

ALLSECTECH, INC.
FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018



ALLSECTECH INC

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March 31, 2019 and 2018

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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, 2019 and 2018 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, 2019 and 2018, 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 I 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 9, 2019
Princeton, New Jersey

ALLSECTECH, INC.
BALANCE SHEETS
AS OF MARCH 31

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,623,500	\$ 6,755,510
Treasury Bonds-Manila	-	-
Accounts Receivable	247,026	1,936,527
Accounts Receivable - Affiliate	20,000	3,018
Restricted Cash	58,698	8,388
Security Deposit	-	180
Interest Due from RCM	148,441	148,441
Loan to Affiliate	1,250,000	1,250,000
Accrued Income	-	72,000
Due from Factor	-	-
Prepaid expenses	26,216	19,046
Total Current Assets	<u>5,373,881</u>	<u>10,193,110</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	365,419	364,128
Accumulated Depreciation	(364,400)	(364,129)
Net Property and Equipment	<u>1,019</u>	<u>(0)</u>
Total Assets	<u>\$ 5,374,900</u>	<u>\$ 10,193,110</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 206,253	\$ 278,821
Accounts Payable - Affiliate	1,470,856	3,368,071
Accrued Expenses	238,681	249,760
Accrued Income Taxes	-	1,336,549
Loan from parent	-	-
Loan Interest Payable	-	-
Other payable	-	-
Total Current Liabilities	<u>1,915,790</u>	<u>5,233,200</u>
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	1,149,110	2,649,910
Total Stockholders' Equity	<u>3,459,110</u>	<u>4,959,910</u>
Total Liabilities and Equity	<u>\$ 5,374,900</u>	<u>\$ 10,193,110</u>

See Independent Auditor's Report and notes to financial statements

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

	2019	2018
Operating Revenues	\$ 5,023,844	\$ 23,454,375
Cost of Revenues	(5,345,533)	(18,107,461)
Gross Profit	(321,689)	5,346,915
Operating Expenses (Schedule 1)	(1,341,267)	(1,575,437)
Income from operations	(1,662,956)	3,771,478
Interest Income and other income	143	42,622
Interest Expense	-	-
Income before provision for income taxes	(1,662,813)	3,814,100
Provision for Income Taxes	162,015	(1,334,350)
Net Income/ (Loss)	\$ (1,500,798)	\$ 2,479,750

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>2019</u>	<u>2018</u>
Balance at April 1, 2018	\$ 2,310,000	\$ 2,649,910	\$ 4,959,910	\$ 2,480,357
Capital Contributions during the year				
Earnings/(Loss)-FY 2018	-			(197)
Prior Period Adjustment		(2)	(2)	
Balance at March 31, 2018	<u>2,310,000</u>	<u>2,649,908</u>	<u>4,959,908</u>	<u>2,480,160</u>
Capital Contributions during the year				
Earnings/(Loss)-FY2019	-	(1,500,798)	(1,500,798)	2,479,750
Prior year adjustment	-	-	-	-
Balance at March 31, 2019	<u><u>\$ 2,310,000</u></u>	<u><u>\$ 1,149,110</u></u>	<u><u>\$ 3,459,110</u></u>	<u><u>\$ 4,959,910</u></u>

See Independent Auditor's Report and notes to financial statements



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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ (1,500,798)	\$ 2,479,750
Depreciation	271	1,451
Prior year Adjustment	(1)	266
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Restricted Cash	(50,310)	(1,729)
Treasury Bonds-Manila	-	2,014
Accounts Receivable	1,689,501	(121,969)
Accounts Receivable-Affiliate	(16,982)	(3,018)
Advance to Allsec-Manila	-	(42,622)
Accrued Income	72,000	(72,000)
Prepaid Expenses	(7,170)	(13,103)
Security Deposit-Rental	180	(180)
Accounts Payable	(72,568)	118,361
Accounts Payable-Affiliate	(1,897,215)	(160,313)
Accrued Expenses	(1,347,628)	1,402,488
Loan Interest Payable - ATL	-	(7,142)
Other Payable	-	(42,125)
Net Cash provided by Operating Activities	(3,130,720)	3,540,130
 CASH FLOW FROM FINANCING ACTIVITIES		
Addition to Property and Equipment	(1,291)	-
Loan from parent	-	55,315
Net Cash used by Financing Activities	(1,291)	55,315
 Net Cash increase for the Year	(3,132,011)	3,595,445
Cash And Cash Equivalents At Beginning Of Year	6,755,510	3,160,064
Cash And Cash Equivalents At End Of Year	\$ 3,623,500	\$ 6,755,510
 Supplemental disclosure of cash flow information		
Cash paid during the years		
Interest	\$ -	\$ -
Income taxes	\$ (162,015)	\$ 1,334,350

See Independent Auditor's Report and notes to financial statements



ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

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

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Accordingly, all significant receivables, payables, and other liabilities are recorded.

Liquidity & Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Allsectech provides AML, voice response services and collection of credit card and other receivables services to reputed companies. 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 and Cash Equivalents

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, 2019 and 2018, there were \$6,271.57 and \$ 6,430.53 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, 2019

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, 2019

Note 3. Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Computers & Accessories	\$67,871	\$66,380
Furnitures & Fixtures	9,521	9,521
Software & Licenses	14,234	14,234
Network Equipments	<u>259,759</u>	<u>259,759</u>
	351,385	349,894
Less: Accumulated Depreciation	(350,166)	(349,894)
Total	<u><u>\$1,219</u></u>	<u><u>\$0</u></u>

The useful lives of property and equipment for the purpose of computing depreciation are three to seven years. Depreciation expense amounted to \$ 271 and \$ 1,451 for the years ended March 31, 2019 and 2018 respectively.

Note 4. Income Taxes

Owing to the losses incurred during the year ended March 31st 2019, the Company has not made any provision for tax payable.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 6. Related Party Transactions

Allsec Technologies Limited provided response management solutions to several Allsectech customers. For these services, Technologies billed \$461,461 and \$685,649 to Allsectech for the years ended March 31, 2019 and 2018. The company has an outstanding payable of \$ 56,638 and \$173,699 to its parent company for the services rendered for those years. Allsec-Manila provided similar services and billed \$715,739.59 and \$29,960.16 for the years ended March 31, 2019 and 2018. The company has an outstanding payable of \$152,108.30 and \$29,960.16 to Allsec-Manila. Retreat Capital Management Inc. provided AML services and billed \$36,750 and \$3,121,848.63 for the years ended March 31, 2019 and 2018. The company has an outstanding payable of \$ 1,318,747.46 and \$3,338,110.92 to Retreat Capital Management Inc..

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

Note 7. Litigation

There are no legal suite pending against the company ,except Currently pending against Retreat Capital Management, Inc. d/b/a Allsec Financial Services, Allsectech, Inc., Allsec Technologies, Ltd., and Adishesan Saravanan is a collective action under the Fair Labor Standards Act against. The case was filed on September 24, 2018 and is Cause No. 3:18-CV-02539-S pending in the United States District Court for the Northern District of Texas – Dallas Division. A total of 54 current and former independent contractors have opted in to this case, alleging that they were misclassified as independent contractors and should have been paid an additional 50% of their hourly wages over forty hours in a week, inasmuch as they were paid straight time overtime.

The claims of 35 plaintiffs have been resolved through settlement or voluntary dismissal, leaving 19 plaintiffs left. We anticipate being able to settle the remaining claims with a settlement offer consisting of overtime owed and an estimated liquidated damages, and Plaintiffs' attorney's fees. The company has made adequate provision in the books of accounts as of 31st March 2019

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

See Independent Auditor's Report

Note 8. 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, 2019 and 2018, rent expense amounted to \$ 223,393.91 and \$364,670 respectively.

Also lease was extended to the term of the lease through January 15, 2019 through January 15 2012 with the following terms.

Rent Payable from 01-15-19 through 01-15-20	\$ 13,510.75 per month
Rent Payable from 01-15-20 through 01-15-21	\$ 14,046.46 per month

Note 9. 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, 2019

Note 10. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through May 9, 2019. The evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

Note 11. 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. The financial statement includes the activities of the branch office, details as follows:

	USD
Income	\$ 56
Expenses	
Salaries and Allowances	\$ 13,285
Professional Fees	\$ 302
Taxes and Licenses	\$ NIL
Balance Sheet	
Cash	\$ 2,462
Treasury Bonds	\$ 0
Trade and other Payable	\$ (114)
Advances from affiliate	\$ (65,890)
Retained Earnings	\$ 50,469
Net Loss current Period	\$ 13,532

See Independent Auditor's Report

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

Operating expenses	2019	2018
Automobile Expense	\$ 14,262	\$ 11,882
Bank Service Charges	3,944	4,950
Bond Fees	13,425	11,825
Business Promotion Exp	331,513	116,524
Connectivity Charges	6,211	6,108
Depreciation Expense	271	1,451
Dues and Subscriptions	3,345	5,533
Electricity Charges	50,186	54,033
Advertising	181	-
Insurance	7,089	9,009
Licenses and Permits	79,025	77,096
Office Supplies	3,217	4,924
Payroll Processing Fees	4,247	11,406
Office Pantry Expenses	2,430	13,662
Postage and Delivery	2,961	2,554
Office Equipment	1,048	533
Professional Fees	324,783	573,763
Rent	246,500	364,670
Seminars and Meetings	198	1,438
Telephone	71,271	56,261
Travel & Ent	175,160	247,814
Total	\$ 1,341,267	\$ 1,575,437

See Independent Auditor's Report and notes to financial statements

