

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEARS ENDED
MARCH 31, 2019 AND MARCH 31, 2018

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Timothy G. Gearity, CPA
185 Park Avenue
Rutherford, NJ 07070

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Natco Pharma, Inc. T/A Savemart

We have audited the accompanying financial statements of Natco Pharma, Inc. T/A Savemart (a C-Corporation) which comprise the balance sheets as of March 31, 2019 and March 31, 2018 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.

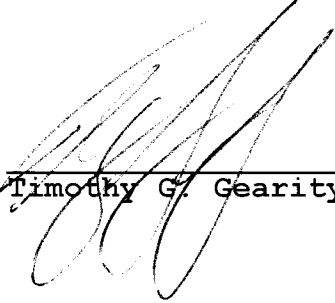
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and March 31, 2018 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

May 6, 2019

NATCO PHARMA, INC.
BALANCE SHEET
MARCH 31, 2019 AND MARCH 31, 2018

ASSETS

	AS AT MARCH 31, 2019	AS AT MARCH 31, 2018
CURRENT ASSETS		
Cash	\$ 71,487	\$ 194,685
Investments in Marketable Securities	3,162,346	3,099,424
TOTAL CURRENT ASSETS	\$ 3,233,833	\$ 3,294,109
NONCURRENT ASSETS		
Note Receivable from NATCOfarma Do Brasil	\$ 1,824,975	\$ 0
Interest Receivable on Note to NATCOfarma Do Brasil	33,787	0
Investment in NATCOfarma DO Brasil	719,994	719,994
TOTAL NONCURRENT ASSETS	\$ 2,578,756	\$ 719,994
TOTAL ASSETS	\$ 5,812,589	\$ 4,014,103

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 28,479	\$ 14,250
Federal Income Taxes Payable	15,325	0
TOTAL CURRENT LIABILITIES	\$ 43,804	\$ 14,250
LONG-TERM LIABILITIES		
Deferred Federal Income Taxes Payable	\$ 30,391	\$ 23,967
Loan Payable to NATCO Pharma, Ltd.	1,650,000	0
TOTAL LONG-TERM LIABILITIES	\$ 1,680,391	\$ 23,967
TOTAL LIABILITIES	\$ 1,724,195	\$ 38,217
STOCKHOLDER'S EQUITY		
Common Stock, No Par Value, 1,500 Shares Authorized, 1,000 Shares Issued and Outstanding	\$ 1,000,000	\$ 1,000,000
Accumulated Other Comprehensive Income	124,426	44,509
Retained Earnings	2,963,968	2,931,377
TOTAL STOCKHOLDER'S EQUITY	4,088,394	3,975,886
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 5,812,589	\$ 4,014,103

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, 2019 AND MARCH 31, 2018

	YEAR ENDING MARCH 31, 2019	YEAR ENDING MARCH 31, 2018
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	<u>0</u>	<u>0</u>
Advertising Expense	0	0
Total	<u>0</u>	<u>0</u>
Less: Ending Inventory	<u>0</u>	<u>0</u>
TOTAL COST OF SALES	<u>0</u>	<u>0</u>
GROSS PROFIT	0	0
OPERATING EXPENSES	<u>0</u>	<u>0</u>
INCOME BEFORE ADMINISTRATIVE EXPENSES	0	0
ADMINISTRATIVE EXPENSES	<u>12,188</u>	<u>31,227</u>
INCOME FROM OPERATIONS	(12,188)	(31,227)
OTHER INCOME (EXPENSE)	<u>60,104</u>	<u>16,654</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>47,916</u>	<u>(14,573)</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	15,325	0
State Income Taxes	<u>0</u>	<u>0</u>
Total Income Taxes	<u>15,325</u>	<u>0</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	<u>0</u>	<u>0</u>
Total Deferred Income Taxes	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	<u>\$ 32,591</u>	<u>\$ (14,573)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Beginning Balance	\$ 44,509	\$ 33,979
Unrealized Appreciation (Decrease) in Marketable Securities	86,341	16,200
Deferred Federal Income Taxes Benefit/(Expense)	<u>(6,424)</u>	<u>(5,670)</u>
ENDING BALANCE	<u>\$ 124,426</u>	<u>\$ 44,509</u>
RETAINED EARNINGS		
Beginning Balance	\$ 2,931,377	\$ 2,945,950
Net Income	<u>32,591</u>	<u>(14,573)</u>
ENDING BALANCE	<u>\$ 2,963,968</u>	<u>\$ 2,931,377</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS) FROM OPERATIONS
FOR THE YEARS ENDED
MARCH 31, 2019 AND MARCH 31, 2018

	YEAR ENDING MARCH 31, 2019	YEAR ENDING MARCH 31, 2018
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	0	0
Advertising Expense	0	0
Total	0	0
Less: Ending Inventory	0	0
TOTAL COST OF SALES	0	0
 GROSS PROFIT	 0	 0
OPERATING EXPENSES	0	0
 INCOME BEFORE ADMINISTRATIVE EXPENSES	 0	 0
ADMINISTRATIVE EXPENSES	12,188	31,227
 INCOME FROM OPERATIONS	 (12,188)	 (31,227)
OTHER INCOME (EXPENSE)	60,104	16,654
 NET INCOME (LOSS) BEFORE INCOME TAXES	 47,916	 (14,573)
 FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	15,325	0
State Income Taxes	0	0
Total Income Taxes	15,325	0
 DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	0	0
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	0	0
 NET INCOME (LOSS)	 \$ 32,591	 \$ (14,573)

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2019 AND MARCH 31, 2018

	YEAR ENDING MARCH 31, 2019	YEAR ENDING MARCH 31, 2018
Other Comprehensive Income:		
Net Unrealized Appreciation of Marketable Securities	\$ 86,341	\$ 16,200
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 Taxes	6,424	5,670
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	<u>6,424</u>	<u>5,670</u>
Other Comprehensive Income (Net of Taxes)	\$ <u>79,917</u>	\$ <u>10,530</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
MARCH 31, 2019 AND MARCH 31, 2018

	YEAR ENDING MARCH 31, 2019	YEAR ENDING MARCH 31, 2018
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 32,591	\$ (14,573)
Other Comprehensive Income (Net of Tax)	79,917	10,530
Adjustments to reconcile net income (loss) to net cash provided in operating activities:		
Depreciation	0	0
Net Unrealized (Gains) Losses on Investment in Marketable Securities	(86,341)	(16,200)
Net change in operating assets and liabilities:		
(Increase) Decrease in Accounts Receivable		210,000
(Increase) Decrease in Other Current Assets		(273,253)
Increase (Decrease) in Accounts Payable/Accrued Expenses	14,229	(3,425)
Increase (Decrease) in Federal Corporate Taxes Payable	15,325	5,670
Increase (Decrease) in Deferred Federal Income Taxes Payable	6,424	(77,208)
Total Adjustments	<u>(50,363)</u>	<u>(77,208)</u>
Net Cash Provided/(Used) By Operating Activities	<u>62,145</u>	<u>(81,251)</u>
Cash Flows from Investing Activities:		
Long-Term Loans to NATCOfarma Do Brasil	(1,824,975)	
Interest Receivable on L/T Loans to NATCOfarma Do Brasil	(33,787)	
Investment in NATCOfarma Do Brasil		(219,994)
Capital (Gains) on Sales of Marketable Securities	(59,578)	
Investment Fund Redemptions Paid to Shareholder	82,997	49,000
Coupon Interest Payment Retained in Marketable Securities		(55,000)
Investment Management/Bank Fees Paid/(Reduced) Directly from Investment A/C		10,774
Net Cash Provided/(Used) By Investing Activities	<u>(1,835,343)</u>	<u>(215,220)</u>
Cash Flows from Financing Activities:		
Long-Term Loan proceeds from NATCO Pharma, Ltd.	1,650,000	
Net Cash Provided By Financing Activities	<u>1,650,000</u>	<u>0</u>
Net Increase/(Decrease) in Cash	(123,198)	(296,471)
Cash at Beginning of Period	194,685	491,156
Cash at End of Period	<u>\$ 71,487</u>	<u>\$ 194,685</u>
SUPPLEMENTAL DISCLOSURE		
Income Taxes Paid:	Year Ending March 31, 2019	Year Ending March 31, 2018
Federal Tax	<u>\$ 0</u>	<u>\$ 0</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
SUPPORTING SCHEDULES TO
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS,
STATEMENT OF INCOME FROM OPERATIONS AND
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED
MARCH 31, 2019 AND MARCH 31, 2018

	YEAR ENDING MARCH 31, 2019	YEAR ENDING MARCH 31, 2018
OPERATING EXPENSES		
Cash Over & Short & Refused Coupons	\$ 0	\$ 0
Contributions	0	0
Depreciation	0	0
Insurance-Health, Life, Disability	0	0
Lease Expense	0	0
Payroll Tax Expenses	0	0
Rent	0	0
Repairs and Maintenance	0	0
Salaries - Store	0	0
Salaries - Bonus	0	0
Salaries - Pharmacy	0	0
Vacation/Holiday/Sick Pay	0	0
Service Charges	0	0
Supplies	0	0
Telephone	0	0
Travel	0	0
Utilities	0	0
TOTAL OPERATING EXPENSES	\$ <u>0</u>	\$ <u>0</u>
ADMINISTRATIVE EXPENSES		
Bank Service Charges	\$ 1,189	\$ 969
Employer Matching 401-K	0	0
Insurance-General	0	0
Legal and Accounting Fees	10,750	19,500
Business Registration Fees	249	0
Investment Management Fees	0	10,758
TOTAL ADMINISTRATIVE EXPENSES	\$ <u>12,188</u>	\$ <u>31,227</u>
OTHER INCOME (EXPENSE)		
Interest Income	\$ 33,787	\$ 60,069
Capital Gains on Sales of Securities	59,578	0
Interest Expense	(25,979)	0
Other Expense	(7,282)	(43,415)
TOTAL OTHER INCOME (EXPENSE)	\$ <u>60,104</u>	\$ <u>16,654</u>
OTHER COMPREHENSIVE INCOME		
Unrealized Appreciation (Decrease) in Marketable Securities	\$ <u>86,341</u>	\$ <u>16,200</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
BUSINESS ACTIVITY

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

Following the sale of the store the Corporation began making investments that, as of the date of this report, total \$719,994 in the affiliated operations of NATCOfarma DO Brasil. The remainder of sale proceeds are currently invested in highly-liquid short-term marketable securities to be available for future use at the discretion of its sole owner, NATCO Pharma, Ltd.

BASIS OF ACCOUNTING

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

CASH

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

MARKETABLE SECURITIES

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

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

INCOME TAXES

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

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

As of March 31, 2019, the Corporation had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

With few exceptions, if any, the Corporation is no longer subject to federal, state or local income tax examinations by tax authorities for tax years ending prior to March 31, 2016.

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 6, 2019.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

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, 2019, the Corporation's cash balance of \$ 71,487 is within the protective limits of FDIC coverage regulations.

NOTE 3 - INVESTMENTS IN MARKETABLE SECURITIES

The Corporation currently maintains two highly-liquid investment funds to optimize the financial performance of the fiscal resources remaining from the March 31, 2016 sale of the Savemart store assets. On July 11, 2016 the Company invested \$2,000,000 in the "Global Dynamic Opportunities Fund Ltd.", referred to throughout these notes as "GDOF, Ltd.", a fund specializing in the management of equity-based investments. On December 1, 2016 the Corporation made an additional investment of \$1,099,998 to the "Global Opportunities Fund Limited", referred to below as "GOF, Ltd", a fixed-income fund investment which added diversity and balance to the investment portfolio. The assets of both funds were being held in a trust managed by Trident Trust, a leading independent worldwide provider of fund administration services. The "GOF, Ltd." fund was liquidated on 3/26/19 and immediately replaced on the same day in the same family of funds with a \$1,017,628 investment in a fund referred to as "GDOF Cell 8". Capital gains of \$59,578 have been recognized from the liquidation of the initial investment and \$82,997 of net investment earnings from the fund were distributed to the corporation throughout the current fiscal year.

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. The cost, unrealized appreciation and year-end valuation of the securities are reported as:

(continued on next page)

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

Description	(Cost) Original Book Value of Investment	Year Ending March, 2019 Fair Market Value of Investment	Year Ending March, 2018 Fair Market Value of Investment	As of March, 2019 Accumulated Unrealized Gain/(Loss)
GDOF, Ltd	\$ 2,000,000	\$ 2,147,414	\$ 2,058,376	\$ 147,414
GDOF Cell 8	1,017,628	1,014,931	N/A	(2,697)
GOF, Ltd	N/A	N/A	1,017,100	N/A
GOF, Ltd (Cash)	-	-	22,725	N/A
GOF, Ltd (Accr.Int.)	-	-	1,222	N/A
Rounding Diff.		1	1	1
Totals	<u>\$ 3,017,628</u>	<u>\$ 3,162,346</u>	<u>\$ 3,099,424</u>	<u>\$ 144,718</u>

As of March 31, 2018 the Trident Trust held \$22,725 in cash in the GOF, Ltd cash account following the deduction of fund charges from the account. Accrued interest of \$1,222 was earned for the eight days following the scheduled payment date of March 22 through the respective March 31 year-end for that year. As of March 31, 2019 the semi-annual interest earnings net of expenses of \$26,581 earned by the GOF, Ltd. fund were transferred to the Corporation simultaneously with the liquidation of that security.

Listed below are comparative per share cost and Net Asset Value (NAV) statistics for the funds for the respective time periods:

Description	Cost Per Share Of Investment	As of March, 2019 Net Asset Value Per Share of Investment	As of March, 2018 Net Asset Value Per Share of Investment
GDOF, Ltd	\$ 100.06	\$ 107.43	\$ 104.61
GDOF Cell 8	103.89	103.61	N/A
GOF, Ltd	10.21	N/A	10.86

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

NOTE 4 - INVESTMENT IN NATCOFARMA DO BRASIL

In April, 2017 the Corporation added \$114,975 in cash and converted an outstanding receivable balance of \$100,000 along with \$5,069 in associated interest into an additional equity acquisition of NATCOfarma Do Brasil. Initially the Corporation made equity investments totaling \$500,000 in March, 2017. After deducting \$50 in bank fees, the Corporation's total current investment position of \$719,994 currently holds 2,260,359 shares at a cost of \$0.318531 per share for an ownership position of 5.62% of the equity of NATCOfarma Do Brasil. The investment is being accounted for under the cost method of accounting, therefore, there are no incremental changes being reported to the carrying value of the investment for the Corporation's share of profit or loss from the operations of NATCOfarma Do Brasil as of the respective year-ends for both March 31, 2019 and March 31, 2018.

NOTE 5 - LONG-TERM NOTE RECEIVABLE FROM NATCO Do Farma Brazil

During the current fiscal year ended March 31, 2019 the Corporation has made long-term loans totaling \$1,824,975 in loans (net of \$25 of bank charges) bearing simple interest at the rate of 5% per annum to NATCOfarma Do Brasil. The term of the loan is for five years from the date of each drawdown.

As of March 31, 2019 interest in the amount of \$33,787 has been accrued on the note.

NOTE 6 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	<u>As of</u> <u>March 31, 2019</u>	<u>As of</u> <u>March 31, 2018</u>
Accrued Interest Payable to NATCO Pharma, Ltd. (Note 7)	\$ 25,979	\$ 0
Professional Fees Payable	2,500	14,250
Total Accrued Expenses		
Other Liabilities	\$ 28,479	\$ 14,250
	=====	=====

NOTE 7 - LOANS PAYABLE TO NATCO PHARMA, LTD.

In December, 2018 loans totaling \$1,650,000 were advanced from the parent company, NATCO Pharma, Ltd., to the Corporation for the express purpose of providing working capital to the Corporation's affiliate, NATCOfarma Do Brasil. The terms of the loans are for five years from the date of the drawdowns with simple interest accruing on the loan balance at the rate of 5% per annum.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

NOTE 8 - INCOME TAXES

For the current year ended March 31, 2019, a Federal Tax obligation of \$15,325 has been incurred primarily due to non-operating income from the capital gains generated by the turnover/disposition on March 26, 2019 of the investment in the General Opportunities Fund (GOF) plus interest income of \$33,787 accruing from the loans to NATCOfarma Do Brasil less the interest expense of \$25,979 incurred on the loans from the parent company, NATCO Pharma, Ltd.

For the prior year ending March 31, 2018 the expenses of ongoing administration of the Corporation offset the income recognized from the Corporation's investments so that there wasn't a Federal tax obligation for that year.

Effective for tax years beginning after December 31, 2017 the provision of the Federal "Tax Cuts and Jobs Act of 2017" went into effect. In accordance with those changes the Federal tax rate(s) utilized in these illustrations have been revised to 21% for the time periods affected as opposed to 35% used for earlier time periods.

With the closure of the Corporation's operations in the Commonwealth of Pennsylvania in March, 2106 there is no remaining connection, other than as a mailing address, to the Commonwealth of Pennsylvania and, therefore, there are no longer any known tax obligations to this jurisdiction.

NOTE 9 - DEFERRRED FEDERAL INCOME TAXES

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

<u>Tax Attribute(s)</u>	<u>As at March 31, 2019</u>	<u>As at March 31, 2018</u>
Accumulated unrealized gain on marketable securities	\$ 144,718	\$ 68,476
Assumed Tax Rate	<u>x 21%</u>	<u>x 35%</u>
Deferred Federal Taxes Payable	<u>\$ 30,391</u>	<u>\$ 23,967</u>

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

NOTE 8 - INTEREST INCOME

Interest Income for the two years ended March 31, 2019 and March 31, 2018 were generated from the following sources:

<u>Payee</u>	<u>Purpose</u>	Amount Reported Year Ended March 31, 2019	Amount Reported Year Ended March 31, 2018
GOF, Ltd.	Investment	\$ 0*	\$ 55,000
NATCOfarma Do Brasil	Other Rec.	33,797	5,069
Total Interest Income		<u>\$ 33,797</u>	<u>\$ 60,069</u>
		=====	=====

- See Note 9 (Capital Gains)

NOTE 9 - CAPITAL GAINS ON SALES OF SECURITIES

In the year ending March 31, 2019 the Corporation reported \$59,578 in capital gains, which included \$55,000 in interest earnings generated from the underlying fixed income investment (GOF, Ltd.) during the current year. On March 26, 2019 all of the remaining shares of the Global Opportunities Fund, Ltd. (GOF, Ltd.) were liquidated. The entire principal portion of the investment (\$1,017,628) was reinvested on the same day into a fund entitled "Global Dynamic Opportunities Fund Cell 8". To close-out the account, the interest earnings that had accumulated in the "GOF, Ltd." fund in the amount of \$27,416, net of bank fees, was distributed and in-transit to the Corporation at year-end as a part of the \$82,997 of net fund earnings that had been distributed to the Corporation during the current fiscal year.

NOTE 10 - INTEREST EXPENSE

The current year's interest expense of \$25,979 is the amount that has accrued on the \$1,650,000 loan provided by NATCO Pharma, Ltd. referred to previously in Note 7.

NOTE 11 - OTHER EXPENSE

In the year ended March 31, 2018 the majority of the \$43,415 reported was the \$35,000 write-down of the balance remaining of a \$100,000 advance made to a former employee in October, 2009 for 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.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

NOTE 12 - RELATED PARTY TRANSACTIONS

As referred to in Notes 4 and 5 to these financial statements the Corporation has invested cash, converted debt and associated interest totaling \$719,994 for a 5.62% equity position and holds a \$1,824,975 five year note receivable plus accrued interest of \$ 33,787 as of March 31, 2019 for monies lent to NATCOfarma Do Brasil.

As referred to in Notes 6 and 7 the parent company, NATCO Pharma, Ltd. has advanced \$1,650,000 to the Corporation in December, 2018 payable in a five year note which has accrued interest payable of \$25,979 as of March 31, 2019.

As referred to in Note 11, in the year ended March 31, 2018 the \$35,000 balance remaining from a \$100,000 advance made to a former employee in October, 2009 for the rights to intellectual property associated with the development of an arthritis aerosol foam product for the benefit of NATCO Pharma, Ltd. was written off to Other Expense.

NOTE 13 - OPERATING LEASES

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