

ALLSECTECH, INC.
FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

RAVI VENKATARAMAN, CPA LLC

ALLSECTECH INC

Table of Contents

March 31, 2018 and 2017

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Balance Sheets	2
Statements of Income	3
Statements of Stockholders' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-12
Supplementary Information	
Schedule 1 - Schedule of Operating Expenses	13

RAVI VENKATARAMAN, CPA LLC
CERTIFIED PUBLIC ACCOUNTANT
14 COURTSIDE LANE
PRINCETON, NJ 08540

TEL: (609) 452-7770

FAX: (732) 823-1405

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, 2018 and 2017 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, 2018 and 2017, 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
June 30, 2018
Princeton, New Jersey

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

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,755,510	\$ 3,160,525
Treasury Bonds-Manila	-	2,014
Accounts Receivable	1,936,527	1,814,560
Accounts Receivable - Affiliate	3,018	-
Restricted Cash	8,388	6,659
Interest Due from RCM	148,441	105,819
Loan to Affiliate	1,250,000	1,250,000
Advance Tax Paid	72,000	-
Prepaid expenses	19,046	5,943
Total Current Assets	10,193,110	6,345,520
 PROPERTY AND EQUIPMENT		
Property and Equipment	364,129	364,128
Accumulated Depreciation	(364,129)	(362,677)
Net Property and Equipment	-	1,451
 Total Assets		
	\$ 10,193,110	\$ 6,346,971
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 223,506	\$ 105,143
Accounts Payable - Affiliate	3,368,071	3,528,383
Accrued Expenses	249,760	108,821
Accrued Income Taxes	1,336,549	75,000
Accounts Payable - Affiliate (Allsec Manila)	55,314	-
Loan Interest Payable	-	7,142
Other payable	-	42,125
Total Current Liabilities	5,233,200	3,866,614
 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	2,649,910	170,357
Total Stockholders' Equity	4,959,910	2,480,357
Total Liabilities and Equity	\$ 10,193,110	\$ 6,346,971

See Independent Auditor's Report and notes to financial statements

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

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 23,454,375	\$ 27,470,967
Cost of Revenues	(18,107,461)	(25,063,671)
Gross Profit	<u>5,346,915</u>	<u>2,407,296</u>
Operating Expenses (Schedule 1)	(1,575,437)	(476,955)
Income from operations	<u>3,771,478</u>	<u>1,930,342</u>
Interest Income and other income	42,622	105,901
Interest Expense	-	-
Income before provision for income taxes	<u>3,814,100</u>	<u>2,036,242</u>
Provision for Income Taxes	(1,334,350)	(75,000)
Net Income/ (Loss)	<u><u>\$ 2,479,750</u></u>	<u><u>\$ 1,961,242</u></u>

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>2018</u>	<u>2017</u>
Balance at April 1, 2016	\$ 2,310,000	\$ 170,357	\$ 2,480,357	\$ 516,244
Capital Contributions during the year				
Earnings/(Loss)-FY 2017	-	(197)	(197)	-
Prior Period Adjustment				
Balance at March 31, 2017	<u>2,310,000</u>	<u>170,160</u>	<u>2,480,160</u>	<u>516,244</u>
Capital Contributions during the year				
Earnings/(Loss)-FY2018	-	2,479,750	2,479,750	1,961,242
Prior year adjustment	-	-	-	2,871
Balance at March 31, 2017	<u><u>\$ 2,310,000</u></u>	<u><u>\$ 2,649,910</u></u>	<u><u>\$ 4,959,910</u></u>	<u><u>\$ 2,480,357</u></u>

See Independent Auditor's Report and notes to financial statements

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 2,479,750	\$ 1,961,242
Depreciation	1,451	4,545
Prior year Adjustment	266	2,871
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Restricted Cash	(1,729)	19
Treasury Bonds-Manila	2,014	363
Accounts Receivable	(121,969)	3,243,856
Accounts Receivable-Affiliate	(3,018)	58,361
Advance to Allsec-Manila	(42,622)	(105,819)
Accrued Income	(72,000)	27,948
Advance for Consultancy Services	-	-
Due from Factor	-	324,696
Prepaid Expenses	(13,103)	(5,943)
Loan to Affiliate	-	-
Security Deposit-Rental	(180)	-
Accounts Payable	118,362	(2,085,654)
Accounts Payable-Affiliate	(160,312)	940,523
Accrued Expenses	1,402,488	99,946
Provision for client discount	-	-
Loan Interest Payable - ATL	(7,142)	(168,660)
Other Payable	(42,125)	(165,092)
Net Cash provided by Operating Activities	3,540,132	4,133,202
CASH FLOW FROM FINANCING ACTIVITIES		
Addition to Property and Equipment	(0)	(4,078)
Loan from parent	55,314	(1,500,000)
Capital Contributions	-	-
Net Cash used by Financing Activities	55,314	(1,504,078)
Net Cash increase for the Year	3,595,446	2,629,124
Cash And Cash Equivalents At Beginning Of Year	3,160,064	531,400
Cash And Cash Equivalents At End Of Year	\$ 6,755,511	\$ 3,160,525
Supplemental disclosure of cash flow information		
Cash paid during the years		
Interest	\$ -	\$ -
Income taxes	\$ 1,334,350	\$ 75,000

See Independent Auditor's Report and notes to financial statements

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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, 2018.

See Independent Auditor’s Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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, 2018 and 2017, there were \$6,431 and \$6,659 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.

See Independent Auditor's Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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.

See Independent Auditor's Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Note 3. Property and Equipment

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

	<u>2017</u>	<u>2017</u>
Computers & Accessories	\$66,380	\$66,380
Furnitures & Fixtures	9,521	9,521
Software & Licenses	14,234	14,234
Network Equipments	<u>259,759</u>	<u>259,759</u>
	349,894	349,894
Less: Accumulated Depreciation	(349,894)	(348,443)
Total	<u><u>\$0</u></u>	<u><u>\$1,451</u></u>

The useful lives of property and equipment for the purpose of computing depreciation are three to seven years. Depreciation expense amounted to \$ 1,451 and \$ 4,545 for the years ended March 31, 2018 and 2017 respectively.

Note 4. Income Taxes

For the year ended March 31, 2018 the company has made a net provision of \$ 1,335,250 after adjusting the carry forward losses of the previous years.

See Independent Auditor's Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Note 5. Related Party Transactions

Allsec Technologies Limited provided response management solutions to several Allsectech customers. For these services, Technologies billed \$685,649.33 and \$398,550.28 to Allsectech for the years ended March 31, 2018 and 2017. The company has an outstanding payable of \$173,699 and \$15,304 to its parent company for the services rendered for those years. Allsec-Manila provided similar services and billed \$29,960 and \$35,077 for the years ended March 31, 2018 and 2017. The company has an outstanding payable of \$29,960 and \$0 to Allsec-Manila. Retreat Capital Management Inc. provided AML services and billed \$ 3,121,848.63 and \$22,754,696 for the years ended March 31, 2018 and 2017. The company has an outstanding payable of \$ 3,338,110.92 and \$3,121,848.63 to Retreat Capital Management Inc..

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

During the year Retreat Capital has raised an invoice for \$ 950,000 towards a claim received by Retreat Capital towards the overtime dues and TWC demand.

Note 6. 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, 2018 and 2017, rent expense amounted to \$364,670 and \$1,015 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, 2018 and 2017 respectively.

See Independent Auditor's Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Note 7. 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.

See Independent Auditor's Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Note 8. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through June 30, 2018. The evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

Note 9. 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 30, 2018. The financial statement includes the activities of the branch office, details as follows:

	USD
Income	\$ 45
Expenses	
Salaries and Allowances	\$ 12,364
Professional Fees	\$ 265
Taxes and Licenses	\$ 716
Balance Sheet	
Cash	\$ 211
Treasury Bonds	\$ 1,957
Trade and other Payable	\$ (522)
Advances from affiliate	\$ (54,795)
Retained Earnings	\$ 39,607
Net Loss current Period	\$ 13,300

See Independent Auditor's Report

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

Schedule 1

Operating expenses	2018	2017
Automobile Expense	\$ 11,882	\$ 12,449
Bad Debts	-	-
Bank Service Charges	4,950	2,370
Bond Fees	11,825	11,494
Business Promotion Exp	116,524	81,964
Connectivity Charges	6,108	5,412
Depreciation Expense	1,451	4,545
Dues and Subscriptions	5,533	-
Electricity Charges	54,033	-
Advertising	-	-
Foreign Taxes	-	-
Insurance	9,009	5,197
Internet Expenses	-	327
Licenses and Permits	77,096	69,476
Finance Charges-Factory SCB	-	27,340
Office Supplies	4,924	-
Payroll Processing Fees	11,406	2,720
Office Pantry Expenses	13,662	-
Postage and Delivery	2,554	2,749
Office Equipment	533	-
Professional Fees	573,763	68,174
Rent	364,670	1,015
Seminars and Meetings	1,438	125
Interest Expenses	-	112,637
Telephone	56,261	12,034
Travel & Ent	247,814	56,926
Total	\$ 1,575,437	\$ 476,955

See Independent Auditor's Report and notes to financial statements