

RETREAT CAPITAL MANAGEMENT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

RETREAT CAPITAL MANAGEMENT, INC

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December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Retreat Capital Management, Inc.

Report on the Financial Statements

We have audited the Balance Sheet of Retreat Capital Management Inc. as of December 31, 2017 and 2016 and the related statements of Income, cash flows, and stockholder's equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Retreat Capital Management, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ravi Venkataraman, CPA
May 24, 2018
Princeton, New Jersey

RETREAT CAPITAL MANAGEMENT, INC.
BALANCE SHEET
AS OF DECEMBER 31,

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 24,587	\$ 52,624
Accounts Receivable	2,369,319	2,645,417
Advances	-	-
Deposits	45,682	45,682
Prepaid expenses	10,966	71,251
Deferred Tax Benefit-Current (Note 4)	343,753	305,626
Other assets	-	-
Total Current Assets	2,794,307	3,120,600
PROPERTY AND EQUIPMENT		
Property and Equipment	2,254,281	2,277,266
Accumulated Depreciation	(2,171,959)	(2,000,566)
Net Property and Equipment	82,322	276,700
Total Assets	\$ 2,876,629	\$ 3,397,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 15,420	\$ 322,694
Accrued Expenses	167,932	126,069
Accrued Payroll	602,648	676,095
Payroll Taxes Payable	335,000	-
Line of credit (Note 5)	-	515,000
Total Current Liabilities	1,121,000	1,639,858
LONG-TERM LIABILITIES		
Notes Payable-Loan from Allsectech	1,250,000	1,250,000
Obligations under capital leases (Note 7)	-	79,622
Less current portion	-	-
Total long-term liabilities	1,250,000	1,329,622
COMMITMENTS AND CONTINGENCIES (Note 8)		
Total liabilities	2,371,000	2,969,480
STOCKHOLDERS' EQUITY		
Common Stock-no par value, 1,000,000 shares authorized and 1,000 shares issued and outstanding	15,000	15,000
Additional Paid in Capital-securities premium	495,000	495,000
Retained Earnings	(4,371)	(82,180)
Total Stockholders' Equity	505,629	427,820
Total Liabilities and Equity	\$ 2,876,629	\$ 3,397,300

See Independent Accountant's Review Report and notes to financial statements

**RETREAT CAPITAL MANAGEMENT, INC.
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,**

	2017	2016
Operating Revenues	\$ 7,773,763	\$ 21,968,770
Cost of Revenues	(6,547,504)	(17,050,329)
Gross Profit	1,226,259	4,918,441
Operating Expenses (Schedule 1)	(1,139,158)	(2,110,379)
Income from operations	87,101	2,808,062
Other Income and Expenses		
Restructuring expenses	-	-
Interest expense	(50,355)	(140,857)
Other income (expense)	59,661	-
Total other income and (Expense)	9,306	(140,857)
Interest Income and other income	-	-
Income before provision for income taxes	96,407	2,667,205
Provision for Income Taxes		
Current Tax	(18,598)	58,430
Deferred Tax Assets Written off	-	-
Interest on Earlier year tax writte back	-	145,283
	(18,598)	203,713
Net Income/ (Loss)	\$ 77,809	\$ 2,870,918

See Independent Accountant's Review Report and notes to financial statements

**RETREAT CAPITAL MANAGEMENT, INC.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>2017</u>	<u>2016</u>
Balance as of January 1, 2016	\$ 510,000	\$ (82,180)	\$ 427,820	\$ (2,443,098)
Capital Contributions during the year	-	-	-	-
Earnings/(Loss)-FY 2017	-	-	-	-
Prior Period Adjustment				
Ending balance, December 31, 2016	<u>510,000</u>	<u>(82,180)</u>	<u>427,820</u>	<u>(2,443,098)</u>
Capital Contributions during the year	-	-	-	-
Additional Paid in Capital-securities premium	-	-	-	-
Earnings/(Loss)-FY2017	-	77,809	77,809	2,870,918
Balance at December 31, 2017	<u>\$ 510,000</u>	<u>\$ (4,371)</u>	<u>\$ 505,629</u>	<u>\$ 427,820</u>

See Independent Accountant's Review Report and notes to financial statements

RETREAT CAPITAL MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 77,809	\$ 2,870,918
Depreciation	183,856	270,048
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Accounts Receivable	276,098	(1,605,970)
Advances	-	-
Deposits	-	(25,962)
Prepaid expenses	60,285	(26,073)
Deferred Tax Benefit-Current	(38,127)	(172,935)
Accounts Payable	(307,274)	(365,999)
Accounts Payable - Related party	-	-
Accrued Expenses	41,863	126,069
Accrued Payroll	(73,447)	59,488
Payroll Taxes Payable	335,000	
Income taxes payable	-	(127,877)
Line of credit (Note 5)	(515,000)	(720,000)
Finance Lease	-	(56,907)
Other Payables	-	(18,549)
Net Cash provided by Operating Activities	41,062	206,250
CASH FLOW FROM INVESTING ACTIVITIES		
Adjustment to Property and Equipment	10,522	(116,526)
	10,522	(116,526)
CASH FLOW FROM FINANCING ACTIVITIES		
Notes payable	-	-
Obligations under capital leases	(79,622)	(108,459)
Commitments and Contingencies	-	-
Capital Contributions	-	-
Additional Paid in Capital-Securities Premium	-	-
Net Cash used by Financing Activities	(79,622)	(108,459)
Net Cash increase for the Year	(28,038)	(18,735)
Cash And Cash Equivalents At Beginning Of Year	52,624	71,358
Cash And Cash Equivalents At End Of Year	\$ 24,587	\$ 52,624
Supplemental disclosure of cash flow information		
Cash paid during the years		
Interest	\$ (50,355)	\$ (140,857)
Income taxes	\$ (18,598)	\$ 203,713

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 1 - General

Retreat Capital Management, Inc. (the “Company”) was incorporated on April 24, 2008 in the State of California. The Company is a default management solution company that offers a unique combination of people, processes, technology and field services designed to assist lenders, mortgage servicers, real estate companies, hedge funds and other institutions. Outsourcing and in-sourcing of personnel are provided on a scalable and as-needed basis. The Company assists clients with the ability to achieve their financial objectives, timing requirements and to effectively comply with government mandated guidelines and market needs.

In January 2011, Allsec Technologies Limited, a publicly owned Business Process Outsourcing (BPO) service provider headquartered in Chennai, India acquired 66% ownership of the Company. In February 2014 Allsec Technologies Limited has invested an amount of \$ 500,000 increasing the share from 66 % to 77 %. Pursuant to settlement agreement between Mr. Arvinthan Wijav one of the promoters of Retreat Capital Management Inc. and Allsec Technologies Limited in January 2015, Retreat Capital Management Inc. acquired the shares of Mr. Arvinthan Wijav there by making Allsec Technologies Ltd 100 % owners of Retreat Capital Management Inc.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company’s financial statement. The financial statement and notes are representations of the Company’s management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements are prepared on accrual basis. The financial statement is presented for the year ended December 31, 2017.

Revenue Recognition

The Company generates revenue from providing mortgage related services to companies. The Company’s services consist of loan modification processing, underwriting, pre close and closing, notary, staffing, door to door pick up, market analysis and quality control related to mortgage. Revenue is recognized as services are performed. Unbilled services represent revenue on services performed but not billed until the subsequent period. Advances received prior to providing services will be treated as deferred revenues and recognized when services are performed.

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash

Cash consists primarily of working funds. For purposes of the Statement of Cash Flow, cash is defined as unrestricted cash balances and investments with original maturities of six months or less.

Property and Equipment

Property and equipment are reflected at cost. Depreciation is provided using straight-line method over its estimated useful life of six years for computers, five years for furniture and fixtures and over the primary term of the lease, 60 months expiring in July 2017, for leasehold improvements. Maintenance and repairs are expensed as incurred.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360, *Property, Plant and Equipment*. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Company to conclude that impairment indicators exist and that long-lived assets may be impaired.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are equal or approximate their fair values due to the short term maturity of those instruments.

Cost of Revenues

Costs of revenues consist of discounts taken by clients under early payment terms.

Allowance for Doubtful Accounts

The allowance for doubtful accounts represents an estimate by the Company's management of specific accounts deemed uncollectible.

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (concluded)

Income Taxes

In a prior year, the Company had elected by unanimous consent of its stockholder to be taxed as an S Corporation under the Internal Revenue Code. Under those provisions, the Company did not pay federal corporate income taxes on its taxable income. Instead, the stockholder was liable for individual income taxes on their respective shares of the Company's net operating loss. Due to acquisition of 66% of interest in the Company by Allsec Technologies Limited, as discussed in Note 1, the Company automatically terminated the S Corporation election and all income will be taxed at the corporate level.

The Company, in accordance with FASB ASC 740 Topic, Income Taxes, performs the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be derecognized and recorded as a tax benefit or expense in the current year. However, the Company's conclusions regarding these uncertain tax positions will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations and interpretations thereof.

The Company classifies interest on uncertain tax positions as interest expense and classifies income tax penalties as a component of income tax expense.

Note 3 - Property and Equipment

At December 31, 2017, property and equipment consists of the following:

Computers	\$ 746,031
Furniture and fixtures	690,451
Company vehicle	0
Capital lease assets	371,414
Leasehold improvements	446,385
MSP License Cost	<u>0</u>
 Total	 2,254,281
Less: Accumulated depreciation	<u>(2,171,959)</u>
 Property and equipment – net	 <u><u>\$ 82,322</u></u>

The useful lives of property and equipment for the purpose of computing depreciation are five to six years.

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 4 - Provision for Income Taxes

Components of provision for income taxes are:

Income Taxes Payable/(Receivable) Currently

Federal States		\$ (18,598)
		-
Total income taxes payable currently		(18,598)

Deferred Income Tax

Federal

Deferred tax benefit (liability) December 31, 2016	\$ 305,626	
Deferred tax benefit (liability) December 31, 2017	38,127	
	\$	343,735

States

Deferred tax benefit (liability) December 31, 2016	-	
Deferred tax benefit (liability) December 31, 2017	-	
	-	-

Total deferred tax expense (income) \$ 343,735

Provision for income taxes \$ (41,000) :

The total deferred tax benefit (liability) at December 31, 2017 is \$0.00 the components of which with regards to the current and long-term portions being:

Deferred tax benefit (liability) - current		\$ 343,735
Deferred tax benefit (liability) - long term		-
Deferred tax benefit (liability)		\$ 343,735

The Company's effective income tax rate is higher than what would be expected if the federal statutory rate were applied to income from continuing operations primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 4 - Provision for Income Taxes (concluded)

Temporary difference giving rise to the deferred tax benefit consist primarily of the excess of depreciation and amortization for tax purposes over the amount for financial reporting purposes, inventory cost capitalized for tax purposes but expended for financial reporting purposes, and vacation pay and other accruals and allowance for doubtful accounts reported differently for financial reporting and tax purposes.

The company then filed federal Form 1120X, Amended U.S. Corporation Income Tax Return, to correct an erroneous corporate alternative minimum tax assessment totaling \$145,283 for the 2012 tax year per IRC§ 55 (E) (1) (B). On December 22, 2016, the company made a final payment of \$56,792 per Internal Revenue Service letter dated November 22, 2016. The Company has also requested a refund of the said amount which was disallowed by the Internal Revenue Service as of December 4, 2017 based on an alleged Statute of Limitations expiration position. The company has filed a formal federal Protest dated December 15, 2017 regarding this claim disallowance and is currently awaiting a response from the Internal Revenue Service.

Note 5 – Line of Credit Agreement

The Company and Bank of America, N.A entered into a revolving line of credit agreement on August 8, 2012, with a credit limit of \$3,500,000. An amendment to the loan agreement dated July 30, 2013 increased the credit limit to \$5,500,000. The interest rate for the line of credit is the bank’s prime rate plus 1.5% (currently at 4.75%), calls for monthly interest payments until July 1, 2014, at which time the unpaid principal and all accrued interest thereon, shall become due and payable. The bank has first priority security interest on all business assets.

During the year 2017 the company has repaid the full the balance of \$ 515,000 during Feb 2017.As of December 31, 2017, there is no outstanding balance.

Note 6 – Notes Payable

During the year notes payable towards banking institution for acquisition of fixed assets has concluded and company has paid the entire obligation.

**RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 6. Obligation under finance lease

During the year 2015, the company has entered into a forbearance agreement with Dell Financial services for the settlement of finance lease, which was taken during the period 2012 to 2014 on the following terms and conditions

Balance of Lease outstanding as at March 31, 2015	\$ 310,384
Down Payments	\$ 59,038
Balance payable in 29 equal instalments Starting from June 2015	\$ 251,346

Based on the said agreement during the period company has paid the down payment of \$ 59,038 and twenty one monthly instalments of \$ 9,038.25 each starting June 2015. The balance amount of \$ 63,267.75 was paid in full during the month of March 2017. As of December 31, 2017 there is no outstanding balance. As of December 31, 2016 the outstanding balance was \$ 79,621.88.

Note 7 – Commitments and Contingencies

Operating Leases of Facilities-

On January 27, 2012, the Company entered into an agreement with Gateway II Investors, Ltd. to lease 6303 Commerce Dr. Irving, Texas 75063 Suite 500. The lease is classified as an operating lease and provides for base monthly rent in the current amount of \$20,442.21 plus additional payments for various occupancy costs. The lease was amended on June 6, 2012 to include additional space commonly known as Suite 150 and additional base monthly rent of \$14,739.88 plus additional payments for various occupancy costs. During the year 2014 the lease for Suite 180 was terminated. As a result, the company ended in paying a compensation of \$ 90,000 including interest which is payable in 13 equal instalments. The company has honored the commitments during the year

Also lease was extended to the term of the lease through November 15, 2015 through November 2018 with the following terms.

Rent Payable from 16 th Nov 2015 through 15 th Nov 2016	\$ 16,821.37 per month
Rent payable from 16 th Nov 2016 through 15 th Nov 2017	\$ 17,435.50 per month
Rent Payable from 16 th Nov 2017 through 15 th Nov 2018	\$ 18,049.62 per month

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 7 – Commitments and Contingencies *Cont.*

During the year company has entered into an agreement with the Gateway II investor ltd to lease 6303 Commerce Dr. Irving Texas Suite 100 with a monthly lease obligation of \$ 18,751.34 for a period of one year effective 1st July 2016

Outstanding balance as of December 31, 2017 is NIL.

Rental expense during the year ended December 2017 amounted to \$ 164,594

Legal

There are no legal suites pending against the company.

Potential Payroll & Payroll Tax Liabilities:

The details are as follows:

- 1) During the year 2017 the Texas Workforce Commission conducted an audit of our contractors. As a result of this audit, TWC concluded that the contractors should be classified as employees and subject to unemployment insurance tax. The Company received a demand for \$ 290,236, for which a provision has been made in the financial statements.

Further, the Company received an additional demand for \$ 417,577 (Principal \$ 335,181 and Interest \$ 82,395). A provision for this amount has been made in March 2018. The Company has appealed the TWC finding and is confident that the matter will be resolved favorably.

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 9 – Concentration of Credit Risk

The Company maintains its cash balance in banks located in California. These accounts are insured by the Federal Deposit Insurance Corporation up to a balance of \$250,000. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Concentration of credit with respect to receivables is with companies with good credit rating. The Company establishes an allowance for uncollectible trade accounts based on historical collection experience and management's evaluation of collectability of outstanding accounts receivable. Due to strong credit background of its customers the Company does not maintain an allowance for doubtful accounts.

Note 10 - Interest Expense

Operating interest		
Capital leases	\$	1,722
Non-operating interest		
Various	\$	48,633

RETREAT CAPITAL MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 11 - Cash Flow Information

The Company considers all short-term investments with an original maturity of six months or less to be cash equivalents.

Cash paid for interest and income taxes during the period were as follows:

Interest	\$	43,625.13
Income taxes		59,598.00
Acquisitions of fixed assets by entering into capital lease commitments	\$	0

Note 12 – Economic Dependency

A material part of the Company's business is dependent upon one customer, the loss of whom would have a materially adverse effect on the Company. During the year ended December 31, 2017, this customer accounted for approximately \$7,773,763 of revenues. This amount represents approximately 100% of the total revenues earned by the Company.

Note 13 – Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through May 24, 2018. The evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

Note 14 – Adjusted Net Worth

The Company is not in compliance with its adjusted net worth calculation for issuer. The Company's failure to comply with the financial covenants could result in failure to qualify for the federal government program. If it is not cured or waived, this could have adverse effects on the Company.

RETREAT CAPITAL MANAGEMENT, INC.
SCHEDULE-1 SCHEDULE OF OPERATING EXPENSES
FOR YEARS ENDED DECEMBER 31,

Operating expenses	<u>2017</u>	<u>2016</u>
Advertising	\$ (19)	\$ 4,167
Bank Service Charges	7,267	15,736
Consulting	126,767	319,458
Depreciation Expense	183,856	270,048
Insurance	22,960	32,730
Licenses and Permits	51,578	13,270
Marketing	77,441	15,603
Miscellaneous	7,615	26,819
Payroll Processing Fees	17,620	29,942
Postage and Delivery	2,759	3,239
Property tax	1,471	1,281
Office Supplies	20,759	29,821
Professional Fees	100,746	458,705
Rent	164,594	249,716
Repairs and Maintenance	110,488	225,223
Telephone	62,672	103,419
Training and development	7,317	64,917
Travel	88,594	165,929
Security	18,202	43,507
Utilities	66,471	36,849
Total	<u><u>\$ 1,139,158</u></u>	<u><u>\$ 2,110,379</u></u>

See Independent Accountant's Review Report and notes to financial statements

RETREAT CAPITAL MANAGEMENT, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE 2 - ADJUSTED NET WORTH CALCULATION FOR
ISSUER
DECEMBER 31, 2017

A. Adjusted net worth calculation:

Stockholders' equity per statement of financial condition at end of reporting period.	\$	<u>(4,371)</u>
Less:		
Itemized unacceptable assets		
Accounts receivable - affiliate \$ Note receivable - shareholder	-	
Total unacceptable assets		<u>-</u>
Adjusted net worth		<u>(4,371)</u>

B. Required net worth calculation:

Unpaid principal balance of securities outstanding (Note: number of pools = 0)		<u>-</u>
Plus:		
Outstanding balance of commitment authority issued and requested.		<u>-</u>
Total outstanding portfolio and authority		<u>-</u>
Required net worth		<u>2,500,000</u>

C. Excess (deficit) net worth

(Adjusted net worth - required net worth)	\$	<u><u>(2,495,629)</u></u>
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