidated its entire portfolio of marketable securities investments of \$3,041,237 earlier in the month of December, 2021 and also received a loan of \$4,000,000 from its affiliate, NATCO Pharma (Canada), Inc., a wholly-owned subsidiary of NATCO Pharma, Ltd.

On December 29, 2021, \$22,000,000 was transferred to a Citi Escrow Account to be made available for financing activities that were scheduled to take place at the onset of January, 2022. Effective January 1, 2022, NPI acquired 100% of the membership ownership interests of Dash Pharmaceuticals LLC for \$18,000,000 from the three founding members of Dash Pharmaceuticals Ltd (hereafter referred to as "Dash") and CBC Capital who, prior to the sale, had owned 1,000 Class A Units of Dash. The three members will continue in their management roles as employees of the newly-formed venture. Also, on January 1, 2022 NPI provided a five-year loan of \$4,000,000 to Dash which satisfied the outstanding obligation that Dash had with CBC Capital prior to NPI's purchase of the company.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

Dash's primary business focus will continue to be to "develop partnerships, product licensing, sales, marketing, and the distribution of generic pharmaceutical products" with an emphasis on "the development and distribution of niche products across a variety of dosage forms and therapeutic categories."

BASIS OF ACCOUNTING

NPI presents its financial statements using 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

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, these securities are being reported in the financial statements at current market value as of the ends of the respective reporting periods.

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 NPI has the ability to access. As of March 31, 2022 and March 31, 2021, there are no Level 1 assets or liabilities.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

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, 2022 and March 31, 2021 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

NPI 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 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.

NPI 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, 2022, NPI had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

With few exceptions, if any, NPI is no longer subject to federal, state or local income tax examinations by tax authorities for tax years ending prior to March 31, 2019.

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 May 22, 2022.

NOTE 2 - CONCENTRATION OF CREDIT RISK

NPI 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. NPI has not previously suffered any such losses. At March 31, 2022 NPI's operating account had a balance of \$343,846. Management is satisfied with the security of the current level of cash funds on hand being secure and necessary at this time to fulfill its current objectives.

NOTE 3 - INVESTMENTS IN MARKETABLE SECURITIES

On June 1, 2021 the entire investment portfolio managed by Oppenheimer & Co, Inc. consisting solely of a small money market account and \$2,998,000 of short-term bonds of Axis Bank yielding a 2.875% coupon rate of interest were redeemed on the bonds' June 1, 2021 maturity date. The proceeds of the redemption along with their associated interest earnings of \$43,096 were then transferred to several money market accounts maintained within the Oppenheimer & Co. Inc. controlled network of Banks referred to as "The Advantage Bank Program". The bond redemption generated an overall capital loss of \$16,545 attributable to the premium prices upon which the short-term bonds had been purchased following their issuance of which \$7,851 of the loss had been reported as unrealized in the last quarter of the year ended March 31, 2021. As referred to in Note 1, the entire investment portfolio of \$3,041,237 in The Advantage Bank Program was liquidated and transferred to NPI's operating bank account to facilitate the December 29, 2021 transfer of \$22,000,000 to the Citi Escrow Account for the acquisition of the ownership equity of Dash Pharmaceutical LLC effective January 1, 2022.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

In the previous year, on June 12, 2020 NPI had also liquidated the entire portfolio of marketable securities that it had been holding with Global Investment Funds freeing up \$3,310,214 in cash at that time. The transaction netted a capital gain of \$255,215 on the disposition and incurred Federal Capital Gains taxes of \$50,792 that were paid shortly thereafter. In the month of July, 2020 NPI "rolled-over" the proceeds from the June 2020 sale into an investment account maintained with Oppenheimer & Co. Inc. The funds were then invested into the short-term bonds of Axis Bank referred to above with a 2.875% yield that matured and were redeemed on June 1, 2021.

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.

Realized Capital (Loss) from the Redemption of Marketable Securities on June 1, 2021:

<u>Description</u>	<u>Cost</u>	<u>Date Acquired</u>	<u>Level 1</u>	<u>Fair Value of Securities</u>		<u>Realized Capital Gains/(Losses)</u>
				<u>Realized Fair Value</u>	<u>Realized</u>	
				<u>Level 2</u>	<u>Level 3</u>	
Axis Bank Ltd						
2.875% Due						
6/1/21	\$ 3,014,545	July, 2020	\$ 0	\$ 2,998,000	\$ 0	\$ (16,545)
	=====		=====	=====	=====	=====

Realized Capital Gains from the Disposition of Marketable Securities on June 12, 2020:

<u>Description</u>	<u>Cost</u>	<u>Date Acquired</u>	<u>Level 1</u>	<u>Fair Value of Securities</u>		<u>Realized Capital Gains/(Losses)</u>
				<u>Realized Fair Value</u>	<u>Realized</u>	
				<u>Level 2</u>	<u>Level 3</u>	
GDOF Cell 99	\$ 2,000,000	11-Jul-2016	\$ 0	\$ 2,240,762	\$ 0	\$ 240,762
GDOF Cell 99	1,054,999	10-Oct-2019	0	1,069,452	0	14,453
Totals	\$ 3,054,999		\$ 0	\$ 3,310,214	\$ 0	\$ 255,215
	=====		=====	=====	=====	=====

The entire Investment Portfolio in Marketable Securities was liquidated and transferred to NPI's operating bank account on December 13, 2021.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

Investments in Marketable Securities consisted of the following as of March 31, 2021:

Description	Cost	Date Acquired	Fair Value			Accumulated Unrealized Gains/(Losses)
			Level 1	Level 2	Level 3	
Axis Bank	\$ 3,014,544	July, 2020	\$ 0	\$ 3,006,694	\$ 0	\$ (7,850)
Advantage Bank	0	Various	0	0	0	0
Totals	\$ 3,014,544		\$ 0	\$ 3,006,694	\$ 0	\$ (7,850)

NOTE 4 - OTHER CURRENT ASSETS

The analysis of "Other Current Assets" for the two respective time periods consist of the following:

	As at March 31, 2022	As at March 31, 2021
Interest Receivable from Loan to Dash Pharmaceuticals LLC	\$ 41,129	\$ 0
Federal Income Tax Benefit/Overpayment	10,918	4,672
Federal Form 1042 Overpayment	449	0
Total Other Current Assets	\$ 52,496	\$ 4,672

The Federal Income Tax Benefits/Overpayment reported for the two time periods were calculated as indicated in the table below:

	As at March 31, 2022	As at March 31, 2021
Federal Taxable Income/(Loss)	\$ (29,757)	\$ 219,619
Federal Corporate Tax Rate	x 21%	x 21%
Federal Tax Liability/Expense	\$ (6,249)	\$ 46,120
Miscellaneous Adjustment	3	
Less: Federal Taxes Paid/Overpayment Applied from Prior Year	(4,672)	(50,792)
Federal Taxes (Overpaid/Benefit)	\$ (10,918)	\$ (4,672)

A Federal Form 1042 tax overpayment of \$449 was made to the United States Treasury in satisfaction of what is referred to as "Chapter 3" or "Chapter 4" Withholdings of the applicable taxes that are due on a payment of U.S. source income that is being distributed to a foreign entity or person and to remit those taxes directly to the United States Treasury. The overpayment will be refunded back to NPI when the annual Form 1042 is filed after the close of the 2021 calendar year.

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

NOTE 5 - INVESTMENT IN NATCOFARMA DO BRASIL

NPI began acquiring an equity position in the affiliated operations of NATCOfarma Do Brasil through a combination of cash contributions, conversion of outstanding receivables and accrued interest on the five-year note receivable balance that was held by NPI starting in March of 2017. NPI currently owns 13,102,296 shares for an 14.14% ownership interest in its affiliate. The "cost" of NPI's equity position for the two respective time periods is:

	As at March 31, 2021	As at March 31, 2020
Investment in NATCO farma Do Brasil	\$ 2,674,794	\$ 2,674,794
	=====	=====

NOTE 6 - INVESTMENT IN DASH PHARMACEUTICALS LLC

On January 1, 2022, NPI acquired all of the outstanding membership interests of the three founding members of Dash and the 1,000 Class A Units of Dash that had been held by CBC Capital who, prior to NPI's investment, had provided a revolving line of credit to Dash that had been secured by 100% of Dash's assets with a payment of \$18,000,000. The three founding members are continuing in their management role for Dash but are now employees of Dash with employment agreements effective January 1, 2022.

NOTE 7 - LOAN TO DASH PHARMACEUTICALS LLC

A loan of \$4,000,000 was extended to Dash on January 1, 2022. The term of the loan is five years, incurring simple interest at the rate of 4.17% per annum payable at the end of each calendar quarter. The repayment of principle is flexible within the term of the loan. The proceeds of the loan were utilized to repay the outstanding loan balance with CBC Capital and terminate the line of credit arrangement that had been in place prior to the acquisition of Dash by NPI.

NOTE 8 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	As at March 31, 2022	As at March, 31, 2021
Accrued Interest Payable to NATCO Pharma (Canada), Inc.	\$ 48,514	\$ 0
Professional Fees Payable	<u>2,500</u>	<u>3,250</u>
Total Accrued Expenses/ Other Liabilities	\$ 51,014	\$ 3,250
	=====	=====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

NOTE 9 - LOANS PAYABLE TO NATCO PHARMA, LTD.

In December, 2018 loans totaling \$1,650,000 had been advanced from the parent company, NATCO Pharma, Ltd. to NPI for the express purpose of providing working capital to NPI's affiliate, NATCOfarma Do Brasil. The repayment terms of the loans had been 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.

Effective March 1, 2021 the entire loan of \$1,650,000 had been converted into 1,650 shares of common stock with at a par value of \$1,000 per share of NPI. Full payment was also made at this time to the parent company, NPL, of the associated accumulated interest payable that had accumulated on the note of \$189,396.

NOTE 10 - LOAN PAYABLE TO NATCO PHARMA (CANADA), INC.

On December 23, 2021 NATCO Pharma (Canada), Inc. entered into a loan agreement with its affiliate, NPI for \$4,000,000. The terms of the five year loan are that simple interest of 4.17% per annum is being assessed on the loan with interest being payable in quarterly installments on the last day of each calendar quarter. There is an early repayment option that allows NPI to repay the loan in-full or in-part at any time during the loan's tenure without incurring any additional charges.

NOTE 11 - COMMON STOCK

In the last quarter, NPI raised the number of authorized shares of its common stock which have a par value of \$1,000 per share to 35,000 shares. On December 24, 2021 NPI's parent company, NATCO Pharma, Ltd. acquired an additional 15,200 shares to be added to the 1,650 shares that had been converted into equity on March 1, 2021 (See Note 9) and the 1,000 shares they have owned since the initial capitalization of NPI when NPI was formed. NATCO Pharma, Ltd. currently owns all 17,850 shares of NPI's issued common stock.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022 AND MARCH 31, 2021

NOTE 12 - FEDERAL INCOME TAXES

FEDERAL TAX EXPENSE:

The provision for federal income taxes for the two respective reporting periods was based on the Federal taxable income primarily generated by capital gains and interest income generated by NPI's portfolio of marketable securities and interest income accruing on the note being held with NPI's affiliate, NATCOfarma Do Brasil, less interest expense that had been accruing on the loan from NPI's parent company prior to the March 1, 2021 conversion of the loan into the common stock of NPI and interest expense incurred on the loan from NATCO Pharma (Canada), Inc.

As per the calculations made in Note 4 the Federal Tax Expense for the two respective time periods are referenced below:

	As at March 31, 2022	As at March 31, 2021
Federal Tax Expense/(Benefit)	\$ (6,249)	\$ 46,120
	=====	=====

NOTE 13 - DEFERRED FEDERAL INCOME TAXES EXPENSE/(BENEFIT)

The deferred federal tax provisions reported below for the two time periods is based on the federal tax rate in effect for that time period as applied to the unrealized gains/(losses) from marketable securities that were experienced during that time period.

	As at March 31, 2022	As at March 31, 2021
<u>Tax Attribute(s)</u>		
Accumulated Unrealized Gain/(Loss) on Marketable Securities	\$ 7,851	\$ (129,000)
Federal Tax Rate	<u>x 21%</u>	<u>x 21%</u>
Deferred Federal Taxes Expense/(Benefit)	\$ 1,649	\$ (27,090)
	=====	=====

NATCO PHARMA, INC.
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NOTE 14 - INTEREST INCOME

The interest income reported was generated from the long-term note that had been held with NATCOfarma Do Brasil prior to its being converted into equity of NATCOfarma Brasil and the quarterly installment(s) of interest generated by the short-term Axis Bank Bonds and money market account held in NPI's investment account with Oppenheimer & Co., Inc.

	For the Year Ended March 31, 2022	For the Year Ended March 31, 2021
<u>Borrower</u>		
NATCOfarma Do Brasil	\$ 0	\$ 18,663
Dash Pharmaceuticals LLC	41,129	0
Axis Bank Bonds 2.875%	43,096	47,680
Oppenheimer Money Market	155	0
Less: Prepaid Interest	<u>0</u>	<u>(12,301)</u>
Total Interest Income	\$ 84,380	\$ 54,042
	=====	=====

NOTE 15 - INTEREST EXPENSE

The interest expense reported was incurred on the \$1,650,000 loan provided by the parent company, NATCO Pharma, Ltd. (See Note 9) and the recent \$4,000,000 loan from NATCO Pharma (Canada), Inc. (See Note 10). On March 1, 2021 the loan with NATCO Pharma, Ltd. was "paid off" when the entire loan was converted into shares of the common stock of NPI.

	For the Year Ended March 31, 2022	For the Year Ended March 31, 2021
<u>Lender</u>		
NATCO Pharma, Ltd.	\$ 0	\$ 76,542
NATCO Pharma (Canada), Inc.	48,514	0
Total Interest Expense	\$48,514	\$ 76,542
	=====	=====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 16 - RELATED PARTY TRANSACTIONS

NPI purchased 100% of Dash Pharmaceuticals for \$18,000,000 (See Note 6.) NPI also advanced a five-year loan to Dash (See Note 7.) The loan earned interest receivable and revenue of \$41,129 as of March 31, 2022.

As referred to in Note 5 to these financial statements, NPI had invested cash, converted notes receivable and associated interest receivable totaling \$2,674,794 to acquire 13,102,296 shares of common stock for an 14.14% equity position in the affiliated operations of NATCOfarma Do Brasil. During these two respective time periods the five-year note had generated the interest income reported in Note 14. The note and associated interest had been converted into the common shares of NATCOfarma Do Brasil. (See Note 5.)

As stated in Note 9 the parent company, NATCO Pharma, Ltd. had advanced loan(s) totaling \$1,650,000 to NPI beginning in December, 2018. The loan was converted into 1,650 common shares of NPI on March 1, 2021 and the full the outstanding balance of the \$189,396 in loan interest that had accumulated since the inception of the loan in December, 2018, which includes the prior year's interest expense as reported in Note 15 were paid to the parent company, NATCO Pharma, Ltd.

A five-year loan of \$4,000,000 was extended to NPI from its affiliate, NATCO Pharma (Canada), Inc. (See Note 10.) The loan incurred a liability and associated expense of \$48,514 as of March 31, 2022.

As detailed in Note 11 the parent company, NATCO Pharma, Ltd. increased the number of NPI's authorized common shares as of March 31, 2022 to 35,000 common shares with a par value of \$1,000 per share. The parent company made two acquisitions of common shares in the past year: 1,650 shares were added when the parent company converted NPI's indebtedness to them and 15,200 additional shares were purchased on December 24, 2021 to help fund the acquisition of Dash Pharmaceuticals LLC effective January 1, 2022.

As of March 31, 2022 the parent company continues to be the sole shareholder of NPI holding 17,850 shares of common stock.

NATCO PHARMA, INC.
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NOTE 17 - OPERATING LEASES

There are currently no operating leases for which NPI is directly 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.