

# STAYTOP SYSTEMS, INC.

## Financial Statements

March 31, 2016

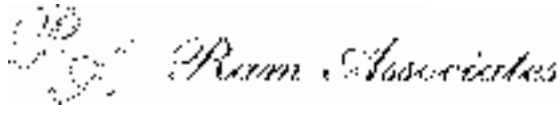
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# STAYTOP SYSTEMS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and stockholders' of  
**Staytop Systems, Inc.**  
Raleigh, NC.

We have audited the accompanying financial statements of Staytop Systems, Inc. (a CA corporation) which comprise the balance sheets as of March 31, 2016, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to financial statements.

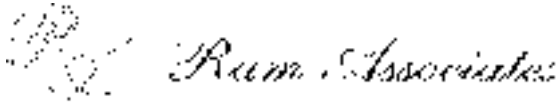
### *Management's Responsibility for the Financial Statements*

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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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



CERTIFIED PUBLIC ACCOUNTANTS

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 Staytop Systems, Inc. as of March 31, 2016, 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.

Ram Associates  
Hamilton, NJ

May 18, 2016

**STAYTOP SYSTEMS, INC.**

Balance Sheet  
March 31, 2016

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 2,347,863
Accounts receivables	177,333
Other current assets	92,190
Total current assets	<u>2,617,386</u>

**Other assets**

1,837,269

**Total assets**

\$ 4,454,655

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities:**

Accounts payables and accrued expenses	\$ 427,368
Intercompany payables	1,122,221
Payroll liabilities	32,823
Other current liabilities	11,361
Total current liabilities	<u>1,593,773</u>

**Stockholders' equity**

Common stock, no per value; 10,000 shares authorized, issued and outstanding	1,200
Retained earnings	2,859,682
Total stockholders' equity	<u>2,860,882</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 4,454,655</u></u>

- See accompanying independent auditor's report and notes to Financial Statements -

**STAYTOP SYSTEMS, INC.**  
**Statement of Operations**  
**For The Year Ended March 31, 2016**

Net revenue	\$ 4,313,831
Cost of revenue	<u>4,085,937</u>
Gross profit	227,894
Operating expenses:	
Selling, general and administrative expenses	<u>287,631</u>
Operating loss before other income	(59,737)
Other income	<u>3,839</u>
Net loss	<u><u>\$ (55,898)</u></u>

- See accompanying independent auditor's report and notes to Financial Statements -

**STAYTOP SYSTEMS, INC.**  
**Statements of Changes in Stockholders' Equity**  
**For The Year Ended March 31, 2016**

	Common Stock		Retained earnings	Total stockholders' equity
	Number of shares	Amount		
Balance at March 31, 2015	10,000	\$ 1,200	\$ 2,915,580	\$ 2,916,780
Net loss			(55,898)	(55,898)
Balance at March 31, 2016	10,000	\$ 1,200	\$ 2,859,682	\$ 2,860,882

- See accompanying independent auditor's report and notes to Financial Statements-

**STAYTOP SYSTEMS, INC.**  
**Statements of Cash Flows**  
**For The Year Ended March 31, 2016**

<b>Cash flows used for operating activities:</b>	
Net loss	\$ (55,898)
<b>Adjustment to reconcile net loss to net cash used in operating activities</b>	
<b>Changes in assets and liabilities</b>	
(Increase) / Decrease in accounts receivable	376,134
(Increase) / Decrease in other current assets	101,254
Increase / (Decrease) in accounts payable and accrued expense	(348,678)
Increase / (Decrease) in payroll liabilities	(40,271)
Increase / (Decrease) in other liabilities	4,939
<b>Total adjustments</b>	<u>(46,622)</u>
<b>Net cash used in operating activities</b>	<u>(102,520)</u>
 <b>Cash flows from financing activities:</b>	
Increase in inter-company receivable/payable	193,756
<b>Net cash provided by financing activities</b>	<u>193,756</u>
<b>Net decrease in cash</b>	<b>91,236</b>
Cash at the beginning of the year	<u>2,396,627</u>
<b>Cash at the end of the year</b>	<u><u>\$ 2,487,863</u></u>
 <b>Supplementary disclosure of cash flows information</b>	
Cash paid during the year for	
Interest	\$ -
Income taxes paid	-

- See accompanying independent auditor's report and notes to Financial Statements-



# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

### 1. Organization and Description of Business

StayTop Systems, a California corporation is engaged in onsite Information Technology (IT) consulting to major enterprises such as Cisco Systems, Inc., Oracle Corporation and Wells Fargo. The Company's headquarter is located in North Carolina office. In 2004 StayTop was acquired by Goldstone Technologies Limited. They provide technically skilled engineers to manage complex projects for leading corporations around the world. They integrate technology, organizational change and business process improvements to help customers achieve their business objectives.

### 2. Summary of Significant Accounting Policies

#### *Accounting Policies*

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred

#### *Accounting 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 use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates.

Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

### *Cash and cash equivalents*

The Company considers all highly-liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents.

The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk.

### *Revenue recognition*

Revenues are primarily derived from professional services under time and materials contracts, which are recognized in the period in which services are provided.

Revenue related to services performed without a signed agreement or work order are not recognized until there is evidence of an arrangement, such as when agreements or work orders are signed or payment is received; however, the cost related to the performance of such work is recognized in the period the services are rendered.

For all services, revenue is recognized when, and if, evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability is assured.

Revenues related to fixed price contracts for professional services are recognized using a model that is similar to the proportional performance method. Anticipated losses are recognized when they become known. Revisions in estimated profits are made in the month in which the circumstances requiring the revision become known. There was no fixed price contract for the year ended March 31, 2016.

### *Accounts receivable*

The Company extends credit to clients based upon management's assessment of their credit-worthiness on an unsecured basis. The Company provides an

# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

allowance for uncollectible accounts based on historical experience and management evaluation of trend analysis. The allowances for uncollectible accounts as of March 31, 2016 were \$ NIL.

### *Fixed Assets*

Fixed assets cost \$1,000 and above are stated at cost, net of accumulated depreciation. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the term of the lease. Assets cost less than \$1,000 are expensed as incurred. Furniture and equipment are depreciated on a straight-line basis over the useful lives of the assets as follows:

Computers and purchased software	3-5 years
Furniture and equipment	5-7 years
Automobile	7 years

The Company charges repairs and maintenance costs that don't extend the lives of the assets to expenses as incurred.

### *Advertising Costs*

The Company expenses advertising cost as incurred. Advertising expense for the year ended March 31, 2016 was \$ NIL.

### *Income taxes*

The Company provides for income taxes under Accounting Standards Codification (ASC) No. 740. Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to reflect the uncertainty associated with their ultimate realization.

The Company files income tax returns in the U.S Federal jurisdiction, and various state jurisdictions. The Company is generally no longer subject to U.S Federal, state and local examinations by tax authorities for the years before 2012 as of the accompanying report date.

# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

### **3. Credits and Business Concentration:**

The Company's financial instruments that are exposed to concentration of credit risks consist primarily of cash and accounts receivable. The Company maintains its cash and bank accounts balances, which, at times, exceed federally insured limits.

The Company has not experienced any losses in such accounts. The Company believes it is not exposed to significant credit risk on cash. Concentration of credit risks with respect to accounts receivable are limited because of the credit worthiness of the Company's major customers. Revenue from the Company's major two customers accounted for approximately 100% of the Company's net sales for the year ended March 31, 2016 and the accounts receivable from the same major two customers were approximately 100% as of March 31, 2016.

### **4. Fair Value Measurements:**

FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. FASB ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash, accounts receivable, accounts payable and accrued expenses and other liabilities.

# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

### 5. Property and Equipment

Property and equipment is stated at cost. The Company provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the related assets ranging from three to seven years.

At March 31, 2016 the property and equipment consisted of the following:

Office equipment	\$ 39,203
Less: Accumulated Depreciation	39,203
<b>Net assets</b>	<b>\$ -</b>

### 6. Commitments and Contingencies

The Company leases office space in North Carolina under an operating lease agreement expiring through September 30, 2017. The following is a schedule of future minimum lease payments required under the lease:

For the year ending March 31,

2016	\$ 18,885
2017	25,180
<b>Total</b>	<b>\$ 44,065</b>

Rent expense for the year ending March 31, 2016 was \$14,557.

### 7. Related party Transactions

- During the year the parent company has billed \$126,231 towards administrative expenses on the Company.
- As on March 31, 2016 the Company has \$1,122,221 unsecured net loans and advances receivable from the parent Company.

# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

### 8. New Accounting Pronouncements

- i) In August 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance related to disclosure of uncertainties about an entity’s ability to continue as a going concern. The new guidance requires management to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern and, as necessary, to provide related footnote disclosures. The guidance has an effective date of December 31, 2016. The Company believes that the adoption of this new standard will not have a material impact on its consolidated financial statements.
- ii) In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2014-09-*Revenue from Contracts with Customers*, which provides a single, comprehensive revenue recognition model for all contracts with customers. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.
- iii) In January 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2015-01-*Income Statement-Extraordinary and Unusual Items*, which seeks to simplify income statement presentation by eliminating the concept of Extraordinary Items. This Update eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, *Income Statement—Extraordinary and Unusual Items*, required that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

# StayTop Systems, Inc.

## Notes to the Financial Statements

March 31, 2016

### 9. SUBSEQUENT EVENTS:

The Company has evaluated other subsequent events through May 18, 2016 which the financial statements were available to be issued. No reportable subsequent events have occurred through May 18, 2016 which would have a significant effect on the financial statements as of March 31, 2016, except as otherwise disclosed.