

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEARS ENDED
MARCH 31, 2024 AND MARCH 31, 2023

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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.

Opinion

We have audited the accompanying financial statements of Natco Pharma, Inc. (a C-Corporation) which comprise the balance sheets as of March 31, 2024 and March 31, 2023 and the related statements of income/(loss), retained earnings and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natco Pharma, Inc. as of March 31, 2024 and March 31, 2023 and the results of its operations, its cash flows and changes in its retained earnings for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion on Report on the "Supporting Schedules to the Statement of Income and Retained Earnings"

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Supporting Schedules to the Statement of Income and Retained Earnings" are presented for the purposes of providing additional analysis and are 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.

Basis for Opinion(s)

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. We are required to be independent of Natco Pharma, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Natco Pharma, Inc.'s ability to continue as a going concern for one year from the date the financial statements are issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered if individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Natco Pharma, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Natco Pharma, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Timothy G. Gearity, CPA

Rutherford, NJ 07070, USA

April 29, 2024

NATCO PHARMA, INC.
BALANCE SHEET
MARCH 31, 2024 AND MARCH 31, 2023

ASSETS

	MARCH 31, 2024	MARCH 31, 2023
CURRENT ASSETS		
Cash	\$ 308,994	\$ 318,990
Other Current Assets	19,324	16,280
TOTAL CURRENT ASSETS	<u>\$ 328,318</u>	<u>\$ 335,270</u>
NONCURRENT ASSETS		
Investment in NATCO Pharma (USA), LLC	\$ 33,715,000	\$ 28,715,000
Investment in NATCOfarma DO Brasil	<u>2,674,794</u>	<u>2,674,794</u>
TOTAL NONCURRENT ASSETS	<u>\$ 36,389,794</u>	<u>\$ 31,389,794</u>
TOTAL ASSETS	<u>\$ 36,718,112</u>	<u>\$ 31,725,064</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 8,730	\$ 6,230
State of New Jersey Corporate Income Taxes Payable	<u>4,000</u>	<u>2,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 12,730</u>	<u>\$ 8,230</u>
LONG-TERM LIABILITIES		
Loan Payable to Natco Pharma (Canada), Inc.	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$ 12,730</u>	<u>\$ 8,230</u>
STOCKHOLDER'S EQUITY		
Common Stock, \$1,000 Par Value, 45,000 Shares Authorized, 33,565 Shares Issued and Outstanding as of March 31, 2024 and 35,000 Shares Authorized, 28,565 Issued and Outstanding as of March 31, 2023	<u>\$ 33,565,000</u>	<u>\$ 28,565,000</u>
Retained Earnings	<u>3,140,382</u>	<u>3,151,834</u>
TOTAL STOCKHOLDER'S EQUITY	<u>\$ 36,705,382</u>	<u>\$ 31,716,834</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 36,718,112</u>	<u>\$ 31,725,064</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF INCOME/(LOSS)
AND RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2024 AND MARCH 31, 2023

	FOR THE YEAR ENDED <u>MARCH 31, 2024</u>	FOR THE YEAR ENDED <u>MARCH 31, 2023</u>
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	<u>0</u>	<u>0</u>
Advertising Expense	0	0
Total	<u>0</u>	<u>0</u>
Less: Ending Inventory	<u>0</u>	<u>0</u>
TOTAL COST OF SALES	<u>0</u>	<u>0</u>
GROSS PROFIT	0	0
OPERATING EXPENSES		
INCOME BEFORE ADMINISTRATIVE EXPENSES	0	0
ADMINISTRATIVE EXPENSES	<u>12,561</u>	<u>17,322</u>
INCOME FROM OPERATIONS	(12,561)	(17,322)
OTHER INCOME (EXPENSE)	<u>65</u>	<u>(1,828)</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>(12,496)</u>	<u>(19,150)</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Tax Expense (Benefit)	(3,044)	(4,862)
State Income Taxes	2,000	4,000
Total Income Taxes	<u>(1,044)</u>	<u>(862)</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes (Benefit)	0	0
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	<u>0</u>	<u>0</u>
TOTAL INCOME TAXES	<u>(1,044)</u>	<u>(862)</u>
NET INCOME (LOSS)	<u>\$ (11,452)</u>	<u>\$ (18,288)</u>
RETAINED EARNINGS		
Beginning Balance	\$ 3,151,834	\$ 3,170,122
Net Income	<u>(11,452)</u>	<u>(18,288)</u>
ENDING BALANCE	<u>\$ 3,140,382</u>	<u>\$ 3,151,834</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
MARCH 31, 2024 AND MARCH 31, 2023

	FOR THE YEAR ENDED <u>MARCH 31, 2024</u>	FOR THE YEAR ENDED <u>MARCH 31, 2023</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (11,452)	\$ (18,288)
Net change in operating assets and liabilities:		
(Increase) Decrease in Other Current Assets	(3,044)	36,216
Increase (Decrease) in Accounts Payable/Accrued Expenses	2,500	(44,784)
Increase (Decrease) in State of New Jersey Corporate Taxes Payable	<u>2,000</u>	<u>2,000</u>
Total Adjustments	<u>1,456</u>	<u>(6,568)</u>
Net Cash Provided/(Used) By Operating Activities	<u>(9,996)</u>	<u>(24,856)</u>
Cash Flows from Investing Activities:		
Investment in NATCO Pharma (USA), LLC	<u>(5,000,000)</u>	<u>(10,715,000)</u>
Net Cash Provided/(Used) By Investing Activities	<u>(5,000,000)</u>	<u>(10,715,000)</u>
Cash Flows from Financing Activities:		
Payback of Loan to NATCO Pharma (USA), LLC		4,000,000
Payoff of Loan from NATCO Canada		(4,000,000)
NATCO Pharma Ltd. Acquisition of Additional Shares of NATCO Pharma, Inc.	<u>5,000,000</u>	<u>10,715,000</u>
Net Cash Provided By Financing Activities	<u>5,000,000</u>	<u>10,715,000</u>
Net Increase/(Decrease) in Cash	(9,996)	(24,856)
Cash at Beginning of Period	<u>318,990</u>	<u>343,846</u>
Cash at End of Period	<u>\$ 308,994</u>	<u>\$ 318,990</u>

	FOR THE YEAR ENDED <u>MARCH 31, 2024</u>	FOR THE YEAR ENDED <u>MARCH 31, 2023</u>
<u>SUPPLEMENTAL DISCLOSURE</u>		
Income Taxes Paid:		
Federal Taxes	\$ 0	\$ 0
State of New Jersey Corporate Taxes	\$ 0	\$ 0
Interest Paid	\$ 0	\$ 117,445

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
SUPPORTING SCHEDULES TO
STATEMENT OF INCOME/(LOSS) AND
RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2024 AND MARCH 31, 2023

	FOR THE YEAR ENDED <u>MARCH 31, 2024</u>	FOR THE YEAR ENDED <u>MARCH 31, 2023</u>
OPERATING EXPENSES		
Cash Over & Short & Refused Coupons	\$ 0	\$ 0
Contributions	0	0
Depreciation	0	0
Insurance-Health, Life, Disability	0	0
Lease Expense	0	0
Payroll Tax Expenses	0	0
Rent	0	0
Repairs and Maintenance	0	0
Salaries - Store	0	0
Salaries - Bonus	0	0
Salaries - Pharmacy	0	0
Vacation/Holiday/Sick Pay	0	0
Service Charges	0	0
Supplies	0	0
Telephone	0	0
Travel	0	0
Utilities	0	0
TOTAL OPERATING EXPENSES	\$ 0	\$ 0
ADMINISTRATIVE EXPENSES		
Bank Service Charges	\$ 377	\$ 881
Business Registration Fees	934	300
Legal and Accounting Fees	11,250	10,000
Office Expenses	0	6,141
TOTAL ADMINISTRATIVE EXPENSES	\$ 12,561	\$ 17,322
OTHER INCOME (EXPENSE)		
Interest Income	\$ 0	\$ 115,618
Other Expenses	0	(1)
Miscellaneous Income	65	0
Interest Expense	0	(117,445)
TOTAL OTHER INCOME (EXPENSE)	\$ 65	\$ (1,828)

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
STAND-ALONE FINANCIAL STATEMENTS DEFINED

Effective January 1, 2022 NATCO Pharma, Inc., hereafter referred to as "NPI", acquired 100% of the ownership interests of Dash Pharmaceuticals, LLC which was renamed in June of 2023 as NATCO Pharma (USA), LLC as explained further in the notes that follow. For the foreseeable future, NATCO Pharma (USA), LLC, hereafter referred to in these notes as NPUSA, LLC will be submitting their financial reports separately from NPI directly to NATCO Pharma, Ltd., who will consolidate the financial reporting of the two entities for the next level of financial reporting. The financial statements presented here, on a stand-alone basis, will be limited to the activities of NPI only, the reporting of NPI's other ownership interest (NATCO farma Do Brasil, Ltd.) and include only those transactions with NPUSA, LLC that have taken place directly between the two entities, which will generally be limited to NPI's equity contributions and loan activities and any interest income associated with the outstanding loan receivable that had been due from NPUSA, LLC to NPI prior to the March 31, 2023 year-end and interest expense associated with a loan of the same amount and term (\$4,000,000), 5 years and simple interest of 4.17% that had been payable by NPI to an affiliate, NATCO Pharma (Canada), Inc., also prior to the March 31, 2023 year-end.

Starting in July, 2023 the official office address of NPI will have been moved from Lancaster, Pennsylvania to Parsippany, New Jersey, in the new home location for NPUSA, LLC.

BUSINESS ACTIVITY

NPI was incorporated in the State of Delaware on October 10, 2006. NPI had originally been formed to acquire the assets of H. Morgan Corporation T/A Savemart on July 9, 2007. NPI had been engaged in the retail sale of health and beauty aids and the operation of a pharmacy at 241 West Roseville Road, Lancaster, Pennsylvania until the effective date of March 31, 2016 when the tangible and intangible assets of NATCO Pharma, Inc. were sold to Care Mart, Inc. The operations of the store were then transferred to the buyer.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

Following the sale of the store NPI has been progressively making loans and investments in NATCOfarma DO Brazil, an affiliate of NPI. As of September 30, 2023, NPI had converted all of the outstanding loans and associated interest accruing on those loans into 13,102,296 common shares of NATCOfarma DO Brazil, for an 12.82% equity ownership position of the affiliate's common stock equity.

On November 23, 2023, NATCO Pharma, Ltd., the Parent Company of NPI, had increased the number of NPI's authorized shares to 45,000 shares. To date, 33,565 shares have been issued and are 100% owned by the Parent Company, NATCO Pharma, Ltd., with a total capitalization of \$33,565,000 of common stock.

With an effective date of January 1, 2022, NPI acquired 100% of the membership ownership interests of Dash Pharmaceuticals LLC (NPUSA, LLC) for \$18,000,000 from its three founding members and CBC Capital who, prior to the sale, had owned 1,000 Class A Units of the entity and had been holding a \$4,000,000 note receivable from them, also. The \$4,000,000 note that had been due to CBC Capital was, in turn, paid off from the resources provided by the issuance to Dash, (NPUSA, LLC), of a five-year note payable to NPI for \$4,000,000 bearing simple interest at the rate of 4.17% per annum. The founders had continued in their management roles as employees of the newly-formed venture. Any and all obligations, Class A units, rights, etc. previously owned by CBC Capital have been satisfied and are no longer in effect.

The acquisition by NPI had been funded from the liquidation of NPI's entire portfolio of marketable securities and an initial equity investment of \$15,200,000 by the Parent Company on December 24, 2021. The funding for the CBC Capital loan payoff, in turn, had been provided to NPI by the five-year loan (referred to above) that NPI received from an affiliate, NATCO Pharma (Canada), Inc.

Additional infusions of equity funding of \$1,500,000 were made on March 15, 2024 and November 7, 2023, \$2,000,000 on August 25, 2023, \$6,715,000 on May 22, 2022 and \$4,000,000 on December 8, 2022. The proceeds of the December, 2022 funding were used to pay off the intercompany loan of \$4,000,000 that had been held by NPI along with the associated interest that had accumulated, in full. In turn, NPI paid off the entire amount of the outstanding loan of \$4,000,000 and associated interest that had been owed to its affiliate, NATCO Pharma, (Canada), Inc.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

NPUSA, LLC's primary business focus will continue to be to "develop partnerships, product licensing, sales, marketing, and the distribution of generic pharmaceutical products" with an emphasis on "the development and distribution of niche products across a variety of dosage forms and therapeutic categories."

BASIS OF ACCOUNTING

NPI presents its financial statements using the accrual basis method of accounting in compliance with accounting principles generally accepted in the U.S.A.

CASH

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

FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and the lowest priority to unobservable inputs [Level 3 measurements].

Assets and liabilities that are required to be recorded at fair value in the balance sheet are categorized based on the inputs to valuation techniques as follows:

Level 1. These are assets and liabilities where values are based on unadjusted quoted prices for identical assets in an active market that NPI has the ability to access. As of March 31, 2024 and March 31, 2023, there are no Level 1 assets or liabilities.

Level 2. These are assets and liabilities that are based on the following inputs:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

Level 3. These are assets and liabilities where inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of March 31, 2024 and March 31, 2023 there are no Level 3 assets or liabilities.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

INCOME TAXES

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

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

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

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated up to the date of the issuance of this report on April 29, 2024.

NATCO PHARMA, INC.
 NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
 FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

NOTE 2 - CONCENTRATION OF CREDIT RISK

NPI maintains a checking account with Fulton Bank. Accounts maintained at commercial banks are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management regularly monitors the financial conditions at the bank and tries to keep these risks at a minimum. NPI has not previously suffered any such losses. At March 31, 2024 NPI's operating account had a balance of \$308,994. Management is satisfied with the security of the current level of cash funds on hand being secure and necessary at this time to fulfill its current objectives.

NOTE 3 - OTHER CURRENT ASSETS

The analysis of "Other Current Assets" for the two respective time periods consist of the following:

	As at Mar. 31, 2024	As at Mar. 31, 2023
Federal Income Tax Benefit/Overpayment	\$ 18,824	\$ 15,780
State of New Jersey Tax Benefit/ Overpayment	500	500
Total Other Current Assets	\$ 19,324 =====	\$ 16,280 =====

The Federal Income Tax Expense/Taxes Payable (Benefits/Overpayment) reported for the two time periods were calculated as indicated in the table below:

	As at Mar. 31, 2024	As at Mar. 31, 2023
Federal Taxable Income/(Loss)	\$ (14,496)	\$ (23,150)
Federal Corporate Tax Rate	x 21%	x 21%
Federal Tax Expense/(Benefit)	\$ (3,044)	\$ (4,862)
Less: Federal Taxes Paid/Overpayment Applied from Prior Year	(15,780)	(10,918)
Federal Taxes Payable/(Overpaid)	\$ (18,824) =====	\$ (15,780) =====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

The State of New Jersey Income Tax Expense/Taxes Payable (Benefits/Overpayment) reported for the two time periods were calculated as indicated in the table below:

	<u>As at Mar. 31, 2024</u>	<u>As at Mar. 31, 2023</u>
State of New Jersey Taxable Income/(Loss)	\$ N/A*	\$ N/A*
State of New Jersey Corporate Tax Rate	<u>x 9%</u>	<u>x 9%</u>
State of New Jersey Corporate Tax Expense/(Benefit)	\$ N/A	\$ N/A
Less: State of New Jersey Minimum Tax	<u>2,000</u>	<u>4,000</u>
State of New Jersey Corporate Tax Expense (Net of Tax Expense/(Benefit))\$	<u>2,000</u>	<u>\$ 4,000</u>
	=====	=====

*NPI has established its presence (nexus) in New Jersey effective January 1, 2022 with the acquisition of NPUSA LLC and is subject to taxation in the State of New Jersey that includes the financial results of its subsidiary, NPUSA LLC. The State of New Jersey Tax Expense reported for the year ended March 31, 2023 includes the minimum tax reported for the short time-period January 1, 2022 through March 31, 2022 as well as for the Fiscal Year Ended March 31, 2023 following the acquisition of NJUSA LLC.

NOTE 4 - INVESTMENT IN NATCOFARMA DO BRASIL

NPI began acquiring an equity position in the affiliated operations of NATCO farma Do Brasil through a combination of cash contributions, conversion of outstanding receivables and accrued interest on a five-year note receivable balance that was held by NPI starting in March of 2017. NPI currently owns 13,102,296 shares for an 12.82% ownership interest in its affiliate. The "cost basis" of NPI's equity position for the two respective time periods are:

	<u>As at Mar. 31, 2024</u>	<u>As at Mar. 31, 2023</u>
Investment in NATCO farma Do Brasil \$	<u>2,674,794</u>	<u>\$ 2,674,794</u>
	=====	=====

NOTE 5 - INVESTMENT IN NATCO PHARMA (USA), LLC

On January 1, 2022, NPI acquired all of the outstanding membership interests of the three founding members of a Limited Liability Company named Dash Pharmaceuticals, LLC which has since been renamed NATCO Pharma (USA), LLC. NPI also

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

redeemed the 1,000 Class A Units of Dash that had been held by a private investment firm, CBC Capital who, prior to NPI's investment, had provided a revolving line of credit to Dash that had been secured by 100% of Dash's assets, with a payment of \$18,000,000. The three founding members continued their management role for in the newly-formed entity as employees assuming employment agreements effective January 1, 2022.

Additional infusions of capital for the purpose of investment and meeting working capital needs have been provided as indicated below:

<u>Date</u>	<u>Amount</u>	<u>Specific Purpose</u>
January 1, 2022	\$ 18,000,000	Initial Investment
June 2, 2022	6,715,000	Working Capital
December 9, 2022	4,000,000	Payoff Loan From NPI
August 25, 2023	2,000,000	Working Capital
November 7, 2023	1,500,000	Working Capital
March 15, 2024	<u>1,500,000</u>	Working Capital
Total Investment as Of March 31, 2024	\$ 33,715,000 =====	

NOTE 6 - LOAN TO DASH, (NPUSA LLC)

A loan of \$4,000,000 had been extended to Dash, (NPUSA LLC), by NPI on January 1, 2022. The term of the loan was for five years, incurring simple interest at the rate of 4.17% per annum payable at the end of each calendar quarter. The repayment of principal was flexible within the term of the loan. The proceeds of the loan were utilized to repay the outstanding loan balance that Dash, (NPUSA LLC), had incurred with CBC Capital and terminated the line of credit arrangement that had been in place prior to the acquisition of Dash, (NPUSA LLC), by NPI.

The entire amount of the loan between NPI and Dash, (NPUSA LLC), including outstanding interest was paid off on December 9, 2022.

NOTE 7 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consists of:

	As at Mar. 31, 2024	As at Mar. 31, 2023
Professional Fees Payable	\$ 5,000	\$ 2,500
Other Current Liabilities	<u>3,730</u>	<u>3,730</u>
Total Accrued Expenses/ Other Liabilities	\$ 8,230	\$ 6,230
	=====	=====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

NOTE 8 - CORPORATE INCOME TAXES PAYABLE

NPI is taxed as a Chapter C-Corporation for both Federal and State of New Jersey tax purposes. The NPI Corporate tax filings include the financial results of its 100% owned subsidiary, NPUSA LLC, in both of its Federal and State of New Jersey tax filings.

There are no Federal Taxes due for NPI which, on a stand-alone basis, has a Federal pre-tax loss of (\$14,496) for the year ended March 31, 2024 and an \$(11,909) Federal pre-tax loss for the year ended March 31, 2023. However, there is a minimum tax liability of \$2,000 incurred for each year that is assessed by the State of New Jersey to NPI, based upon the sales volume of its 100% owned subsidiary, NPUSA LLC, that has been in excess of \$1,000,000 for each of the taxable time periods despite both entities reporting financial losses for tax purposes.

NOTE 9 - LOAN PAYABLE TO NATCO PHARMA (CANADA), INC.

On December 23, 2021 NATCO Pharma (Canada), Inc. entered into a loan agreement with its affiliate, NPI for \$4,000,000. The terms of the five-year loan were that simple interest of 4.17% per annum was being assessed on the loan with interest being payable in quarterly installments on the last day of each calendar quarter. There was an early repayment option that allowed NPI to repay the loan in-full or in-part at any time during the loan's tenure without incurring any additional charges.

The entire amount of this loan including outstanding interest was paid off on December 13, 2022. The funding for the payoff of this loan was received by NPI from the payoff of the loan that NPI had with NPUSA LLC as referred to Notes 5 and 6.

NOTE 10 - COMMON STOCK

On November 23, 2021, NPI raised the number of authorized shares of its common stock which have a par value of \$1,000 per share from 35,000 to 45,000 shares. During the current year, an additional 5,000 shares were issued. 2,000 on August 25, 2023, 1,500 on November 7, 2023 and an additional 1,500 shares on March 15, 2024 to provide additional working capital to NPI's subsidiary, NPUSA, LLC.

In the previous fiscal year, as of December 31, 2022, 10,715 shares had been issued 6,715 on June 2, 2022 NPI issued to provide additional resources to the recently-acquired subsidiary and 4,000 more shares were issued on December 8, 2022 to payoff Dash's, (NPUSA LLC), indebtedness to NPI.

NATCO Pharma, Ltd. owns all 33,565 shares of NPI's issued common stock.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDED MARCH 31, 2024 AND MARCH 31, 2023

NOTE 11 - FEDERAL/STATE INCOME TAXES

FEDERAL AND STATE OF NEW JERSEY TAX EXPENSE:

Beginning with the period ending March 31, 2022 and for all subsequent years going forward following the acquisition of Dash, (NPUSA LLC), by NPI which was effective January 1, 2022, both the Federal and State of New Jersey income taxes will be reported to the governmental agencies on a combined basis, where the results of the two operations are combined and intercompany transactions are eliminated. NPI will perform the combined tax filings for the two entities for Federal and State of New Jersey tax purposes.

The provision for Federal income taxes reported for NPI on these financial statements is on a stand-alone basis. The Federal taxable income/(loss) being reported is limited to NPI's activities consisting primarily of administrative expenses.

See Note 3 for the tax analysis for NPI for the two respective time periods.

NOTE 12 - INTEREST INCOME

The interest income reported for the nine months ended December 31, 2023 of \$115,618 was generated from the five-year note that was being held with Dash, (NPUSA LLC), (See Note 6). (The loan was paid off on December 9, 2022.)

<u>Borrower Name</u>	As at Mar. 31, <u>2024</u>	As at Mar. 31, <u>2023</u>
Dash, (NPUSA LLC)	\$ <u>0</u>	\$ <u>115,618</u>
Total Interest Income	\$ <u>0</u>	\$ <u>115,618</u>
	=====	=====

NOTE 13 - INTEREST EXPENSE

The interest expense reported for the nine months ended December 31, 2022 of \$117,415 was incurred on the \$4,000,000 loan that had been provided by NATCO Pharma (Canada), Inc. (See Note 9). (The loan was paid up on December 13, 2022.)

<u>Lender Name</u>	As at Mar. 31, <u>2024</u>	As at Mar. 31, <u>2023</u>
NATCO Pharma (Canada), Inc.	\$ <u>0</u>	\$ <u>117,445</u>
Total Interest Expense	\$ <u>0</u>	\$ <u>117,445</u>
	=====	=====

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDING MARCH 31, 2024 AND MARCH 31, 2023

NOTE 14 - RELATED PARTY TRANSACTIONS

NPI purchased 100% of the equity of Dash, (NPUSA LLC), for \$18,000,000 effective January 1, 2022 and made additional equity contributions of \$6,715,000 on June 2, 2022, \$4,000,000 on December 8, 2022, \$2,000,000 on August 25, 2023, \$1,500,000 on November 7, 2023 and \$1,500,000 on March 15, 2024 (See Note 5). The total equity portion of the investment totals \$33,715,000 as of March 31, 2024.

NPI had also advanced a five-year loan of \$4,000,000 to Dash, (NPUSA LLC), when the acquisition of Dash, (NPUSA LLC), took effect on January 1, 2022 (See Note 6). That loan, in turn, was paid in full on December 9, 2022 following the receipt of \$4,000,000 on December 8, 2022 referred to above. The loan had earned year-to-date interest income, prior to its satisfaction, of \$115,618 (See Note 12).

As referred to in Note 4 to these financial statements, NPI had invested cash, converted notes receivable and associated interest receivable totaling \$2,674,794 to acquire 13,102,296 shares of common stock for an 12.82% equity position in the affiliated operations of NATCOfarma Do Brasil.

A five-year loan of \$4,000,000 had been extended to NPI from its affiliate, NATCO Pharma (Canada), Inc. (See Note 9). The loan had incurred expense year-to-date of \$117,445 in the fiscal year ended March 31, 2023 (See Note 13). The loan and all associated interest were paid in full in December, 2022.

As detailed in Note 10 the parent company, NATCO Pharma, Ltd. increased the number of NPI's authorized common shares to 45,000 common shares with a par value of \$1,000 per share. In the past two years the Parent Company made five acquisitions of common shares totaling 15,715 shares (See Notes 5 and 10). As of March 31, 2024, the parent company continues to be the sole shareholder of NPI holding all 33,565 shares of NPI's issued common stock.

NOTE 15 - OPERATING LEASES

There are currently no operating leases for which NPI is directly responsible. The new lease obligations have been assumed by NPUSA LLC.

NATCO PHARMA, INC.
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)
FOR THE YEARS ENDING MARCH 31, 2024 AND MARCH 31, 2023

NOTE 16 - ADDRESS CHANGE

Effective July 1, 2023 NPI has relocated its official office address to the headquarters address of:

NATCO Pharma USA LLC
Morris Corporate Center I
300 Interpace Parkway
Suite 100, First Floor, Pod "C"
Parsippany, NJ 07054