

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEARS ENDED
MARCH 31, 2018 AND MARCH 31, 2017

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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, 2018 and March 31, 2017 and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Natco Pharma, Inc. T/A Savemart as of March 31, 2018 and March 31, 2017 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.



Timothy G. Gearity, CPA

Rutherford, NJ 07070, USA

May 14, 2018

NATCO PHARMA, INC.
BALANCE SHEET
AT MARCH 31, 2018 AND MARCH 31, 2017

ASSETS

	MARCH 31, 2018	MARCH 31, 2017
CURRENT ASSETS		
Cash	\$ 194,685	\$ 491,156
Investments in Marketable Securities	3,099,424	3,087,998
Other Current Assets	0	210,000
TOTAL CURRENT ASSETS	\$ 3,294,109	\$ 3,789,154
Investment in NATCOfarma DO Brasil	719,994	500,000
TOTAL ASSETS	\$ 4,014,103	\$ 4,289,154

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 14,250	\$ 287,503
Federal and State Income Taxes Payable	0	3,425
TOTAL CURRENT LIABILITIES	\$ 14,250	\$ 290,928
Deferred Federal and State Income Taxes Payable	23,967	18,297
STOCKHOLDER'S EQUITY		
Common Stock, No Par Value, 1,500 Shares Authorized, 1,000 Shares Issued and Outstanding	\$ 1,000,000	\$ 1,000,000
Accumulated Other Comprehensive Income	44,509	33,979
Retained Earnings	2,931,377	2,945,950
TOTAL STOCKHOLDER'S EQUITY	3,975,886	3,979,929
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 4,014,103	\$ 4,289,154

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS) FROM OPERATIONS,
ACCUMULATED COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED
MARCH 31, 2018 AND MARCH 31, 2017

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
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	<u>0</u>	<u>0</u>
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>31,227</u>	<u>19,900</u>
INCOME FROM OPERATIONS	(31,227)	(19,900)
OTHER INCOME (EXPENSE)	<u>16,654</u>	<u>36,024</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>(14,573)</u>	<u>16,124</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	0	2,037
State Income Taxes	0	1,356
Total Income Taxes	<u>0</u>	<u>3,393</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	\$ <u>(14,573)</u>	\$ <u>12,731</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Beginning Balance	\$ 33,979	\$ 0
Unrealized Appreciation (Decrease) in Marketable Securities	16,200	52,276
Less: Deferred Federal Income Taxes	<u>(5,670)</u>	<u>(18,297)</u>
ENDING BALANCE	\$ <u>44,509</u>	\$ <u>33,979</u>
RETAINED EARNINGS		
Beginning Balance	\$ 2,945,950	\$ 2,933,219
Net Income	<u>(14,573)</u>	<u>12,731</u>
ENDING BALANCE	\$ <u>2,931,377</u>	\$ <u>2,945,950</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS) FROM OPERATIONS
FOR THE YEARS ENDED
MARCH 31, 2018 AND MARCH 31, 2017

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	0	0
Advertising Expense	0	0
Total	0	0
Less: Ending Inventory	0	0
TOTAL COST OF SALES	0	0
GROSS PROFIT	0	0
OPERATING EXPENSES	0	0
INCOME BEFORE ADMINISTRATIVE EXPENSES	0	0
ADMINISTRATIVE EXPENSES	31,227	19,900
INCOME FROM OPERATIONS	(31,227)	(19,900)
OTHER INCOME (EXPENSE)	16,654	36,024
NET INCOME (LOSS) BEFORE INCOME TAXES	(14,573)	16,124
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	0	2,037
State Income Taxes	0	1,356
Total Income Taxes	0	3,393
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	0	0
NET INCOME (LOSS)	\$ (14,573)	\$ 12,731

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2018 AND MARCH 31, 2017

	YEAR ENDED <u>MARCH 31, 2018</u>	YEAR ENDED <u>MARCH 31, 2017</u>
Other Comprehensive Income:		
Net Unrealized Appreciation of Marketable Securities	\$ 16,200	\$ 52,276
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	0	0
State Income Taxes	<u>0</u>	<u>0</u>
Total Income Taxes	<u>0</u>	<u>0</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	5,670	18,297
Deferred State Income Taxes	<u>0</u>	<u>0</u>
Total Deferred Income Taxes	<u>5,670</u>	<u>18,297</u>
Other Comprehensive Income (Net of Taxes)	\$ <u>10,530</u>	\$ <u>33,979</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
MARCH 31, 2018 AND MARCH 31, 2017

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (14,573)	\$ 12,731
Other Comprehensive Income (Net of Tax)	10,530	33,979
Adjustments to reconcile net income (loss) to net cash provided in operating activities:		
Depreciation	0	0
Net Unrealized (Gains) Losses on Investment in Marketable Securities	(16,200)	(52,276)
Net change in operating assets and liabilities:		61,055
(Increase) Decrease in Accounts Receivable		4,202,201
(Increase) Decrease in Other Current Assets	210,000	(373,249)
Increase (Decrease) in Accounts Payable/Accrued Expenses	(273,253)	(509,516)
Increase (Decrease) in Federal and State Corporate Taxes Payable	(3,425)	18,297
Increase (Decrease) in Deferred Federal and State Income Taxes Payable	5,670	3,346,512
Total Adjustments	<u>(77,208)</u>	<u>3,393,222</u>
Net Cash Used By Operating Activities	<u>(81,251)</u>	<u>3,393,222</u>
Cash Flows from Investing Activities:		
Purchase of Marketable Securities		(3,007,000)
Coupon Interest Payment Retained in Marketable Securities	(55,000)	(27,500)
Accrued Interest (Marketable Securities)		(1,222)
Investment Management/Bank Fees Paid Directly from Investment A/C	10,774	0
Investment in Affiliate	(219,994)	(500,000)
Net Cash Provided/(Used) By Investing Activities	<u>(264,220)</u>	<u>(3,535,722)</u>
Cash Flows from Financing Activities:		
Investment Fund Redemptions Paid to Shareholder	49,000	0
Net Cash Provided By Financing Activities	<u>49,000</u>	<u>0</u>
Net Increase/(Decrease) in Cash	(296,471)	(142,500)
Cash at Beginning of Period	491,156	633,656
Cash at End of Period	<u>\$ 194,685</u>	<u>\$ 491,156</u>
 SUPPLEMENTAL DISCLOSURE		
<u>Income Taxes Paid During the Year Ended March 31, 2018:</u>	<u>Federal</u>	<u>Commonwealth of Pennsylvania</u>
Remaining Balance for the Year Ended March 31, 2017	\$ 2,069	\$ 1,356
Estimated Tax Payments for the Year Ended March 31, 2018	<u>0</u>	<u>0</u>
Total Corporate Income Tax Payments - For the Year Ended March 31, 2018	<u>\$ 2,069</u>	<u>\$ 1,356</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
SUPPORTING SCHEDULES TO
STATEMENT OF ACCUMULATED COMPREHENSIVE INCOME AND RETAINED EARNINGS,
STATEMENT OF INCOME FROM OPERATIONS AND
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2018 AND MARCH 31, 2017

	YEAR ENDED MARCH 31, 2018	YEAR ENDED MARCH 31, 2017
OPERATING EXPENSES		
Cash Over & Short & Refused Coupons	\$ 0	\$ 0
Contributions	0	0
Depreciation	0	0
Insurance-Health, Life, Disability	0	0
Lease Expense	0	0
Payroll Tax Expenses	0	0
Rent	0	0
Repairs and Maintenance	0	0
Salaries - Store	0	0
Salaries - Bonus	0	0
Salaries - Pharmacy	0	0
Vacation/Holiday/Sick Pay	0	0
Service Charges	0	0
Supplies	0	0
Telephone	0	0
Travel	0	0
Utilities	0	0
TOTAL OPERATING EXPENSES	\$ <u>0</u>	\$ <u>0</u>
ADMINISTRATIVE EXPENSES		
Bank Service Charges	\$ 969	\$ 2,125
Employer Matching 401-K	0	0
Insurance-General	0	0
Legal and Accounting Fees	19,500	17,775
Office Supplies	0	0
Investment Management Fees	10,758	0
TOTAL ADMINISTRATIVE EXPENSES	\$ <u>31,227</u>	\$ <u>19,900</u>
OTHER INCOME (EXPENSE)		
Interest Income	\$ 60,069	\$ 45,759
Miscellaneous Income	0	265,300
Other Expense	(43,415)	(32)
Final Settlement of March, 2016 Buyout-Damaged/Expired Stock	0	(275,003)
TOTAL OTHER INCOME (EXPENSE)	\$ <u>16,654</u>	\$ <u>36,024</u>
OTHER COMPREHENSIVE INCOME		
Unrealized Appreciation (Decrease) in Marketable Securities	\$ <u>16,200</u>	\$ <u>52,276</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS ACTIVITY

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

In the past two years the Corporation has invested \$719,994 in the affiliated operations of NATCOfarma DO Brasil with the majority of its liquid funds invested in short-term marketable securities to be available for future use at the discretion of its sole owner, NATCO Pharma, Ltd.

BASIS OF ACCOUNTING

The Corporation presents its financial statements on the accrual basis method of accounting in compliance with accounting principles generally accepted in the United States of America.

CASH

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

MARKETABLE SECURITIES

Investments are composed of two mutual funds holding both debt and equity highly-liquid instruments with a small position being maintained in cash. The present purpose and use of the investment portfolio has been characterized as having the investments "available for sale" rather than being held to maturity and as such are reported in the financial statements at current market value as of the end of the reporting period. Unrealized gains and losses are reported in other comprehensive income.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

INCOME TAXES

The Corporation has elected taxation as a "C" Corporation for federal and state income tax purposes. The provisions for income taxes are based on taxes payable or refundable for the current year. Deferred tax assets or liabilities are calculated by applying currently enacted income tax rates to temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

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

As of March 31, 2018, the Corporation had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

With few exceptions, if any, the Corporation is no longer subject to federal, state or local income tax examinations by tax authorities for tax years ending prior to March 31, 2015.

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 14, 2018.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Corporation maintains a checking account with Fulton Bank. Accounts maintained at commercial banks are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management regularly monitors the financial conditions at the bank and tries to keep these risks at a minimum. The Corporation has not previously suffered any such losses. At March 31, 2018, the Corporation's main cash balance of \$194,685 is within the protective limits of FDIC coverage regulations.

NOTE 3 - INVESTMENTS IN MARKETABLE SECURITIES

On July 11, 2016 the Company invested \$2,000,000 of idle cash in the "Global Dynamic Opportunities Fund Ltd.", referred to throughout these notes as "GDOF, Ltd.", a fund specializing in the management of equity-based investments. On December 1, 2016 the Corporation made an additional investment of \$1,099,998 to the "Global Opportunities Fund Limited", referred to below as "GOF, Ltd", a fixed-income fund investment adding diversity to the investment portfolio. The assets of the "GOF, Ltd." Fund are being held in a trust managed by Trident Trust, a leading independent worldwide provider of fund administration services. From that initial investment a quantity of 10,000 Bonds of the State Bank of India/Dubai were purchased on December 2, 2016 for \$1,007,000 plus \$13,597 of accrued interest. The "GOF, Ltd." Fund receives semi-annual interest payments at the end of September and March at the annual rate of 5.5% on the bonds.

Since the inception of the "GOF, Ltd." Fund there have been two cash redemptions made from the "GOF, Ltd" fund that have been remitted to NATCO Pharma, Inc. The first was the return on February 3, 2017 of \$79,378 of excess funds that had not initially been invested in the Bonds and \$49,000 of the interest income that had accumulated in the "GOF, Ltd" fund from the bonds on December 3, 2017. Carrying-costs of \$10,774 have been deducted directly from the income earnings of the fund periodically throughout the year.

The costs, fair market values, and unrealized gains/(losses) from the investments, which are being treated as being "available-for-sale" and, as such, are reported on the financial statements at the period ending fair market value. The cost, unrealized appreciation and year-end valuation of the securities are reported as:

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NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

Description	(Cost) Original Book Value of Investment	Year Ending March, 2018 Fair Market Value of Investment	Year Ending March, 2017 Fair Market Value of Investment	As of March, 2018 Accumulated Unrealized Gain/(Loss)
GDOF, Ltd	\$ 2,000,000	\$ 2,058,376	\$ 2,034,876	\$ 58,376
GOF, Ltd	1,007,000	1,017,100	1,024,400	10,100
Sub-totals	\$ 3,007,000	\$ 3,075,476	3,059,276	\$ 68,476
GOF, Ltd (Cash)		22,725	27,500	N/A
GOF, Ltd (Accr.Int.)	-	1,222	1,222	N/A
Rounding Diff.		1		N/A
Totals	\$ 3,007,000	\$ 3,099,424	\$ 3,087,998	\$ 68,476
	=====	=====	=====	=====

As of March 31, 2018 the Trident Trust held \$22,725 in cash in the GOF, Ltd cash account following the deduction of fund charges from the account while maintaining a cash position of \$27,500 on the same date the previous year. Accrued interest of \$1,222 was earned for both years for the eight days following the scheduled payment date of March 22 through the respective March 31 year-ends for both years.

NOTE 4 - OTHER CURRENT ASSETS

As of the current year-end there is no valuation for other current assets. The analysis of the "Other Current Assets" as of the previous year-end consisted of the following:

	As of March 31, 2017
A/R NATCOfarma Do Brazil (See Notes 5 and 11)	\$ 100,000
Loan Receivable from Care-Mart, Inc.	75,000
Loan Receivable with Former Key Employee (See Notes 10 and 11)	35,000
Total Other Current Assets	\$ 210,000
	=====

In the current year the receivable balance of \$ 100,000 due from NATCOfarma Do Brasil along with accumulated interest earnings of \$5,069 were converted into the equity of NATCOfarma Do Brasil (See Notes 5 and 11).

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NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

The Loan Receivable from Care-Mart, Inc. was utilized to offset a portion of the final settlement of all claims with Care Mart, Inc. (See Note 10).

The Loan Receivable with a Former Key Employee (See Notes 10 and 11) was written off to Other Expense in the current year ending March 31, 2018.

NOTE 5 - INVESTMENT IN NATCOFARMA DO BRASIL

In April, 2017 the Corporation added \$114,975 in cash and converted an outstanding receivable balance of \$100,000 along with \$5,069 in associated interest into an additional equity acquisition of NATCOfarma Do Brasil. Initially the Corporation made equity investments totaling \$500,000 in March, 2017. After deducting \$50 in bank fees, the Corporation's total current investment position of \$719,994 currently holds 2,260,359 shares at \$0.318531 per share for an ownership position of 7.23% of the equity of NATCOfarma Do Brasil. The investment is being accounted for under the cost method of accounting, therefore, there are no incremental changes being reported to the carrying value of the investment for the Corporation's share of profit or loss from the operations of NATCOfarma Do Brasil as of March 31, 2017.

NOTE 6 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	<u>As of</u> <u>March 31, 2018</u>	<u>As of</u> <u>March 31, 2017</u>
Final Settlement with Care-Mart, Inc. for damaged and expired stock (See Note 10)	\$ -	\$ 275,003
Professional Fees Payable	<u>14,250</u>	<u>12,500</u>
Total Accrued Expenses		
Other Liabilities	\$ 14,250	\$ 287,503
	=====	=====

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

NOTE 7 - INCOME TAXES AND DEFERRED INCOME TAXES

The provision for taxes on income consists of the following:

Federal and State Income Taxes Payable

	<u>As of</u> <u>March 31, 2018</u>	<u>As of</u> <u>March 31, 2017</u>
Federal	\$ -0-	\$ 2,069
Commonwealth of Pennsylvania	N/A	1,356
Total Income Taxes Payable	\$ <u>-0-</u>	\$ <u>3,425</u>
	=====	=====

Since the cessation of active operations in March, 2016 the Corporation's taxable income has been limited to interest earnings on investment income, the collection of outstanding receivables, the payment of remaining obligations, and the settlements of various arrangements and disputes associated with the prior activities of the Corporation. Currently taxable income is being recognized for interest income generated from investments less administrative expenses and miscellaneous expenses. For the year ended March 31, 2018 the Corporation's taxable net income/(loss) has been calculated as a loss of approximately (\$12,500) which, instead of a tax liability, translates into a potential future federal tax benefit of approximately \$4,375 which would be used to offset future tax liabilities. This potential benefit is not considered material and has not been included in the financial statements.

With the closure of the Corporation's operations in the Commonwealth of Pennsylvania in March, 2016 there is no remaining connection to the Commonwealth of Pennsylvania and therefore there are no longer any known tax obligations to this jurisdiction.

(continued on next page)

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

The deferred federal tax liability provisions reported as of each respective year-end are based on the federal tax effect of unrealized gains from marketable securities as indicated below:

<u>Tax Attribute(s)</u>	<u>As at March 31, 2018</u>	<u>As at March 31, 2017</u>
Accumulated unrealized gain on marketable securities	\$ 68,476	\$ 52,276
Assumed Tax Rate	<u>x 35%</u>	<u>x 35%</u>
 Deferred Federal Taxes Payable	 \$ 23,967 <u>=====</u>	 \$ 18,297 <u>=====</u>

NOTE 8 - INTEREST INCOME

Interest Income for the two years ended March 31, 2018 and March 31, 2017 were generated from the following sources:

<u>Payee</u>	<u>Purpose</u>	<u>Amount Reported Year Ended March 31, 2018</u>	<u>Amount Reported Year Ended March 31, 2017</u>
State Bank of India/Dubai	Investment	\$ 55,000	\$ 15,125
NATCOfarma Do Brasil	Other Rec.	5,069	-0-
Care-Mart, Inc.	Note Payoff	-0-	29,516
Various	Various	-0-	1,118
Total Interest Income		<u>\$ 60,069</u> <u>=====</u>	<u>\$ 45,759</u> <u>=====</u>

NOTE 9 - MISCELLANEOUS INCOME

Miscellaneous Income reported in the year ended March 31, 2017 consisted of the following:

<u>Description</u>	<u>Year Ended March 31, 2017</u>
Income received, net of expenses incurred prior to the sale of the company (effective March 31, 2016) recognized in the year ended March 31, 2017	\$ 36,510
Close-out of various accruals carried for Contingencies, etc. (Unused)	128,790
Reversal of the Allowance for Doubtful Accounts (Unused)	100,000
Total	<u>\$ 265,300</u> <u>=====</u>

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2017

NOTE 10 - OTHER EXPENSE

In the year ended March 31, 2018 the majority of the \$43,415 reported was the \$35,000 write-down of the balance remaining of an advance made to a former employee. (See Note 11).

In the year ended March 31, 2017 a formal agreement was completed between NATCO Pharma, Inc. and Care-Mart, Inc., the buyer of the Corporation's Lancaster, Pennsylvania store assets. The agreement called for a full and final settlement of all claims regarding damaged and expired stock from Natco Pharma, Inc. in accordance with the terms of the agreement between the two parties dated April 4, 2016 pertaining to the operation of the business prior to the effective sale date of the Corporate Assets on March 31, 2016. The agreed-upon amount of the settlement was \$275,003.

NOTE 11 - RELATED PARTY TRANSACTIONS

In the year ending March 31, 2015, the Corporation had made a short-term loan of \$100,000 to NATCOfarma Do Brazil, a NATCO affiliate located in Brazil. The loan was bearing simple interest at the rate of 5% per annum. Interest income of \$5,069 was reported from this obligation in the year ending March 31, 2018. In April, 2017 the Corporation converted the entire debt and associated interest into the equity of NATCOfarma Do Brasil. (See Note 5).

A \$100,000 advance had been made to a former employee of the parent company in October, 2009. The advance gave the parent company the rights to the intellectual property, including all product formulas associated with the development of an arthritis aerosol foam product for the benefit of NATCO Pharma, Ltd. The agreement stated that if the product development efforts of the parent company did not prove to be successful, the exclusive rights to the product would be returned to the former employee and the advance monies would be paid back. The two-year time period for the agreement expired in October, 2011 and the monies had not been returned. In order to close-out the remaining balance (\$70,000) of the obligation \$35,000 of expense have been charged off to against non-operating income and expenses in the two years ending March 31, 2018 and March 31, 2017.

NOTE 12 - OPERATING LEASES

There are currently no operating leases for which the Corporation is responsible. All previous lease obligations had been transferred to Care-Mart, Inc. effective April 1, 2016.