

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEARS ENDED
MARCH 31, 2021 AND MARCH 31, 2020

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<u>CONTENTS</u>	<u>PAGE</u>
Auditor's Report	1-2
Financial Statements:	
Balance Sheet	3
Statement of Income/(Loss) from Operations, Accumulated Comprehensive Income and Retained Earnings	4
Statement of Income/(Loss) from Operations	5
Statement of Other Comprehensive Income	6
Statement of Cash Flows	7
Supporting Schedules to Statement of Comprehensive Income and Retained Earnings, Statement of Income from Operations and Statement of Other Comprehensive Income	8
Notes to Financial Statements	9-16

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, 2021 and March 31, 2020 and the related statements of income from operations, other comprehensive income, accumulated comprehensive 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.

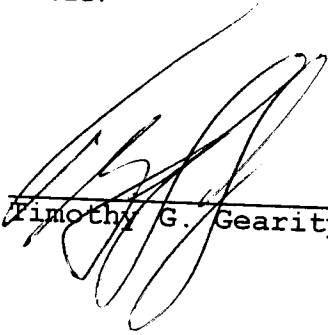
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2021 and March 31, 2020 respectively and the results of its operations, the results of its other comprehensive income, its cash flows and changes in its accumulated comprehensive income and retained earnings for the years then ended in conformity with U.S. generally accepted accounting principles.

Report on "Supporting Schedules to the Statements of Accumulated Comprehensive Income and Retained Earnings, the Statement of Income from Operations and the Statement of Comprehensive Income"

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Supporting Schedules to the Statements of Accumulated Comprehensive Income and Retained Earnings, the Statement of Income from Operations and the Statement of Comprehensive Income" 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

April 27, 2021

NATCO PHARMA, INC.
BALANCE SHEET
MARCH 31, 2021 AND MARCH 31, 2020

ASSETS

	MARCH 31, 2021	MARCH 31, 2020
CURRENT ASSETS		
Cash	\$ 119,592	\$ 41,631
Investments in Marketable Securities	3,006,694	3,176,145
Other Current Assets	4,672	0
TOTAL CURRENT ASSETS	\$ 3,130,958	\$ 3,217,776
NONCURRENT ASSETS		
Notes Receivable from NATCOfarma DO Brazil	\$ 0	\$ 1,824,975
Interest Receivable on Notes from NATCOfarma DO Brazil	0	111,162
Deferred Federal Tax Benefit	1,649	0
Investment in NATCOfarma DO Brasil	2,674,794	719,994
TOTAL NONCURRENT ASSETS	\$ 2,676,443	\$ 2,656,131
TOTAL ASSETS	\$ 5,807,401	\$ 5,873,907

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 3,250	\$ 112,354
Federal Income Taxes Payable	0	3,553
TOTAL CURRENT LIABILITIES	\$ 3,250	\$ 115,907
LONG-TERM LIABILITIES		
Loans Payable To Natco Pharma, Ltd.	\$ 0	\$ 1,650,000
Deferred Federal Income Taxes Payable	0	25,441
TOTAL LONG-TERM LIABILITIES	\$ 0	\$ 1,675,441
TOTAL LIABILITIES	\$ 3,250	\$ 1,791,348
STOCKHOLDER'S EQUITY		
Common Stock, \$1,000 Par Value, 3,000 Shares Authorized, 2,650 Shares Issued and Outstanding	\$ 2,650,000	\$ 1,000,000
Accumulated Other Comprehensive Income	(6,202)	105,804
Retained Earnings	3,160,353	2,976,755
TOTAL STOCKHOLDER'S EQUITY	\$ 5,804,151	\$ 4,082,559
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 5,807,401	\$ 5,873,907

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, 2021 AND MARCH 31, 2020

	FOR THE YEAR ENDED MARCH 31, 2021	FOR THE YEAR ENDED MARCH 31, 2020
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>11,706</u>	<u>30,268</u>
INCOME FROM OPERATIONS	(11,706)	(30,268)
OTHER INCOME (EXPENSE)	<u>231,325</u>	<u>46,486</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>219,619</u>	<u>16,218</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Tax Expense (Benefit)	46,120	3,431
State Income Taxes	0	0
Total Income Taxes	<u>46,120</u>	<u>3,431</u>
NET INCOME (LOSS)	\$ <u>173,499</u>	\$ <u>12,787</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Beginning Balance	\$ 105,804	\$ 124,426
Unrealized Appreciation (Decrease) in Marketable Securities	(7,851)	(23,572)
Deferred Federal Tax Benefit/(Expense)	27,090	4,950
Reclass Adjustment to Retained Earnings	(10,099)	0
Sale of Marketable Securities (Realization of Appreciation)	(121,146)	0
ENDING BALANCE	\$ <u>(6,202)</u>	\$ <u>105,804</u>
RETAINED EARNINGS		
Beginning Balance	\$ 2,976,755	\$ 2,963,968
Net Income	173,499	12,787
Reclass Adjustment from Accumulated Other Comprehensive Inc.	10,099	0
ENDING BALANCE	\$ <u>3,160,353</u>	\$ <u>2,976,755</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS) FROM OPERATIONS
FOR THE YEARS ENDED
MARCH 31, 2021 AND MARCH 31, 2020

	FOR THE YEAR ENDED <u>MARCH 31, 2021</u>	FOR THE YEAR ENDED <u>MARCH 31, 2020</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>11,706</u>	<u>30,268</u>
INCOME FROM OPERATIONS	(11,706)	(30,268)
OTHER INCOME (EXPENSE)	<u>231,325</u>	<u>46,486</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>219,619</u>	<u>16,218</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Tax Expense (Benefit)	46,120	3,431
State Income Taxes	0	0
Total Income Taxes	<u>46,120</u>	<u>3,431</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>173,499</u>	\$ <u>12,787</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2021 AND MARCH 31, 2020

	FOR THE YEAR ENDED MARCH 31, 2021	FOR THE YEAR ENDED MARCH 31, 2020
Other Comprehensive Income:		
Net Unrealized Appreciation of Marketable Securities	\$ (7,851)	\$ (23,572)
 FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	0	0
State Income Taxes	0	0
Total Income Taxes	<u>0</u>	<u>0</u>
 DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Tax Expense/(Benefit)	(27,090)	(4,950)
Deferred State Income Tax Expense/(Benefit)	0	0
Total Deferred Income Tax Expense/(Benefit)	<u>(27,090)</u>	<u>(4,950)</u>
 Other Comprehensive Income/(Loss) (Net of Taxes)	 <u>\$ 19,239</u>	 <u>\$ (18,622)</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
MARCH 31, 2021 AND MARCH 31, 2020

	FOR THE YEAR ENDED MARCH 31, 2021	FOR THE YEAR ENDED MARCH 31, 2020
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 173,499	\$ 12,787
Other Comprehensive Income (Net of Tax) in Marketable Securities	19,239	(18,622)
Adjustments to reconcile net income (loss) to net cash provided in operating activities:		
Net Unrealized (Gains) Losses on Investment	7,851	23,572
Net change in operating assets and liabilities:		
(Increase) Decrease in Other Current Assets	(4,672)	0
(Increase) Decrease in Deferred Federal and State Income Taxes Benefit	(1,649)	0
Increase (Decrease) in Accounts Payable/Accrued Expenses	(109,104)	83,875
Increase (Decrease) in Federal and State Corporate Taxes Payable	(3,553)	(11,772)
Increase (Decrease) in Deferred Federal and State Income Taxes Payable	(25,441)	(4,950)
Total Adjustments	<u>(136,568)</u>	<u>90,725</u>
Net Cash Used By Operating Activities	<u>56,170</u>	<u>84,890</u>
Cash Flows from Investing Activities:		
Sale of Marketable Securities	3,510,709	0
Purchase of Marketable Securities	(3,215,616)	0
Capital Gains on Sale/Conversion of Marketable Securities	(254,639)	(37,371)
Long-Term Loans to NATCOfarma DO	1,824,975	0
Interest Receivable - Long-Term Loans to NATCOfarma DO	111,162	(77,375)
Investment in NATCOfarma Do Brasil	(1,954,800)	0
Net Cash Provided/(Used) By Investing Activities	<u>21,791</u>	<u>(114,746)</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	0
Satisfaction of Loan Payable To NATCO Pharma, Ltd	(1,650,000)	0
Net Cash Provided By Financing Activities	<u>0</u>	<u>0</u>
Net Increase/(Decrease) in Cash	77,961	(29,856)
Cash at Beginning of Period	41,631	71,487
Cash at End of Period	<u>\$ 119,592</u>	<u>\$ 41,631</u>
 <u>SUPPLEMENTAL DISCLOSURE</u>	 FOR THE YEAR ENDED MARCH 31, 2021	 FOR THE YEAR ENDED MARCH 31, 2020
Income Taxes Paid:		
Federal Tax	<u>\$ 54,345</u>	<u>\$ 14,983</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, 2021 AND MARCH 31, 2020

	FOR THE YEAR ENDED <u>MARCH 31, 2021</u>	FOR THE YEAR ENDED <u>MARCH 31, 2020</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	\$ 941	\$ 1,011
Annual Business Registration Fees	0	0
Insurance-General	0	0
Legal and Accounting Fees	10,750	10,000
Office Expenses	15	19,257
Investment Management Fees	0	0
TOTAL ADMINISTRATIVE EXPENSES	\$ 11,706	\$ 30,268
OTHER INCOME (EXPENSE)		
Interest Income	\$ 54,042	\$ 92,770
Capital Gains on Redemption/Conversion of Invested Assets	254,639	37,371
Miscellaneous Income	0	220
Interest Expense	(76,542)	(83,875)
Other Expenses	(814)	0
TOTAL OTHER INCOME (EXPENSE)	\$ 231,325	\$ 46,486
OTHER COMPREHENSIVE INCOME		
Unrealized Appreciation (Decrease) in Marketable Securities	\$ (7,851)	\$ (23,572)

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

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 had been progressively making loans and investments in NATCOfarma DO Brazil, an affiliate of NPI. During the current year, NPI completed the conversion of a five-year note receivable of \$1,824,975 along with \$129,825 in interest earnings that had accumulated on the note, and converted those proceeds into an additional 13.6% ownership of the equity of NATCOfarma DO Brazil during the current quarter, which now totals 18.27%.

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 had been reported in the financial statements at current market value as of the ends of the respective reporting periods with information regarding unrealized gains and losses being reported in the Statement of Other Comprehensive Income.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

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, 2021 and March 31, 2020, there are no Level 1 assets or liabilities.

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, 2021 and March 31, 2020 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.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

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, 2021, NPI 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, NPI is no longer subject to federal, state or local income tax examinations by tax authorities for tax years ending prior to March 31, 2018.

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 April 27, 2021.

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, 2021 NPI's main cash balance of \$ 119,592 remains well within the protected limits of FDIC coverage.

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

NOTE 3 - INVESTMENTS IN MARKETABLE SECURITIES

On June 12, 2020 NPI liquidated the entire portfolio of marketable securities that it had been holding with Global Investment Funds freeing up \$3,310,214 in cash. The transaction netted a capital gain of \$255,215 on the disposition incurring Federal Capital Gains taxes of \$50,792 that were paid shortly thereafter. In the month of July, NPI "rolled-over" \$3,245,000 of the remaining proceeds of the June sale and re-invested those funds in a fiduciary account maintained with Oppenheimer & Co. Inc.

The current asset allocation of the investment portfolio is predominantly held in the corporate bonds of Axis Bank with a short-term maturity date of 6/1/21 and an annual yield of 2.875% while a small cash position is being maintained in a money-market fund for the purposes of maintaining cash liquidity for short-term needs.

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.

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)

Investments in Marketable Securities consisted of the following as of March 31, 2020:

Description	Cost	Date Acquired	Fair Value			Accumulated Unrealized Gains/(Losses)
			Level 1	Level 2	Level 3	
GDOF Cell 99	\$ 2,000,000	11-Jul-2016	\$ 0	\$ 2,150,008	\$ 0	\$ 150,008
GDOF Cell 8	1,054,999	10-Oct-2019	0	1,026,137	0	(28,862)
Totals	\$ 3,054,999		\$ 0	\$ 3,176,145	\$ 0	\$ 121,146

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

NOTE 4 - OTHER CURRENT ASSETS/FEDERAL INCOME TAXES PAYABLE
 The Federal Income Tax Overpayment/Liability reported for the two time periods were calculated as per the table below:

	As at March 31, 2021	As at March 31, 2020
Federal Taxable Income (Loss)	\$ 219,619	\$ 16,340
Federal Corporate Tax Rate	x 21%	x 21%
Federal Tax Liability	\$ 46,120	\$ 3,431
Interest Assessment		122
Less: Federal Taxes Paid	(50,792)	-
Federal Taxes (Overpayment)/Payable	\$ (4,672)	\$ 3,553
	=====	=====

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. As stated in Note 1, NPI completed the conversion of the \$1,875,000 note and \$129,824 of interest that had accrued on the note to acquire 10,841,937 shares of NATCOfarma Do Brasil common stock. NPI currently owns 13,102,296 shares for an 18.27% 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	\$ 719,994
	=====	=====

NOTE 6 - LONG-TERM NOTE RECEIVABLE FROM NATCO DO FARMA BRAZIL AND ACCUMULATED INTEREST

On April 9, 2018 NPI made an initial long-term loan of \$175,000 bearing simple interest at the rate of 5% per annum to NATCOfarma Do Brasil. Additional loans to the affiliate of \$1,649,975 were added in November and December of 2018. The terms of the note bore simple interest at the rate of 5% per annum for a term of five years from the date of each drawdown.

(continued on next page)

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

(continued from previous page)

As reported in Note 5 during the current year NPI had finished converting the principal and accumulated interest on the note into additional common stock equity of NATCOfarma Do Brasil.

	As at March 31, <u>2021</u>	As at March 31, <u>2020</u>
Long-Term Loan to NATCOfarma Do Brasil	\$ 0	\$ 1,824,975
Interest Receivable on Long-Term Loan to NATCOfarma Do Brasil	0	111,162
Total	\$ <u>0</u>	\$ <u>1,936,137</u>
	=====	=====

NOTE 7 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	As at March 31, <u>2021</u>	As at March 31, <u>2020</u>
Accrued Interest Payable to NATCO Pharma, Ltd.	\$ 0	\$ 109,854
Professional Fees Payable	<u>3,250</u>	<u>2,500</u>
Total Accrued Expenses/ Other Liabilities	\$ <u>3,250</u>	\$ <u>112,354</u>
	=====	=====

NOTE 8 - 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 was 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.

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

NOTE 9 - As referred to in Note 8, the parent company of NPI, NATCO Pharma, Inc., converted the outstanding balance of the \$1,650,000 five year loan it had been holding with NPI since December, 2018 into 1,650 shares of common stock of NPI with a par value of \$1,000 per share effective March 1, 2021.

NOTE 10 - 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 associated with liquidations of NPI's marketable securities, interest income accruing on the note held with NPI's affiliate, NATCOfarma Do Brasil, less interest expense on the loan from NPI's parent company.

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, 2021	As at March 31, 2020
Federal Tax Expense	\$ 46,120	\$ 3,431
	=====	=====

NOTE 11 - DEFERRED FEDERAL INCOME TAXES PAYABLE/(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 have not, as of that date, been realized.

	As at March 31, 2021	As at March 31, 2020
<u>Tax Attribute(s)</u>		
Accumulated unrealized Gain/(Loss) on marketable securities (See Note 3)	\$ (7,850)	\$ 121,146
Federal Tax Rate	<u>x 21%</u>	<u>x 21%</u>
Deferred Federal Taxes Payable/(Benefit)	\$ (1,649)	\$ 25,441
	=====	=====

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

NOTE 12 - INTEREST INCOME

The interest income reported was generated from the long-term note held with NATCOfarma Do Brasil (See Note 6) and the quarterly installment(s) of interest generated by the short-term Axis Bank Bonds held in NPI's investment account with Oppenheimer & Co., Inc.

	For the Year Ended March 31, 2021	For the Year Ended March 31, 2020
<u>Borrower</u>		
NATCOfarma Do Brasil	\$ 18,663	\$ 92,770
Axis Bank Bonds 2.875%	47,680	0
Less: Prepaid Interest	(12,301)	0
Total Interest Income	\$ 54,042	\$ 92,770
	=====	=====

NOTE 13 - INTEREST EXPENSE

The interest expense reported for the two respective time periods was incurred on the \$1,650,000 loan provided by the parent company, NATCO Pharma, Ltd. (See Note 8):

	For the Year Ended March 31, 2021	For the Year Ended March 31, 2020
<u>Lender</u>		
NATCO Pharma, Ltd.	\$ 76,542	\$ 83,875
	=====	=====

NOTE 14 - RELATED PARTY TRANSACTIONS

As referred to in Notes 5 and 6 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 18.27% equity position in the affiliated operations of NATCOfarma Do Brasil. During these two respective time periods the five-year note had generated the interest incomes reported in Note 12 and were converted into the common shares of NATCOfarma Do Brasil as detailed in Note 5.

(continued on next page)

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND MARCH 31, 2020

(continued from previous page)

As stated in Note 8 the parent company, NATCO Pharma, Ltd. had advanced loan(s) totaling \$1,650,000 to NPI beginning in December, 2018. Notes 8 and 9 elaborate further on the payoff/conversion of the loan into 1,650 common shares of NPI on March 1, 2021 and the full payoff of 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 current and prior year's interest expense as reported in Note 13.

NOTE 15 - OPERATING LEASES

There are currently no operating leases for which NPI is 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.