INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
NATCO LIFESCIENCES PHILIPPINES, INC.
(A Subsidiary of NATCO Pharma Limited)
Unit 1-B Ground Floor, Manor Building
2629 Taft Avenue, Barangay. 719
Zone 78 Malate, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **NATCO LIFESCIENCES PHILIPPINES, INC.** (the "Company"), which comprise the statements of financial position for the quarters ended March 31, 2023 and 2022, and the statements of income, statements of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company for the quarters ended March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for SEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 PFRS for SEs, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audits. We 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 our 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 audits 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audits.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Note 23 and 24, respectively, to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the 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 our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. 0300-IC
Valid until 2026 audit period

PERCIVAL R. DE GUZMAN
Partner
CPA Certificate No. 92437
SEC Conditional Group A Accredited
Accreditation No. 92437-SEC
Valid for 2022 audit period
BSP Group C Accredited
Accreditation No. 92437-BSP
Valid until 2025 audit period
BIR Accreditation No. 08-006019-1-2020
Valid from November 10, 2020 until November 9, 2023
Tax Identification No. 195-808-180
PTR No. 9567814
Issued on January 4, 2023 at Makati City

May 8, 2023

NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2023 and 2022
(In Philippine Peso)

	NOTES	2023	2022
A S S E T S			
Current Assets			
Cash	5	**6,441,447**	1,713,520
Trade and other receivables	6	**12,970,634**	8,309,172
Inventory	7	**11,634,308**	7,514,846
Prepayments and other current assets	8	**1,861,960**	1,312,396
		32,908,349	18,849,934
Non-current Assets			
Property and equipment - net	9	**291,164**	291,756
Deferred tax assets	21	**1,688,408**	5,470,000
		1,979,572	5,761,756
TOTAL ASSETS		**34,887,921**	24,611,690
LIABILITY AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Trade and other payables	10	**9,384,522**	4,607,373
Loans payable	11	**3,265,740**	3,117,600
Income tax payable		**-**	-
TOTAL LIABILITIES		**12,650,262**	7,724,973
S T O C K H O L D E R S' E Q U I T Y			
Share Capital	12	**34,271,900**	34,271,900
Accumulated loss		**(12,034,241)**	(17,385,183)
TOTAL STOCKHOLDERS' EQUITY		**22,237,659**	16,886,717
TOTAL LIABILITY AND STOCKHOLDERS' EQUITY		**34,887,921**	24,611,690

(See Notes to Financial Statements)

NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF INCOME
For the Quarters ended March 31, 2023 and 2022
(In Philippine Peso)

	NOTES	**2023**	2022
REVENUE	13	**45,365,741**	22,845,581
COST OF SALES	14	**9,106,021**	5,604,062
GROSS PROFIT		**36,259,720**	17,241,519
OTHER INCOME	5,15	**300,570**	1,062
		36,560,290	17,242,581
OPERATING EXPENSES	16	**26,294,690**	18,009,743
FOREIGN EXCHANGE GAIN (LOSS) - net	17	**488,949**	108,796
PROFIT (LOSS) BEFORE TAX		**9,776,651**	(658,366)
INCOME TAX EXPENSE (BENEFIT)		**4,425,709**	(410,914)
INCOME (LOSS)		**5,350,942**	(247,452)

(See Notes to Financial Statements)

NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY
For the Quarters ended March 31, 2023 and 2022
(In Philippine Peso)

	Note	Share Capital	Retained Earnings	Total
Balance at March 1, 2022	12	34,271,900	**(17,137,731)**	**17,134,169**
Loss			(247,452)	**(247,452)**
Balance at March 31, 2022		**34,271,900**	**(17,385,183)**	**16,886,717**
Income			5,350,942	**5,350,942**
Balance at March 31, 2023	12	**34,271,900**	**(12,034,241)**	**22,237,659**

FOREIGN EXCHANGE GAIN (LOSS) - net

NATCO LIFESCIENCES PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS
For the Quarters ended March 31, 2023 and 2022
(In Philippine Peso)

	NOTES	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		**9,776,651**	(658,366)
Adjustments for:			
Retained earnings, beg		**-**	10,350,378
Deferred taxes	21	**3,657,166**	(486,275)
Depreciation	9,16	**(19,929)**	3,778
Unrealized foreign exchange gain (loss)	17	**(142,561)**	34,033
Interest received	5,15	**(240)**	(245)
Operating cash flows before changes in working capital		**13,271,087**	9,243,303
Decrease (increase) in operating assets:			
Trade and other receivables		**(4,661,462)**	(5,182,563)
Inventory		**(4,119,462)**	(1,807,311)
Prepayments and other current assets		**(4,702,467)**	(478,895)
Increase (decrease) in trade and other payables		**4,777,149**	(4,403,859)
Net cash from (used in) operating activities		**4,564,845**	(2,629,325)
CASH FLOW FROM INVESTING ACTIVITY			
Proceeds from disposal of asset		**20,520**	20,520
Finance income received		**240**	245
Net cash used in investing activity		**20,760**	20,765
CASH FLOW FROM FINANCING ACTIVITY			
Deposits for future stock subscription		**-**	3,527,393
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		**142,322**	(34,278)
NET INCREASE IN CASH		**4,727,927**	884,555
CASH AT BEGINNING OF YEAR		**1,713,520**	828,965
CASH AT END OF YEAR		**6,441,447**	1,713,520

(See Notes to Financial Statements)

NATCO LIFESCIENCES PHILIPPINES, INC.
NOTES TO FINANCIAL STATEMENTS
March 31,2023 and 2022

1. CORPORATE INFORMATION

Natco Lifesciences Philippines, Inc. (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) with SEC Registration No. CS201803730 on March 22, 2018. The principal activities of the Company are to manufacture, process, compound, repack, prepare market, import, export, buy, sell at wholesale, distribute, promote all kinds of pharmaceutical and/or food preparation and merchandise drugs, medicines, chemicals, compounds, druggists sundries, supplies, cosmetics, perfumeries, toilet articles, surgical instruments, scientific apparatus and appliances, physicians and hospital supplies, to apply or obtain, register, purchase, lease, acquire, hold, use, exercise, develop, operate, introduce, sell, assign, grant licenses or territorial rights in respect of , or otherwise turn to account or dispose of, trademarks, tradenames, brand, labels, patents, inventions, formulas, or processes for said products; and all other acts, things in connection with the business.

The Company is 99.97% owned by Indian individual and 0.03% owned by Filipino individuals.

The Company’s registered office address is located at Unit 1-B Ground Floor, Manor Building, 2629 Taft Avenue, Barangay 719, Zone 78 Malate, Manila.

2. ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS FOR SMALL ENTITIES (PFRS for SEs)

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of Philippine Financial Reporting Standards for Small Entities (PFRS for SEs).

The SEC requires entities to use PFRS for SEs if all of the following criteria are met, except when they meet certain criteria in which case, they have an option to use PFRS or PFRS for SMEs:

- have total assets of between ₱3 Million to ₱100 Million or total liabilities of between ₱3 Million to ₱100 Million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;
- are not required to file financial statements under Part II of Revised SRC Rule 68;
- are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
- are not holders of secondary licenses issued by regulatory agencies.

3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS for SEs and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the Philippine Peso (₱), the currency of the primary economic environment in which the Company operates ("the functional currency").

The Company chose to present its financial statements using its functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

Financial assets are classified as either 'basic financial assets' or 'other financial assets'.

4.01.01 Basic Financial Assets

The Company recognizes basic financial assets only when the entity becomes a party to the contractual provisions of the instrument. The Company shall measure it at the transaction price (including transaction costs). Subsequent to initial recognition, basic financial assets are measured at amortized cost.

The Company's basic financial assets as presented in the statements of financial position comprise cash and trade and other receivables.

4.01.02 Cash

Cash includes cash on hand and cash in banks. Cash on hand is stated at face value while cash deposits held at call with bank that are subject to insignificant risk of change in value shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

4.01.03 Trade and Other Receivables

Trade and other receivables are recognized initially at the transaction price and subsequently measured at undiscounted amount cash or other consideration expected to be received. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

4.01.04 Amortized Cost

The amortized cost of a financial instrument at each reporting date is the net of the following amounts:

- the amount at which the financial instrument is measured at initial recognition,
- minus any repayments of the principal,
- plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount,
- minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

4.01.05 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset (or a group of financial assets) and of allocating the finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset. The effective interest rate is determined on the basis of the carrying amount of the financial asset at initial recognition.

4.01.06 Impairment of Financial Instruments Measured at Cost or Amortized Cost

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in profit or loss immediately.

The Company assesses all equity instruments regardless of significance individually for impairment. For other financial assets, the Company assesses impairment either individually or grouped on the basis of similar credit risk characteristics.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it has become probable that the debtor will enter bankruptcy or other financial reorganization; and
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For instruments measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For instruments measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The entity shall recognize the amount of the reversal in profit or loss immediately.

4.01.07 Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company derecognizes the asset and any rights and obligations retained or created in the transfer.

4.02 Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted average method. The cost of finished goods and work-in-process comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

If it is impracticable to determine the market value, the Company groups items of inventory relating to the same product line that have similar purposes or end uses and are produced and marketed in the same geographical area for the purpose of assessing impairment.

When the circumstances that previously caused inventories to be impaired no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell because of changed economic circumstances, a reversal of the impairment is recognized so that the new carrying amount is the lower of the cost or the revised selling price less costs 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.

4.03 Prepayments and Other Current Assets

4.03.01 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the expenses related to prepayments are expected to be incurred within one year or the Company's normal operating cycle whichever is longer. Otherwise, prepayments are classified as non-current assets.

4.03.02 Input VAT

Input VAT is recognized when the Company pays all VATable transactions. This is initially recorded as an asset and measured at the amount of cash paid. Subsequently, this may be offset to output VAT.

4.03.03 Excess Tax Credits

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's customers and overpayment of income taxes in prior years. These are accumulated and are reduced when deducted from income tax payables.

4.04 Property and Equipment

Property and equipment is stated initially at cost including expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to Company. The carrying amount of the replaced part is derecognized regardless whether the replaced parts had been depreciated separately. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the property and equipment when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing property and equipment, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Computer equipment	5 years
Office furniture, fixtures and office equipment	5 years

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of a property and equipment is determined as the difference between the sales proceeds and the carrying amount of the property and equipment and is recognized in profit or loss.

The property and equipment's carrying amount is written down immediately to its recoverable amount if the property and equipment's carrying amount is greater than its estimated recoverable amount, as disclosed in Note 4.05.

4.05 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any of its assets other than basic financial assets and deferred tax assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

The Company assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. Indications that an impairment loss may have decreased or may no longer exist are generally the opposite of impairment indicators listed out under Section 21, *Impairment of Assets*. If any such indication exists, the entity shall determine whether all or part of the prior impairment loss should be reversed.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.06 Financial Liabilities and Equity Instruments

4.06.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.06.02 Financial Liabilities

The Company shall recognize a financial liability only when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognized at the transaction price including transaction costs. Financial liabilities are classified either at FVTPL or at amortized cost.

4.06.03 Financial Liabilities at Amortized Cost

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company's financial liability as presented in the statements of financial position pertains to trade and other payable (except due to government agencies) and loans payable.

4.06.04 Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

If an existing borrower and lender exchange financial instruments with substantially different terms, the transaction is accounted for as an extinguishment of the original financial liability and a new financial liability is recognized. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and a new financial liability is recognized. Any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

4.06.05 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the amount of cash received. If payment is deferred and the time value of money is material, the initial measurement shall be on a present value basis.

Ordinary shares are classified as equity.

4.07 Employee Benefits

4.07.01 Short-term Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Company to its employees include salaries, wages, and allowances and SSS, HDMF and PHIC contributions.

4.08 Revenue 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.

4.08.01 Sale of Goods

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership not effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arises from sales of cancer medicines.

4.08.02 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.09 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity.

The Company recognizes expenses in the statements of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.10 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Some arrangements do not take the legal form of a lease but convey rights to use assets in return for payments. Such arrangements are in substance leases of assets.

4.10.01 The Company as Lessee

Amounts due to lessors are recognized as expense in profit or loss in the period in which they are incurred.

4.11 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in profit or loss in the period in which they arise.

4.12 Related Parties and Related Party Transactions

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

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

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person, who is a member of the key management personnel of the reporting entity or of a parent of the reporting entity, has significant voting power in the entity.
- A person, who has control over the reporting entity, has significant influence over the entity or significant voting power in it.
- A person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity; or
- A member of the key management personnel of Company or of a parent of the Company, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.13 Current and Deferred Income Taxes

The tax expense for the period is composed of current and deferred taxes. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Company operates and generates taxable income.

Deferred income tax is recognized on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at the end of each reporting date. An entity shall reduce the carrying amount of deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.14 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. CASH

For the purpose of the statements of cash flows, cash includes cash on hand and in banks.

Cash at the end of each reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

		2023		2022
Cash on hand	**₱**	**5,000**	₱	5,000
Cash in bank		**6,436,447**		1,708,520
	₱	**6,441,447**	₱	1,713,520

Finance income from bank deposits amounted to ₱1,684 and ₱1,064 for the quarters ended March 31, 2023 and 2022, respectively, as disclosed in Note 15.

6. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist of:

		2023		2022
Trade	₱	**12,867,380**	₱	8,088,339
Advances to employees		**103,254**		115,333
Others		**0**		95,000
	₱	**12,970,634**	₱	8,309,172

Trade pertains to receivable from the Company's distributors.

7. INVENTORY

The Company's inventory pertains to medicines for cancer patients. As of March 31, 2023 and 2022, inventories amounted to ₱11,634,308 and ₱7,514,846.

The cost of inventory sold and recognized as cost of sales amounted to ₱9,106,021 and ₱5,604,062, respectively, as disclosed in Note 14.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the Company's prepayments and other current assets are shown below:

		2023		2022
Prepayments	₱	**248,566**	₱	73,848
Input VAT		**1,526,815**		1,205,368
Creditable withholding taxes		-		33,180
Excess tax credits		**86,579**		-
	₱	**1,861,960**	₱	1,312,396

Prepayments include company's security deposit for rental, insurance of employees, and business permit renewal.

Excess tax credits pertain to prepaid income taxes from creditable withholding taxes and income tax payments.

9. PROPERTY AND EQUIPMENT – net

The movements with each class of property and equipment for the quarterly ended March 31, 2023 are as follows:

		Office Furniture, Fixtures and Office Equipment		Computer Equipment		Total
Cost						
April 1, 2023	₱	104,603	₱	589,133	₱	693,736
Additions		167,562		66,375		233,938
March 31, 2023		**272,165**		**655,508**		**927,673**
Accumulated depreciation						
April 1, 2023		70,760		331,280		402,040
Depreciation (Note 16)		37,347		197,122		234,469
March 31, 2023		**108,107**		**528,402**		**636,509**
Carrying amount	**₱**	**164,058**	**₱**	**127,106**	**₱**	**291,164**

In March 2023, additions to property and equipment amounted to ₱233,938 was paid in cash. The Company has determined that there is no indication that an impairment has occurred on its property and equipment.

10. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2023		2022
Trade	₱	**8,867,437**	₱	3,029,127
Accrued payroll		**110,514**		112,933
Due to employees		**142,154**		38,073
Due to government agencies		**223,360**		188,988
Others		**41,057**		1,238,252
	₱	**9,384,522**	₱	4,607,373

Trade payable pertains to accrued professional fees, accrued commission fees, and payables to vendors.

Due to government agencies refer to unremitted expanded, compensation withholding tax, government contribution of employees (SSS, PHIC and HDMF) and others.

11. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related party is disclosed below:

Related Party	Nature of Relationship
NATCO Pharma Limited (NPL)	Ultimate Parent

Balances and transactions between the Company and its related party are disclosed below:

11.01 Due to Related Party

Balances of due to related parties as shown in the statements of financial position are as follows:

	March 31, 2023		March 31, 2022	
	Outstanding Balances in USD	**Outstanding Balances in PHP**	Outstanding Balances in USD	Outstanding Balances in PHP
NATCO Pharma Ltd				
Trade payable	**131,778**	**7,426,426**	44,812	2,270,064
Interest payable	**750**	**41,058**	1,517	77,483
Loans payable	**60,000**	**3,265,740**	60,000	3,117,600

In 2018, the Company entered into a loan agreement with 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 August 8, 2018 and is only drawable on need basis by Natco Lifesciences Philippines Inc.

11.02 Remuneration of Key Management Personnel

The renumeration of the Company's key management personnel amounted to nil as of March 2023.

11.03 Revenue Regulations No. 34 – 2020

The Company is not covered by the requirements and procedures for related transactions provided in RR 34-2020.

12. CAPITAL STOCK

The capital stock of the Company as of 2022 is as follows:

	Number of shares		**Amount of share capital**
Authorized common shares at ₱100 par value per share balance	**342,719**	**₱**	**34,271,900**
Issued and outstanding common shares	**342,719**	**₱**	**34,271,900**

Ordinary shares carry one (1) vote per share and carry a right to dividends.

13. REVENUE

The following is an analysis of the Company's revenues:

		2023		2022
Sales	₱	**46,165,888**	₱	29,420,565
Sales returns and discounts		**(800,147)**		(6,574,984)
	₱	**45,365,741**	₱	22,845,581

The Company earns its revenue from the sale of inventory medicine for lung cancer patients. The Company has engaged the services of distributors to facilitate the sale 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.

14. COST OF SALES

The following is an analysis of the Company's cost of sales:

		2023		2022
Beginning inventory	₱	**7,514,846**	₱	5,707,535
Purchases		**13,573,174**		7,474,204
Other charges booked to inventory		**200,349**		125,446
		21,288,369		13,307,185
FOC		**548,040**		188,277
Ending inventory		**11,634,308**		7,514,846
	₱	**9,106,021**	₱	5,604,062

Purchases mostly pertain to puchases of products from Natco Pharma Ltd. and Naprod Lifesciences Pvt. Ltd.

15. OTHER INCOME

Components of other income are as follows:

		2023		2022
Finance income (Note 6)	₱	**1,684**	₱	1,062
Others		**298,886**		-
	₱	**300,570**	₱	1,062

16. OPERATING EXPENSES

The Company's operating expenses are as follows:

		2023		2022
Salaries, wages, and other benefits (Note 18)	₱	**7,097,458**	₱	6,124,628
Advertising and marketing expense		**6,068,961**		3,302,771
Commissions		**2,726,445**		1,358,065
Transportation and travel		**2,622,147**		1,666,186
Professional fee		**2,055,687**		1,434,142
Fuel and oil		**936,401**		615,706
Meals and representation		**729,049**		444,305
Rentals (Note 19)		**726,024**		303,710
Communication		**417,993**		395,582
SSS, PHIC and HDMF contributions (Note 18)		**399,308**		399,574
Repairs and maintenance		**268,735**		102,230
Office expense		**255,294**		342,053
Depreciation (Note 9)		**234,469**		201,347
Documentation and processing fee		**230,746**		390,452
Supplies		**213,821**		131,848
Bank charges		**173,577**		24,233
Interest expense		**168,755**		135,573
Taxes and licenses		**167,060**		306,561
Insurance		**104,340**		76,307
Utilities		**83,861**		40,661
Training cost		**24,440**		-
Miscellaneous		**590,119**		213,809
	₱	**26,294,690**	₱	18,009,743

Advertising and marketing expense are meals, hotel accommodations, and other expenses incurred by the product specialists.

Transportation and travel pertain to taxi, roro, and air fares incurred.

Commissions pertains to the distribution margin computed based on sales.

17. FOREIGN EXCHANGE LOSS - net

The Company's foreign exchange loss for the quarter ended March 31, 2023 and 2022 amounted to ₱488,949 and ₱108,796.

18. EMPLOYEE BENEFIT

18.01 Short-term Employee Benefits

This account is composed of the following expense as disclosed in Note 16:

		2023		2022
Salaries, wages and allowances	**₱**	**7,097,458**	₱	6,124,628
SSS, PHIC and HDMF contributions		**399,308**		399,574
	₱	**7,496,766**	₱	6,524,202

19. LEASE AGREEMENTS

19.01 The Company as Lessee

19.01.01 Manor Studio Suite 3005-3007

The Company entered into a lease agreement with Manor Realty & Agricultural Development, Inc. to lease private office situated at the Manor Studio Suite 3005-3007 Manor Building, 2629 Taft Avenue, Malate Manila. The lease has terms of one (1) year until September 7, 2022 with options to renew.

Rent expense recognized during the quarter amounted to ₱726,024, as disclosed in Note 16.

20. INCOME TAXES

20.01 Income Tax Recognized in Profit or Loss

The Company's income tax expense and benefit in March 31, 2023 and 2022 amounted to ₱4,425,709 and ₱410,914, respectively.

A numerical reconciliation between tax benefit and expense and the product of accounting profit (loss) multiplied by tax rate in 2023 and 2022 is as follows:

		2023		2022
	₱	**809,708**	₱	(875,958)
Tax effects of:				
Other non-deductible expenses		**3,615,967**		(579)
Non-deductible representation and entertainment		-		465,650
Fine and penalties		**104**		1,035
Finance income subjected to final tax		**(64)**		(1,062)
	₱	**4,425,709**	₱	(410,914)

Details of NOLCO covered by Revenue Regulation No. 25-2020 is as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2019	₱	6,496,514	₱	–	₱	6,496,514	₱	–	₱	–	2022
2020		8,892,995		–		6,187,032		–		2,705,963	2025
2021		3,356,818		–		–		–		3,356,818	2026
	₱	**18,746,327**	₱	–	₱	**12,683,546**	₱	–	₱	**6,062,781**	

The Bureau of Internal Revenue (BIR) has recently issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2020 and 2021.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

21. DEFERRED TAX ASSETS

The movement of the Company's deferred tax asset is as follows:

Year Incurred		NOLCO		Unrealized Foreign Exchange Loss		MCIT		Total
Balance, April 1, 2023	₱	2,020,188	₱	70,991	₱	322,649	₱	**2,413,828**
Recognized in profit or loss		(865,479)		34,101		105,958		**(725,420)**
Balance, March 31, 2023	₱	**1,154,709**	₱	**105,092**	₱	**428,607**	₱	**1,688,408**

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2023.

23. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15 – 2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

23.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in the quarter are as follows:

23.01.01 Output VAT

The Company has zero-rated sales amounting to nil pursuant to the provisions of Section 108 of National Internal Revenue Code.

23.01.02 Input VAT

An analysis of the Company's input tax claimed during the quarter is as follows:

Balance, April 1	₱	(1,205,368)
Current year's domestic purchases/payments for:		
Domestic purchase of goods other than capital goods		15,349
Domestic purchase of services		306,099
Total available input VAT	**₱**	**(883,920)**
Claims for tax credit/refund and other adjustments		-
Balance, March 31	**₱**	**(883,920)**

23.01.03 Taxes and Licenses

An analysis on the Company's taxes and licenses and permit fees paid or accrued during the quarter is as follows:

FDA Renewal	₱	66,695
Business permit		15,000
Annual registration fee		500
Others		83,585
	₱	**165,780**

23.01.04 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the quarter is as follows:

Expanded withholding taxes	₱	839,340
Withholding tax on compensation and benefits		852,994
Final withholding taxes		33,751
	₱	**1,726,085**

24. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19 – 2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

24.01 Revenues

The Company's revenue for the taxable quarter amounted to ₱13,439,623.

24.02 Cost of Sales

The Company's cost of sales for the taxable quarter amounted to ₱2,843,740.

24.03 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Salaries, wages, and other benefits	₱	1,827,448
Advertising and marketing expense		1,163,608
Commissions		917,348
Transportation and travel		706,340
Professional fee		533,280
Rentals		266,804
Fuel and oil		227,296
Meals and representation		192,253
SSS, PHIC and HDMF contributions		122,812
Taxes and licenses		113,377
Communication		112,253
Supplies		69,346
Depreciation		56,010
Office expense		47,784
Interest expense		39,772
Insurance		32,950
Repairs and maintenance		31,740
Training cost		20,840
Realized foreign exchange loss		20,194
Documentation and processing fee		19,769
Utilities		18,510
Bank charges		17,993
	₱	**6,557,727**