

ALLSECTECH, INC.
FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

ALLSECTECH INC

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March 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Allsectech, Inc. ("Company"), which comprise the balance sheets as of March 31, 2023 and 2022, and the related statements of income, cash flow, and statements of stockholders' equity for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


Ravi Venkataraman, CPA
Princeton, New Jersey
April 21, 2023

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

| ASSETS | 2023 | 2022 |
|---|-------------------------|-------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 644,777 | \$ 484,987 |
| Accounts Receivable | 1,536,392 | 1,344,815 |
| Restricted Cash | 6,276 | 6,274 |
| Security Deposit | 8,322 | 14,382 |
| Prepaid expenses | 58,249 | 84,421 |
| Other Asset | 223,433 | 75,123 |
| Total Current Assets | 2,477,449 | 2,010,002 |
| PROPERTY AND EQUIPMENT | | |
| Property and Equipment | - | 1,536 |
| Accumulated Depreciation | - | - |
| Net Property and Equipment | - | 1,536 |
| Total Assets | \$ 2,477,449 | \$ 2,011,538 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 86,286 | \$ 14,542 |
| Accounts Payable - Affiliate | 928,724 | 1,297,027 |
| Accrued Expenses | 869,845 | 205,575 |
| Total Current Liabilities | 1,884,855 | 1,517,144 |
| 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 | (1,717,406) | (1,815,606) |
| Total Stockholders' Equity | 592,594 | 494,394 |
| Total Liabilities and Equity | \$ 2,477,449 | \$ 2,011,538 |

See Independent Auditor's Report and notes to financial statements

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

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|---------------------------|
| Operating Revenues | \$ 16,212,272 | \$ 12,063,697 |
| Cost of Revenues | (14,775,789) | (11,316,404) |
| Gross Profit | <u>1,436,483</u> | <u>747,293</u> |
| Operating Expenses (Schedule 1) | (1,328,534) | (801,510) |
| Income from operations | <u>107,949</u> | <u>(54,217)</u> |
| Interest Income and other income | 1 | 2,350 |
| Income before provision for income taxes | <u>107,950</u> | <u>(51,867)</u> |
| Provision for Income Taxes-State | (9,750) | (11,198) |
| Net Income/ (Loss) | <u><u>\$ 98,200</u></u> | <u><u>\$ (63,065)</u></u> |

See Independent Auditor's Report and notes to financial statements

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

| | Common Stock | Retained Earnings | 2023 | Common Stock | Retained Earnings | 2022 |
|---------------------------------------|--------------|-------------------|---------|--------------|-------------------|----------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at April 1, 2022 | 2,310,000 | (1,815,606) | 494,394 | 2,310,000 | (1,752,541) | 557,459 |
| Capital Contributions during the year | | | | | | |
| Prior Period Adjustment | | - | - | | - | - |
| Balance at March 31, 2022 | 2,310,000 | (1,815,606) | 494,394 | 2,310,000 | (1,752,541) | 557,459 |
| Capital Contributions during the year | | | | | | |
| Earnings/(Loss)-FY2023 | | 98,200 | 98,200 | | (63,065) | (63,065) |
| Prior year adjustment | - | - | - | - | - | - |
| Balance at March 31, 2023 | 2,310,000 | (1,717,406) | 592,594 | 2,310,000 | (1,815,606) | 494,394 |

See Independent Auditor's Report and notes to financial statements

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

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | \$ 98,200 | \$ (63,065) |
| Depreciation | 2,343 | - |
| Adjustments to reconcile Net Income to net cash provided by operating activities: | | |
| Restricted Cash | - | - |
| Accounts Receivable | (191,577) | (557,619) |
| Prepaid Expenses | 26,172 | (37,895) |
| Security Deposit-Rental | 6,060 | 13,937 |
| Other Asset | (148,312) | (56,714) |
| Accounts Payable | 71,744 | 5,596 |
| Accounts Payable-Affiliate | (368,303) | 592,753 |
| Accrued Expenses | 664,270 | 880 |
| Other Payable | - | - |
| Net Cash provided by Operating Activities | <u>160,597</u> | <u>(102,127)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Addition to Property and Equipment | (807) | (1,536) |
| Loan from parent | - | - |
| Net Cash used by Financing Activities | <u>(807)</u> | <u>(1,536)</u> |
| Net Cash increase for the Year | 159,790 | (103,663) |
| Cash And Cash Equivalents At Beginning Of Year | 484,987 | 588,650 |
| Cash And Cash Equivalents At End Of Year | <u><u>\$ 644,777</u></u> | <u><u>\$ 484,987</u></u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the years | | |
| Interest | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| Income taxes | <u><u>\$ 9,750</u></u> | <u><u>\$ 14,564</u></u> |

See Independent Auditor's Report and notes to financial statements

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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 2022 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 to perform 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.

See Independent Auditor’s Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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, 2023.

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, 2023

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, 2023 and 2022, there were \$6,575 and \$6,575 respectively in restricted cash balances. 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 marketing services, the amount paid to Allsec Technologies & Allsectech Manila 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, 2023

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:

| Description | 2023 | 2022 |
|---------------------------------------|-----------------------|---------------------|
| Computers & Accessories | 2,343 | \$ 1,536 |
| Furniture & Fixtures | - | - |
| Vehicles | - | - |
| Software Licenses | - | - |
| Network Equipments | - | - |
| Original Cost | 2,343 | 1,536 |
| | | |
| Less: Accumulated Depreciation | <u>(2,343)</u> | <u>(0)</u> |
| | | |
| Net Property & Equipment | <u>\$0</u> | <u>1,536</u> |

The useful lives of property and equipment for the purpose of computing depreciation are three to seven years. Depreciation expense amounted to \$ 2,343 and \$ 1,536 for the years ended March 31, 2023 and 2022 respectively.

See Independent Auditor's Report

ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 4. Income Taxes

For the year ended March 31, 2023 the company has created an adhoc provision of \$85,355.84 towards tax purpose.

Note 5. Going Concern

The Company has reported a profit of \$ 98,200 and loss of \$ 63,065 for the years ended March 31, 2023 and 2022 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 few business development employees/consultants; renewal of office lease with lower office spaces after the existing lease period and other cost control measures

Note 6. Prepaid Expenses

Prepaid expenses as of March 31, 2023 consists of the following:

| | |
|------------------------------|------------------|
| Prepaid Licenses and Permits | \$ 12,345 |
| Prepaid Rent | 15,197 |
| Prepaid Insurance | 242 |
| Other Prepaid Expenses | <u>30,465</u> |
| Total Prepaid Expenses | <u>\$ 58,249</u> |

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, 2023 and 2022, rent expense amounted to \$ 175,746 and \$158,950 respectively.

Further, the lease was extended to the term of the lease through August 31, 2023 with the following terms.

| | |
|---|--------------------|
| Rent Payable from 03-01-22 through 02-28-23 | \$ 6,300 per month |
| Rent Payable from 03-01-23 through 08-31-23 | \$ 6,575 per month |

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ALLSECTECH, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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.

Note 9. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through April 21, 2023. The evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

Note 10. Impact of Covid -19 on business operations

Due to lock down in US and in other key markets of Allsectech, Inc. most of the clients are not operating at normal levels. 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.

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 2023, 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 | 2023 | 2022 |
|---------------------------|---------------------|-------------------|
| Automobile Expense | \$ - | \$ - |
| Bank Service Charges | 4,965 | 122 |
| Business Promotion Exp | 121,158 | 130,212 |
| Connectivity Charges | 6,116 | 3,824 |
| Depreciation Expense | 2,343 | - |
| Security Charges | 44,358 | 40,665 |
| Insurance | 41,492 | 46,378 |
| Licenses and Permits | 46,094 | 71,607 |
| Office Supplies & Expense | 3,924 | (1,385) |
| Payroll Processing Fees | 697 | - |
| Professional Fees | 708,429 | 283,873 |
| Rent | 175,746 | 158,950 |
| Utilities | 7,879 | 9,128 |
| Repairs | 72,130 | 17,110 |
| Telephone | 1,845 | 2,573 |
| Recruitment Fee | 58,000 | 34,000 |
| Travel & Ent | 33,358 | 4,453 |
| Total | \$ 1,328,534 | \$ 801,510 |

See Independent Auditor's Report and notes to financial statements

