

ALLSECTECH, INC.
FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

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ALLSECTECH INC

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March 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Allsectech Inc (a Delaware Corporation), which comprise the balance sheets as of March 31, 2020 and 2019 and the related statements of income, cash flows, and stockholder's equity for the years then ended, and the related notes to the financial statements.

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

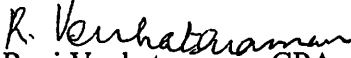
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, 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.


Ravi Venkataraman, CPA
May 5, 2020
Princeton, New Jersey

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

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,577,491	\$ 3,623,121
Treasury Bonds-Manila		-
Accounts Receivable	262,786	247,025
Accounts Receivable - Affiliate	26,957	21,957
Restricted Cash	6,272	6,272
Security Deposit	8,598	1
Interest Due from RCM	-	148,441
Loan to Affiliate	-	1,250,000
Accrued Income	-	-
Advance for Consultancy Services	-	-
Due from Factor	-	-
Prepaid expenses	69,633	26,217
Total Current Assets	<u>1,951,738</u>	<u>5,323,034</u>
PROPERTY AND EQUIPMENT		
Property and Equipment	354,802	351,185
Accumulated Depreciation	(350,540)	(349,966)
Net Property and Equipment	<u>4,262</u>	<u>1,219</u>
Total Assets	<u>\$ 1,956,000</u>	<u>\$ 5,324,253</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,694	\$ 27,792
Accounts Payable - Affiliate	13,301	1,598,848
Accrued Expenses	77,214	238,681
Accrued Income Taxes	-	-
Loan from parent	-	-
Loan Interest Payable	-	-
Other payable	495,534	-
Total Current Liabilities	<u>613,743</u>	<u>1,865,321</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	(967,743)	1,148,932
Total Stockholders' Equity	<u>1,342,257</u>	<u>3,458,932</u>
Total Liabilities and Equity	<u>\$ 1,956,000</u>	<u>\$ 5,324,253</u>

See Independent Auditor's Report and notes to financial statements

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

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 1,418,312	\$ 5,023,844
Cost of Revenues	(2,069,020)	(5,345,533)
Gross Profit	<u>(650,708)</u>	<u>(321,689)</u>
Operating Expenses (Schedule 1)	(1,468,223)	(1,341,267)
Income from operations	<u>(2,118,931)</u>	<u>(1,662,956)</u>
Interest Income and other income	8,208	143
Interest Expense	39	-
Income before provision for income taxes	<u>(2,110,684)</u>	<u>(1,662,813)</u>
Provision for Income Taxes-State	(5,991)	162,015
Net Income/ (Loss)	<u><u>\$ (2,116,675)</u></u>	<u><u>\$ (1,500,798)</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>2020</u>	<u>2019</u>
Balance at April 1, 2019	\$ 2,310,000	\$ 1,149,112	\$ 3,459,112	\$ 4,959,910
Capital Contributions during the year				
Earnings/(Loss)-FY 2018	-	-	-	-
Prior Period Adjustment		(180)	(180)	
Balance at March 31, 2019	<u>2,310,000</u>	<u>1,148,932</u>	<u>3,458,932</u>	<u>4,959,910</u>
Capital Contributions during the year				
Earnings/(Loss)-FY2020		(2,116,675)	(2,116,675)	(1,500,798)
Prior year adjustment	-	-	-	-
Balance at March 31, 2020	<u>\$ 2,310,000</u>	<u>\$ (967,743)</u>	<u>\$ 1,342,257</u>	<u>\$ 3,459,112</u>

See Independent Auditor's Report and notes to financial statements

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

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ (2,116,675)	\$ (1,500,798)
Depreciation	574	271
Prior year Adjustment	(1)	(180)
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Restricted Cash	-	(50,310)
Treasury Bonds-Manila	-	-
Accounts Receivable	(15,761)	1,689,501
Accounts Receivable-Affiliate	(5,000)	(16,982)
Advance to Allsec-Manila	148,441.00	-
Accrued Income	-	72,000
Prepaid Expenses	(43,416)	(7,170)
Security Deposit-Rental	(8,597)	179
Accounts Payable	(99)	(72,569)
Accounts Payable-Affiliate	(1,585,547)	(1,897,141)
Accrued Expenses	(161,467)	(1,347,628)
Loan Interest Payable - ATL	-	-
Other Payable	495,534	-
Net Cash provided by Operating Activities	<u>(2,042,014)</u>	<u>(3,130,827)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Addition to Property and Equipment	(3,617)	(1,562)
Loan from parent	-	-
Net Cash used by Financing Activities	<u>(3,617)</u>	<u>(1,562)</u>
Net Cash increase for the Year	(2,045,631)	(3,132,389)
Cash And Cash Equivalents At Beginning Of Year	3,623,121	6,755,510
Cash And Cash Equivalents At End Of Year	<u>\$ 1,577,491</u>	<u>\$ 3,623,121</u>
Supplemental disclosure of cash flow information		
Cash paid during the years		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 5,991</u>	<u>\$ 1,334,350</u>

See Independent Auditor's Report and notes to financial statements

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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.

Conneqt Business Solutions Limited (‘Conneqt’), a subsidiary of Quess Corp Limited, had entered into share purchase agreements dated April 17, 2019 with Mr. Jagadish R, Mr. Saravanan A and First Carlyle Ventures Mauritius to acquire 9,349,095 equity shares, representing 61.35% of the voting share capital of Allsec Technologies Limited. The effective date of acquisition of equity shares by Conneqt was June 3, 2019.

Consequent to this transaction, Allsec Technologies Limited has become the subsidiary of Conneqt with effect from June 3, 2019. with effective date of acquisition being considered as 1st June 2019 in terms of IND AS accounting standards and Allsectech Inc has become a step down subsidiary of Conneqt.

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.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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.

The financial statements are prepared on accrual basis. These financial statements are presented for the year ended March 31, 2020.

Liquidity & Going Concern

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

Revenue Recognition

Allsectech provides 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.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020 and 2019, there were \$8,229 and \$8,229 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.

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.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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.

Note 3. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Computers & Accessories	\$67,671	\$67,671
Furnitures & Fixtures	9,521	9,521
Vehicles	3,617	0
Software & Licenses	14,234	14,234
Network Equipments	259,759	259,759
	<u>354,802</u>	<u>351,185</u>
Less: Accumulated Depreciation	(350,540)	(349,966)
Total	<u><u>\$4,262</u></u>	<u><u>\$1,219</u></u>

The useful lives of property and equipment for the purpose of computing depreciation are three to seven years. Depreciation expense amounted to \$ 574 and 271 for the years ended March 31, 2020 and 2019 respectively.

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

Note 4. Income Taxes

For the year ended March 31, 2020 the company had not made any tax provisions.

Note 5. Related Party Transactions

A Loan was made for \$1,250,000 to Retreat Capital Management Inc. during April 2014-March 2015. Management has decided to set off this loan from an associate company against payables from the same associate during the year ended March 31, 2020 and appropriate adjusted has been made in the financial statements. In addition, interest receivable from an affiliate were set off against payables to the same affiliate entity-Retreat Capital Management, Inc., since it is in the process of winding off.

Note 6. Litigation

There are no legal suite pending against the company, There was one case pending against Retreat Capital Management, Inc. d/b/a Allsec Financial Services, Allsectech, Inc., Allsec Technologies, Ltd., and Adishesan Saravanan, erstwhile promoter was 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 matter had been settled in principle for 35 employees, but we were awaiting settlement agreements from the remaining 19 plaintiffs until the case could be finally dismissed. The case is over and has been dismissed with prejudice.

Note 7. Going Concern

The Company has reported a loss of \$ 2,116,675 and \$ 1,500,799 for the years ended March 31, 2020 and 2019 respectively. In spite of the losses, management intends to continue operations in the U.S. The Company expects to execute existing orders to generate revenues. In addition, certain cost cutting measures have been taken including laying off three business development employees/consultants; non-renewal of office lease after the lease period expires and other cost control measures

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Note 8. Commitments and Contingent Liabilities

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020 and 2019, rent expense amounted to \$ 246,463 and \$223,394 respectively.

Also lease was extended to the term of the lease through January 15, 2020 through January 15 2021 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, 2020

Note 10. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through May 5, 2020. The evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

Note 11. Impact of Covid -19 on business operations

COVID-19 lock down has no material impact on financial conditions and results of operation on FY 19-20 financials.

Due to lock down in US and in other key markets of Allsectech, Inc. most of the clients are not operating at normal levels. This is expected to have a slight impact in Q1 & Q2 numbers. While parent Allsec Technologies has a very strong balance sheet, Allsectech Inc. also has good cash reserves to be resilient enough to weather the COVID-19 impact. The management is taking proactive steps to rationalize and reduce costs wherever possible to reduce impact on margins and conserve cash. They have rationalized the Employee/Consultants costs & Head count by having 3 business development employees/consultants contracts terminated in April 2020. The Company expects to maintain 2019-20 levels in turnover, reduce the losses as a measure of cost savings and cost rationalization measures. The company expects to have more clarity on the projections for FY'21 by mid Q2 2020-21 since situation is currently fluid and evolving on a day to day basis assuming lock down is lifted by June 2020.

Allsectech uses operationally generated cash flows to fund its business. It has sufficient liquid assets to tide over current and post-COVID-19 period. As of 31st March 2020, Allsectech has not utilized any credit facilities from banks or financial institutions. At this time, it is not envisaged that there will be change in this position.

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

Operating expenses	2020	2019
Automobile Expense	\$ 17,598	\$ 14,262
Bank Service Charges	2,568	3,944
Bond Fees	2,975	13,425
Business Promotion Exp	44,956	331,513
Connectivity Charges	4,323	6,211
Depreciation Expense	574	271
Dues and Subscriptions	629	3,345
Security Charges	56,079	50,186
Advertising	-	181
Insurance	23,542	7,089
Licenses and Permits	65,884	79,025
Office Supplies & Expense	3,583	3,217
Payroll Processing Fees	1,927	4,247
Office Pantry Expenses	98	2,430
Postage and Delivery	2,289	2,961
Office Equipment	947	1,048
Professional Fees	776,648	324,783
Rent	266,678	246,500
Seminars and Meetings	3,000	-
Utilities	4,163	198
Repairs	58,070	72,170
Telephone	70,171	71,271
Travel & Ent	61,521	102,990
Total	\$ 1,468,223	\$ 1,341,267

See Independent Auditor's Report and notes to financial statements