

ALLSECTECH, INC.
FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

ISSUED BY:
RAVI VENKATARAMAN, CPA LLC

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ALLSECTECH INC

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March 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Allsectech, Inc.
Princeton, NJ

Report on the Financial Statements

We have audited the Balance Sheet of Allsectech Inc. as of March 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 Allsectech, Inc. as of March 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 schedule 1 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 7, 2017
Princeton, New Jersey

**ALLSECTECH, INC.
BALANCE SHEETS
AS OF MARCH 31**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,160,525	\$ 531,400
Treasury Bonds-Manila	2,014	2,377
Accounts Receivable	1,814,560	5,058,418
Accounts Receivable - Affiliate	-	58,361
Restricted Cash	6,659	6,678
Interest Due from RCM	105,819	-
Loan to Affiliate	1,250,000	1,250,000
Accrued Income	-	27,948
Due from Factor	-	324,696
Prepaid expenses	5,943	-
Total Current Assets	6,345,521	9,140,580
 PROPERTY AND EQUIPMENT		
Property and Equipment	364,128	360,050
Accumulated Depreciation	(362,677)	(358,132)
Net Property and Equipment	1,451	1,918
 Total Assets		
	\$ 6,346,972	\$ 9,142,498
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 105,144	\$ 2,190,796
Accounts Payable - Affiliate	3,528,384	2,587,861
Accrued Expenses	108,821	76,415
Accrued Income Taxes	75,000	7,460
Loan from parent	-	1,500,000
Loan Interest Payable	7,142	175,802
Other payable	42,125	207,216
Total Current Liabilities	3,866,615	8,626,255
 STOCKHOLDERS' EQUITY		
Common Stock-no par value, 3,000 shares authorized and 100 shares issued and outstanding	2,310,000	2,310,000
Retained Earnings	170,357	(1,793,756)
Total Stockholders' Equity	2,480,357	516,244
Total Liabilities and Equity	\$ 6,346,972	\$ 9,142,498

See Independent Auditor's Report and notes to financial statements



ALLSECTECH, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31

	2017	2016
Operating Revenues	\$ 27,470,967	\$ 16,411,300
Cost of Revenues	(25,063,671)	(15,349,847)
Gross Profit	2,407,296	1,061,453
Operating Expenses (Schedule 1)	(476,955)	(442,558)
Income from operations	1,930,342	618,895
Interest Income and other income	105,901	33
Interest Expense	-	-
Income before provision for income taxes	2,036,242	618,928
Provision for Income Taxes	(75,000)	-
Net Income/ (Loss)	\$ 1,961,242	\$ 614,314

See Independent Auditor's Report and notes to financial statements



ALLSECTECH, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>2017</u>	<u>2016</u>
Balance at April 1, 2015	\$ 2,310,000	\$ (1,793,756)	\$ 516,244	\$ (92,584)
Capital Contributions during the year				
Earnings/(Loss)-FY 2016	-	-	-	
Prior Period Adjustment				
Balance at March 31, 2016	<u>2,310,000</u>	<u>(1,793,756)</u>	<u>516,244</u>	<u>(92,584)</u>
Capital Contributions during the year		-		
Earnings/(Loss)-FY2017	-	1,961,242	1,961,242	614,314
Prior year adjustment	-	2,871	2,871	(5,486)
Balance at March 31, 2017	<u>\$ 2,310,000</u>	<u>\$ 170,357</u>	<u>\$ 2,480,357</u>	<u>\$ 516,244</u>

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ALLSECTECH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,961,242	\$ 614,314
Depreciation	4,545	12,445
Prior year Adjustment	2,871	(5,486)
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Restricted Cash	19	712
Treasury Bonds-Manila	363	(161)
Accounts Receivable	3,243,856	(3,607,117)
Accounts Receivable-Affiliate	58,361	10,386
Advance to Allsec-Manila	(105,819)	(26,043)
Accrued Income	27,948	(27,906)
Advance for Consultancy Services	-	(1,599,420)
Due from Factor	324,696	(324,696)
Prepaid Expenses	(5,943)	70
Loan to Affiliate	-	-
Security Deposit-Rental	-	-
Accounts Payable	(2,085,654)	1,140,384
Accounts Payable-Affiliate	940,523	3,816,889
Accrued Expenses	99,946	57,575
Provision for client discount	-	249,240
Loan Interest Payable - ATL	(168,660)	118,824
Other Payable	(165,092)	32,452
Net Cash provided by Operating Activities	4,133,202	462,461
CASH FLOW FROM FINANCING ACTIVITIES		
Addition to Property and Equipment	(4,078)	(635)
Loan from parent	(1,500,000)	-
Capital Contributions	-	-
Net Cash used by Financing Activities	(1,504,078)	(635)
Net Cash increase for the Year	2,629,124	461,826
Cash And Cash Equivalents At Beginning Of Year	531,400	69,574
Cash And Cash Equivalents At End Of Year	\$ 3,160,525	\$ 531,400
Supplemental disclosure of cash flow information		
Cash paid during the years		
Interest	\$ -	\$ -
Income taxes	\$ 75,000	\$ 4,614

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 1 – Description of Company’s Business

Allsectech, Inc. (Allsectech/Company) was incorporated on September 14, 2000 in the State of Delaware. Allsectech is the wholly owned subsidiary of Allsec Technologies Limited (Technologies/Parent Company) a publicly held corporation in India. Allsectech provides marketing services to Technologies, one of the world’s leading providers of response management solutions and personalized customer care. Allsectech utilizes Technologies and parent company’s wholly owned Philippines subsidiary Allsectech Manila Inc (Allsec-Manila) having its facilities in Manila and Retreat Capital Management Inc, a California registered company having its facilities in Irving TX, USA to perform Anti Money laundering services, voice response services, and collection services of credit card and other receivables for its reputed customers. The Company has established a branch office in Manila, Philippines on November 8, 2012.

Note 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Allsectech is presented to assist in understanding the Company's financial statements. The financial statements 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

In July 2009, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Codification™ (ASC) and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162 (FASC 105)*. FASC 105, which is effective for annual periods ending after September 15, 2009, established the FASB ASC as the sole source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The adoption of FASC 105 did not change previous U.S. GAAP and had no impact on the Company’s accompanying financial statements.

The financial statements are prepared on accrual basis. These financial statements are presented for the year ended March 31, 2017.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Liquidity & Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The company has started earning profits from its operations and has had a positive cash flow.

Revenue Recognition

Allsectech provides AML, voice response services and collection of credit card and other receivables services to reputed companies. The Company also generates revenue from providing marketing services to Allsec Technologies. 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. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized as services are performed in accordance with the specific terms of the contract with the customer. Unbilled revenue represents accrual of income relating to services provided but not billed as at the year end.

Use of Estimates

The preparation of financial statements 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 Statements of Cash Flows, cash is defined as unrestricted cash balances and investments with original maturities of three months or less. As of March 31, 2017 and 2016, there were \$6,659 and \$6,678 respectively in restricted cash balances and investments. The restricted cash represents five escrow accounts opened in order to comply with collection licenses requirements from various States.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Property, Equipment and Depreciation

Property and equipment are reflected at cost. Depreciation is provided using straight-line method over its estimated useful life of three years for computer and five years for Network Equipments. 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*, formerly FASB No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. 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 service delivery consist of payroll cost incurred for the employee actively involved in managing call center and marketing services, the amount paid to Technologies for support services rendered to the customers and other outside services utilized by the Company.

Income Taxes

The Company provide for income taxes on the basis of FASC 740, *Income Taxes formerly* Statement of Financial Accounting Standards No. 109, "*Accounting for Income Taxes*" which requires recognition of deferred taxes based on the differences between the financial statement and the tax basis of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 3. Property and Equipment

The following is a summary of property and equipment at cost, less accumulated depreciation:

	<u>2017</u>	<u>2016</u>
Computers & Accessories	\$66,380	\$62,302
Furnitures & Fixtures	9,521	9,521
Software & Licenses	14,234	14,234
Network Equipments	<u>259,759</u>	<u>259,759</u>
	349,894	345,816
Less: Accumulated Depreciation	(348,443)	(343,898)
Total	<u><u>\$1,451</u></u>	<u><u>\$1,918</u></u>

The useful lives of property and equipment for the purpose of computing depreciation are three to seven years. Depreciation expense amounted to \$ 4,545 and \$ 12,445 for the years ended March 31, 2017 and 2016 respectively.

Note 4. Income Taxes

For the year ended March 31, 2017 the company has made a net provision of \$ 75,000 after adjusting the carry forward losses of the previous years.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 6. Related Party Transactions

Allsec Technologies Limited provided response management solutions to several Allsectech customers. For these services, Technologies billed \$397,020 and \$239,529.00 to Allsectech for the years ended March 31, 2017 and 2016. The company has an outstanding payable of \$15,304 and \$256,490 to its parent company for the services rendered for those years. Allsec-Manila provided similar services and billed \$35,077 and \$0 for the years ended March 31, 2017 and 2016. The company has an outstanding payable of \$0 and \$18,878 to Allsec-Manila. Retreat Capital Management Inc. provided AML services and billed \$ 22,754,696 and \$14,169,524 for the years ended March 31, 2017 and 2016. The company has an outstanding payable of \$ 3,528,383 and \$2,333,948 to Retreat Capital Management Inc..

Allsectech provides marketing and certain administrative support for attracting customers to Technologies. In consideration of these services Company receives certain percentage of gross revenues as marketing fees. For the years ended March 31, 2017 and 2016, Allsectech billed marketing fees of \$32,935 and \$167,640 to Technologies. As of March 31, 2017 and 2016, Company had net receivables of \$ 0 and \$58,361 from Technologies related to marketing fees.

A Loan has been made for \$1,250,000 to Retreat Capital Management Inc. during April 2014-March 2015.

A Loan of \$ 1,500,000 has been received from Parent company– Allsec Technologies Ltd. During the year the company has repaid the entire principal.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 7. Commitments and Contingent Liabilities

The Company lease administrative office space under an operating lease. This lease provide for annual base rent, escalations and additional payments for real estate taxes and other occupancy costs.

For the years ended March 31, 2017 and 2016, rent expense amounted to \$1,015 and \$1,080 respectively.

In order to provide collection support services, Allsectech has to register in various states. Allsectech has registered itself in 49 States to perform these services. Several States have mandated posting of Surety Bonds as part of the registration process. The companies that issued the Surety Bonds require Allsectech to post a Letter of Credit equivalent to the amount of surety bonds. Allsectech Inc has obtained surety bonds by establishing a Letter of Credit issued by its Parent Company for \$ 0 and \$ 655,000 for the years ended March 31, 2017 and 2016 respectively.

Note 8. Concentrations

Allsectech maintains its cash balance in a bank located in New Jersey. This account is insured by the Federal Deposit Insurance Corporation up to 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 limited to Company's parent and companies with strong 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 and parent, the Company does not maintain an allowance for doubtful accounts.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

Note 9. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through May 7, 2017. The evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

Note 10. Branch Office

The Company has established a branch office in Manila, Philippines on November 8, 2012. The financial statements of the branch office have been audited by another local accountant, who has issued an unqualified report dated April 14, 2015. The financial statement includes the activities of the branch office, details as follows:

	USD
Income	\$ 81
Expenses	
Salaries and Allowances	\$ 11,420
Professional Fees	\$ 917
Taxes and Licenses	\$ 325
Balance Sheet	
Cash	\$ 471
Treasury Bonds	\$ 2,014
Trade and other Payable	\$ (347)
Advances from affiliate	\$ (41,677)
Retained Earnings	\$ 27,030
Net Loss current Period	\$ 12,619

See Independent Auditor's Report

ALLSECTECH, INC.
SCHEDULE OF OPERATING EXPENSES
FOR YEARS ENDED MARCH 31

Operating expenses	2017	2016
Automobile Expense	\$ 12,449	\$ 11,836
Bad Debts	-	-
Bank Service Charges	2,370	1,915
Bond Fees	11,494	12,900
Business Promotion Exp	81,964	1,820
Connectivity Charges	5,412	2,745
Depreciation Expense	4,545	12,445
Dues and Subscriptions	-	13,080
Electricity Charges	-	-
Advertising	-	-
Foreign Taxes	-	-
Insurance	5,197	3,571
Internet Expenses	327	-
Licenses and Permits	69,476	74,539
Finance Charges-Factory SCB	27,340	100,906
Office Supplies	-	-
Payroll Processing Fees	2,720	2,960
Penalty	-	-
Postage and Delivery	2,749	3,190
Printing and Reproduction	-	-
Professional Fees	68,174	27,320
Rent	1,015	1,080
Seminars and Meetings	125	11,872
Interest Expenses	112,637	121,701
Telephone	12,034	11,680
Travel & Ent	56,926	31,614
Total	\$ 476,955	\$ 442,558

See Independent Auditor's Report and notes to financial statements

