

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEAR ENDED
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 sheet as of March 31, 2017 and the related statements of income, retained earnings and cash flows for the year 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

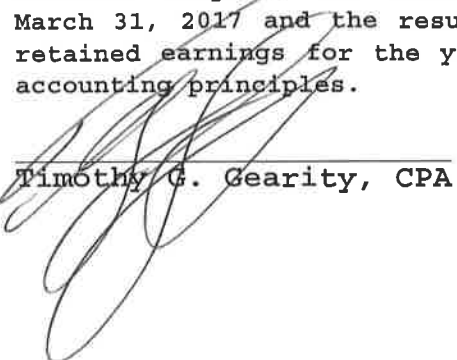
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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, 2017 and the results of its operations, its cash flows and changes in its retained earnings for the year then ended in conformity with U.S. generally accepted accounting principles.


Timothy G. Gearity, CPA

Rutherford, NJ 07070, USA

May 9, 2017

NATCO PHARMA, INC.
BALANCE SHEET
MARCH 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 491,156	
Investments in Marketable Securities	3,087,998	
Other Current Assets	<u>210,000</u>	
TOTAL CURRENT ASSETS		\$ 3,789,154

Investment in NATCOfarma DO Brasil 500,000

OTHER ASSETS

TOTAL ASSETS \$ 4,289,154

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 0	
Accrued Expenses and Other Current Liabilities	287,503	
Federal and State Income Taxes Payable	3,425	
Deferred Federal and State Income Taxes Payable	<u>18,297</u>	
TOTAL CURRENT LIABILITIES		\$ 309,225

LONG-TERM DEBT

0

STOCKHOLDER'S EQUITY

Common Stock, No Par Value, 1,500 Shares Authorized, 1,000 Shares Issued and Outstanding	\$ 1,000,000	
Retained Earnings	<u>2,979,929</u>	
TOTAL STOCKHOLDER'S EQUITY		3,979,929

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 4,289,154

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2017

	Amount
SALES	\$ 0
COST OF SALES	
Beginning Inventory	0
Purchases	0
Freight	0
Total	0
Advertising Expense	0
Total	0
Less: Ending Inventory	0
TOTAL COST OF SALES	0
GROSS PROFIT	0
OPERATING EXPENSES	0
INCOME BEFORE ADMINISTRATIVE EXPENSES	0
ADMINISTRATIVE EXPENSES	19,900
INCOME FROM OPERATIONS	(19,900)
OTHER INCOME (EXPENSE)	88,300
NET INCOME (LOSS) BEFORE INCOME TAXES	68,400
FEDERAL AND STATE INCOME TAXES	
Federal Income Taxes	2,037
State Income Taxes	1,356
Total Income Taxes	3,393
DEFERRED FEDERAL AND STATE INCOME TAXES	
Deferred Federal Income Taxes	18,297
Deferred State Income Taxes	0
Total Deferred Income Taxes	18,297
NET INCOME (LOSS)	\$ 46,710
RETAINED EARNINGS	
Beginning Balance	\$ 2,933,219
Net Income	46,710
Less: Dividend Distributions	0
ENDING BALANCE	\$ 2,979,929

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
MARCH 31, 2017

Cash Flows from Operating Activities:	
Net Income (Loss)	\$ 46,710
Adjustments to reconcile net income (loss) to net cash provided in operating activities:	
Depreciation	0
Net Unrealized (Gains) Losses on Investment in Marketable Securities	(52,276)
Net change in operating assets and liabilities:	
(Increase) Decrease in Accounts Receivable	61,055
(Increase) Decrease in Inventory	0
(Increase) Decrease in Other Current Assets	4,202,201
(Increase) Decrease in Security Deposit	0
Increase (Decrease) in Accounts Payable/Accrued Expenses	(373,249)
Increase (Decrease) in Federal and State Corporate Taxes Payable	(509,516)
Increase (Decrease) in Deferred Federal and State Income Taxes Payable	18,297
Total Adjustments	<u>3,346,512</u>
Net Cash Used By Operating Activities	<u>3,393,222</u>
Cash Flows from Investing Activities:	
Acquisition of Property and Equipment	0
Purchase of Marketable Securities	(3,007,000)
Coupon Interest Payment Retained in Marketable Securities	(27,500)
Accrued Interest Reinvested in Marketable Securities	(1,222)
Investment in Affiliate	(500,000)
Disposition of Property and Equipment	0
Net Cash Provided/(Used) By Investing Activities	<u>(3,535,722)</u>
Cash Flows from Financing Activities:	
Capital Lease Payments	0
Dividends Paid to Shareholder	0
Net Cash Provided By Financing Activities	<u>0</u>
Net Increase in Cash	(142,500)
Cash at Beginning of Period	<u>633,656</u>
Cash at End of Period	<u>\$ 491,156</u>

SUPPLEMENTAL DISCLOSURE

	Federal	Commonwealth of Pennsylvania
<u>Income Taxes Paid During the Year Ended March 31, 2017:</u>		
Remaining Balance for the Year Ended March 31, 2016	\$ 394,663	\$ 117,531
Estimated Tax Payments for the Year Ended March 31, 2017	<u>0</u>	<u>0</u>
Total Corporate Income Tax Payments - For the Year Ended March 31, 2017	<u>\$ 394,663</u>	<u>\$ 117,531</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
SUPPORTING SCHEDULES TO
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2017

	Amount
OPERATING EXPENSES	
Cash Over & Short & Refused Coupons	\$ 0
Contributions	0
Depreciation	0
Insurance-Health, Life, Disability	0
Lease Expense	0
Payroll Tax Expenses	0
Rent	0
Repairs and Maintenance	0
Salaries - Store	0
Salaries - Bonus	0
Salaries - Pharmacy	0
Vacation/Holiday/Sick Pay	0
Service Charges	0
Supplies	0
Telephone	0
Travel	0
Utilities	0
TOTAL OPERATING EXPENSES	\$ 0
 ADMINISTRATIVE EXPENSES	
Bank Service Charges	\$ 2,125
Employer Matching 401-K	0
Insurance-General	0
Legal and Accounting Fees	0
Office Supplies	0
Professional Services	17,775
TOTAL ADMINISTRATIVE EXPENSES	\$ 19,900
 OTHER INCOME (EXPENSE)	
Interest Income	\$ 45,759
Unrealized Appreciation (Decrease) in Marketable Securities	52,276
Miscellaneous Income	265,300
Other Expense	(32)
Final Settlement of March, 2016 Buyout - Damaged and Expired Stock	(275,003)
TOTAL OTHER INCOME (EXPENSE)	\$ 88,300

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 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 acquired the assets of H. Morgan Corporation T/A Savemart on July 9, 2007. The acquisition was reported using the purchase method of accounting. The Corporation is engaged in the retail distribution of health and beauty aids and the operation of a pharmacy at 241 West Roseville Road, Lancaster, Pennsylvania.

Effective March 31, 2016 the tangible and intangible assets of NATCO Pharma, Inc. were sold to Care Mart, Inc. The operations of the store were transferred to Care Mart, Inc. as of that date. NATCO Pharma, Inc. has ceased all active operations other than closing out the collection of all outstanding receivables and paying off all outstanding obligations. As of the current year-end, the Corporation has invested \$500,000 in the affiliated operations of NATCOfarma DO Brasil with the overwhelming bulk of its liquid funds invested in 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. They are reported in the financial statements at market value.

INCOME TAXES

The Corporation has elected taxation as a "C" Corporation for federal and state income tax purposes.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

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 9, 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, 2017, the Corporation's main cash balance was more than \$240,000 in excess of the FDIC's limit. Management feels that a significant portion of this balance will be utilized in the near future to satisfy a \$275,003 settlement with Care Mart, Inc. for damaged and expired stock included in the March, 2016 sale of assets and the balance will be needed for incidental costs that may arise going forward until such time as the corporation should cease to exist or decide upon an alternative course of action.

NOTE 3 - INVESTMENT 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 below as "GDOF, Ltd." Subsequently on December 2, 2016 a quantity of 10,000 Bonds of the State Bank of India/Dubai were purchased for \$1,007,000 plus \$13,597 of accrued interest with the "Global Opportunities Fund Limited", referred to below as "GOF, Ltd". As of March 31, 2017 the Bonds paid coupon interest of \$27,500 and \$1,222 of interest had accrued on the Bonds.

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2017

NOTE 3 - INVESTMENT IN MARKETABLE SECURITIES (Continued)

The costs, carrying values, unrealized gains/(losses), if any, from the investments, which are reported on the financial statements at the period ending fair market value, are reported as follows:

Fund	Investment Cost	Fair Market Value	Year to Date Unrealized Gain/(Loss)
GDOF, Ltd.	\$ 2,000,000	\$ 2,034,876	\$ 34,876
GOF, Ltd.	1,007,000	1,024,400	17,400
Sub-total	<u>\$ 3,007,000</u>	<u>\$ 3,059,276</u>	<u>\$ 52,276</u>
GOF, Ltd. (Cash)	-0-	27,500	-0-
GOF, Ltd. (Accr. Interest)	-0-	1,222	-0-
Total	<u>\$ 3,007,000</u>	<u>\$ 3,087,998</u>	<u>\$ 52,276</u>
	=====	=====	=====

NOTE 4 - OTHER CURRENT ASSETS

Other current assets consist of the following:

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

NOTE 5 - INVESTMENT IN NATCOFARMA DO BRASIL

Just prior to the current year-end, in March, 2017 funds totaling \$500,000 had been transferred for investment in the affiliated operations of NATCOfarma Do Brasil. The investment is being accounted for under the cost method of accounting, therefore, there are no incremental changes 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.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE 6 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	<u>As of March 31, 2017</u>
Final Settlement with Care-Mart, Inc. for Damaged and Expired Stock Included in Sale of Assets to Care-Mart, Inc. at the Close of Business on March 31, 2016 (See Note 9)	\$ 275,003
Professional Fees Payable	<u>12,500</u>
Total Accrued Expenses and Other Liabilities	\$ 287,503 =====

NOTE 7 - INTEREST INCOME

Interest Income for the year ended March 31, 2017 was generated from the following sources:

		<u>Amount Earned Year Ended March 31, 2017</u>
<u>Payee</u>	<u>Purpose</u>	
Care-Mart, Inc.	Pay-off of Note	\$ 29,516
State of India/Dubai	Investment Income	13,903
State of India/Dubai	Accrued Interest	1,222
Various	Miscellaneous	<u>1,118</u>
Total		\$ 45,759 =====

NOTE 8 - MISCELLANEOUS INCOME

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

	<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)	<u>100,000</u>
Total	\$ 265,300 =====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE 9 - OTHER EXPENSE

On March 24, 2017 a formal agreement was completed between Natco Pharma, Inc. and Care-Mart, Inc. for Care-Mart, Inc. to accept a full and final settlement of all claims regarding damaged and expired stock from Natco Pharma, Inc. in accordance with the terms of the indemnification 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 is \$275,003.

NOTE 10 - 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 bears simple interest at the rate of 5% per annum. Interest income has not been accrued in these financial statements and the loan remains outstanding as of March 31, 2017.

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 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 states that if the product development efforts of the parent company should not be successful, the exclusive rights to the product will be returned to the former employee and the advance monies will be returned. The two-year time period for the agreement expired in October, 2011 and the monies have not been returned as of the date of this report. For the year ended March 31, 2017 \$35,000 of expenses have been reported for the professional services provided by the former employee, which have reduced the balance remaining on the loan to \$35,000. Management plans on recognizing additional expenses prior to the March 31, 2018 year-end that will be used to "pay-off" the balance of the loan.

NOTE 11 - OPERATING LEASES

All leases have been transferred to Care-Mart, Inc. effective April 1, 2016.