

**RETREAT CAPITAL MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 1 - General**

Retreat Capital Management, Inc. (the "Company") was incorporated on April 24, 2008 in the State of California. The Company is a business process outsourcing company that offers a unique combination of people, processes, technology and field services designed to assist lenders, mortgage servicers, real estate companies, hedge funds, banks 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 Wijay 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 Wijay 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, 2015.

**Revenue Recognition**

The Company generates revenue from providing business process 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 and anti-money laundering services to banks. 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, 2015**

**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, 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.

**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, 2015**

**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, 2015, property and equipment consists of the following:

Computers	\$ 437,106
Furniture and fixtures	701,752
Company vehicle	13,848
Capital lease assets	371,414
Leasehold improvements	334,676
MSP License Cost	<u>50,000</u>
Total	2,160,740
Less: Accumulated depreciation	<u>(1,730,518)</u>
Property and equipment – net	\$ 430,222

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, 2015**

**Note 4 - Provision for Income Taxes**

Components of provision for income taxes are:

Income Taxes Payable/(Receivable) Currently

Federal Tax for 2015 \$ 125,383.00

Deferred Income Tax

***Federal***

Deferred tax benefit (liability) December 31, 2014	2,763,149
Less: Reversal of DTA as per NOL order	2,505,076
Less: Provision for Tax 2015	125,383
Deferred tax benefit (liability) December 31, 2015	\$ 132,691

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.

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 filed form 1139, Corporation Application for Tentative Refund, to carry back 2013 net operating loss to the 2011 and 2012 tax years. IRS vide their letter dated 3-4-2015 has accepted our Form 1139 for our carry back of loss of 2013 for the profits for the years 2012 & 2011., Also 2014 tax year resulted in a net operating loss, for which the company has filed Form 1139 to carry back the loss of 2014 to the 2012 tax years. As a result, the tax due for 2011 is \$ 1,610 and for 2012 is \$ 145,283. The net loss available for carried forward is \$ 2,868,429



**RETREAT CAPITAL MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**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 2015, The Company has entered into a forbearance agreement with Bank of America N.A. and has agreed to pay a monthly instalment of \$60,000 for the period April 2015 through March 2016 and the balance payable based on an agreement to be entered into on a mutually agreed terms and conditions. Based on the said agreement, during the year 2015, the Company has paid \$ 540,000. The balance outstanding as of December 31, 2015, \$1,235,000.

**Note 6 – Notes Payable**

	Current Portion	Total
Notes payable are to banking institutions for the acquisition of fixed assets of the Company, bearing interest at rates from 2.9% to 5% per annum. The notes payable are secured by the equipment and vehicles of the Company, which are the subjects of the notes payable.		
Balance at December 31, 2015	\$ 56,907	

The minimum required principal debt payments, by year, are as follows:

<u>12 months ending December 31, 2016</u>	<u>\$ 56,907</u>	
-------------------------------------------	------------------	--



**RETREAT CAPITAL MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note7: Obligation under lease finance**

During the year 2015, the company has entered into a forbearance agreement with Dell Financial services for 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 year company has paid the down payment of \$ 59,038.25 and seven monthly instalments of \$ 9,038.25 each starting from June 2015. The Balance due as on 31<sup>st</sup> Dec 2015 is \$188,081.

**Note 8 – Commitments and Contingencies**

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

Outstanding balance as on December 31, 2015 is NIL.



**RETREAT CAPITAL MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 8 – Commitments and Contingencies** – (continued)

Rental expense for the year ended December 31, 2015 amounted to \$ 231,931.

Minimum future lease payments under the above operating leases are as follows:

12 months ending December 31, 2016	\$ 202,778
January' 2017 to November' 2018	<u>\$ 390,643</u>

**Note 8 – Commitments and Contingencies**

**Legal**

The Company is a defendant in a law suit filed by Strategic Acquisition Inc., Homestrong USA Fund I, LLC and FH Ranch, LLC for breach of contract, negligence etc.. for an amount to be ascertained upon proof at the time of trial. The Company is defending the case by hiring an outside attorney. The Company is of the opinion that no money is due and payable and hence no provision has been made in the financial statements.

**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.



**RETREAT CAPITAL MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Note 10 - Interest Expense**

Operating interest		
Capital leases	\$	10,076.82
Non-operating interest – LOC		
Various	\$	69,849.36

**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.

**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, 2015, this customer accounted for approximately \$ 10,707,236 of revenues. This amount represents 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 March 15, 2016. 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.

