ACL Computers and Software, Inc.

Financial Statements
As of and for the Years Ended October 31, 2013 and 2012
As of and for the three months ended January 31, 2014 and 2013

ACL COMPUTERS AND SOFTWARE, INC.

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malonebailey LLP
CERTIFIED PUBLIC ACCOUNTING FIRM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ACL Computers and Software, Inc.

Report on the Financial Statements

We have audited the accompanying balance sheets of ACL Computers and Software, Inc. as of October 31, 2013 and 2012, and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended.

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 of material misstatement.

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 Company's preparation and fair presentation of the financial statements 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, 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 ACL Computers and Software, Inc. as of October 31, 2013 and 2012, 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.

MaloneBailey, LLP

MaloneBailey, LLP
Houston, Texas
May 9, 2014

ACL COMPUTERS AND SOFTWARE, INC.
BALANCE SHEETS

	January 31 2014 (Unaudited)	October 31 2013	October 31 2012
ASSETS			
Current assets:			
Cash	$ 411,167	$ 440,528	$ 649,657
Accounts receivable	2,636,591	3,802,539	3,564,118
Receivable from related party	-	-	6,243
Inventory	68,938	10,929	18,865
Prepaid expenses and other current assets	59,722	10,460	10,460
Total current assets	3,176,418	4,264,456	4,249,343
Property and equipment, net	16,202	16,586	106,239
Total assets	$ 3,192,620	$ 4,281,042	$ 4,355,582
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current Liabilities:			
Accounts payable and accrued liabilities	$ 2,212,380	$ 2,704,766	$ 2,717,656
Advances from related parties	-	689,029	685,812
Total current liabilities	2,212,380	3,393,795	3,403,468
Commitment and contingencies			
Stockholder's equity			
Common stock, $0 par value; 1,000 shares authorized; 100 shares issued and outstanding	150,000	150,000	150,000
Additional paid in captial	709,304	709,304	-
Retained earnings	120,936	27,943	802,114
Total stockholder's equity	980,240	887,247	952,114
Total liabilities and stockholder's equity	$ 3,192,620	$ 4,281,042	$ 4,355,582

See accompanying notes to financial statements

ACL COMPUTERS AND SOFTWARE, INC.

STATEMENTS OF OPERATIONS

	Three months ended January 31 2014 (Unaudited)	Three months ended January 31 2013 (Unaudited)	Year Ended October 31 2013	Year Ended October 31 2012
Revenues	$ 8,470,006	$ 8,323,974	$ 34,014,946	$ 32,124,369
Cost of goods sold	7,943,790	7,884,121	31,866,152	30,271,335
Gross profit	526,216	439,853	2,148,794	1,853,034
Operating expenses				
Salaries and related benefits	315,688	239,401	1,874,817	1,593,495
Selling, general and administrative expenses	75,263	47,229	153,445	143,779
Rent	13,497	62,759	62,758	67,758
Total operating expenses	404,448	349,389	2,091,020	1,805,032
Net income from operations	121,768	90,464	57,774	48,002
Interest income (expense), net	(1,946)	11	(15,855)	(15,805)
Net income before income tax	119,822	90,475	41,919	32,197
Provision for income tax	(26,829)		(13,976)	(10,467)
Net income	$ 92,993	$ 90,475	$ 27,943	$ 21,730

See accompanying notes to financial statements

ACL COMPUTERS AND SOFTWARE, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	Common Stock		Paid In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balances, October 31, 2011	100	$ 150,000	$ -	$ 780,384	$ 930,384
Net income for the year	-	-	-	21,730	21,730
Balances, October 31, 2012	100	150,000	-	802,114	952,114
Dividends	-	-	(50,696)	(802,114)	(852,810)
Capital contributions	-	-	760,000	-	760,000
Net income for the year	-	-	-	27,943	27,943
Balances, October 31, 2013	100	150,000	709,304	27,943	887,247
Net income for the year	-	-	-	92,993	92,993
Balances, January 31, 2014 (unaudited)	100	$ 150,000	$ 709,304	$ 120,936	$ 980,240

See accompanying notes to financial statements

ACL COMPUTERS AND SOFTWARE, INC.
STATEMENTS OF CASH FLOWS

	Three months ended January 31		Year Ended October 31	
	2014 (Unaudited)	2013 (Unaudited)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 92,993	$ 90,475	$ 27,943	$ 21,730
Adjustments to reconcile net income to net cash used in operating activities				
Depreciation	384	-	1,843	2,048
Changes in operating assets and liabilities				
Accounts receivable	1,165,948	1,108,514	(232,178)	15,985
Inventory	(58,009)	(38,787)	7,936	52,046
Prepaid expenses and other current assets	(49,262)	-	-	-
Accounts payable and accrued liabilities	(492,386)	(798,009)	2,985	131,398
Net cash provided by (used) in operating activities	659,668	362,193	(191,471)	223,207
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:				
Capital contributions	-	760,000	760,000	-
Advances from (payments to) related parties, net	(689,029)	(10,837)	(12,658)	(5,163)
Dividends paid	-	(765,000)	(765,000)	-
Net cash used in financing activities	(689,029)	(15,837)	(17,658)	(5,163)
NET INCREASE (DECREASE) IN CASH	(29,361)	346,356	(209,129)	218,044
CASH AT BEGINNING OF YEAR	440,528	649,657	649,657	431,613
CASH AT END OF YEAR	$ 411,167	$ 996,013	$ 440,528	$ 649,657
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid	$ 18,018	$ 15,812	$ 15,812	$ 7,509
Income taxes paid	14,680	-	15,267	6,400
SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES				
Dividends paid through disposal of property and equipment	$ -	$ -	$ 87,810	$ -

See accompanying notes to financial statements

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations
The Company was incorporated on February 15, 1994 and is engaged in the business of selling computer systems and related components, principally to government contractors.

Basis of Presentation
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Cash and cash equivalents
For purposes of reporting the statement of cash flows, the Company considers all cash accounts and certificates of deposit with original maturities of three months or less to be cash equivalents.

Trade accounts receivable
Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are not expected to be collected by the time the financial statements are issued. No allowance is required as of January 31, 2014, October 31, 2013 and 2012.

Inventory
Inventory for resale are stated at the lower of cost or market, cost being determined on a first-in, first-out basis.

Property and equipment, net
Depreciation of property and equipment is provided using the straight-line and accelerated methods over the estimated useful lives ranging from 5 to 15 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-lived assets
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds their related fair values. The Company has not recognized any impairment on its long lived assets as of January 31, 2014, October 31, 2013 and 2012.

Revenue recognition

The Company recognizes revenues on sale of goods when (1) there is persuasive evidence of an arrangement with the customer, (2) product risk and title has passed which generally coincides with the shipment of the products to the customer, (3) amount due from the customer is fixed or determinable, and (4) collectability is reasonably assured. Customer discounts and allowances are netted against revenues.

Income Taxes

The Company complies with Accounting Standards Codification 740 *"Income Taxes"*, which requires an asset and liability approach to financial reporting of income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. Valuation allowances are established, when necessary, to reduce the net deferred income tax assets to the amount expected to be realized. The Company has not identified any temporary differences between carrying amounts of existing assets and liabilities.

The Company also follows the guidance related to accounting for income tax uncertainties. In accounting for uncertainty in income taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Management has performed its evaluation of all other income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax provisions in the accompanying financial statements.

The Company is required to file federal and state income tax returns. With limited exceptions, ACL is no longer subject to U.S. federal income tax and state income tax examinations for years before 2011.

From time to time, ACL may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been insignificant and are classified as income taxes when they occur.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair values due to the short-term maturities of these instruments.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company utilizes a three-level valuation hierarchy for disclosures of fair value measurements, defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value

The Company does not have any assets or liabilities that are required to be measured and recorded at fair value on a recurring basis.

Concentration of Credit Risk

The Company maintains its cash in financial institutions which exceeded the federally insured deposit limit of $250,000. The Company has not experienced any losses from in such accounts and does not believe it is exposed to any significant credit risk on cash.

Recently adopted accounting pronouncements
The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 2 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of:

	January 31	October 31	
	2014	2013	2012
Furniture and equipment	$67,871	$ 67,871	$ 67,871
Vehicle	-	-	93,099
Leasehold improvements	23,562	23,562	23,562
	91,433	91,433	184,532
Less – accumulated depreciation	(75,231)	(74,847)	(78,293)
	$ 16,202	$ 16,586	$106,239

Depreciation expense for the three months ended January 31, 2014 and for the years ended October 31, 2013 and 2012 was $384, $1,843 and $2,048, respectively. In 2013, the Company distributed the existing vehicle to the sole shareholder. The net book value of the vehicle amounting to $87,810 was accounted for as a dividend and $37,114 was recorded as a charged against available retained earnings and the balance of $50,696 to additional paid in capital.

NOTE 3 - RELATED PARTY TRANSACTIONS

As of October 31, 2013, the Company owed the former CEO, $3,179 for non-interest bearing advances. Likewise, ACL Distributors, a company owned by the former CEO, advanced to the Company $670,000 in 2011. The advances are subject to annual interest of 2.36%. The balance of these advances, including unpaid interest, as of October 31, 2013 and 2012 amounted to $685,850 and $685,212, respectively. On December 15, 2013, advances to related parties were fully paid by the Company.

As of October 31, 2012, the Company has a receivable from the former CEO amounting to $6,243 for personal expenses paid for by the Company on his behalf.

NOTE 4 – FINANCING AGREEMENT

On January 21, 2014, the Company entered into a financing agreement with a third party for a period of 1 year, wherein the latter shall advance 85% of the net face amount of the Company's trade receivables and retain the remaining 15% to cover for various fees related to the line. These fees include the interest fee and maintenance fee of 1% and 1.28%, respectively, of the net funds advanced. There are no amounts outstanding from this financing agreement as of January 31, 2014.

NOTE 5 – EQUITY

During the year ended October 31, 2013, the Company paid dividends to the sole shareholder of $765,000 and received capital contributions of $760,000.

NOTE 6 – OPERATING LEASE

The Company leases its operating facilities under an operating lease expiring December 31, 2016 with options to renew. Monthly rental for that lease as of October 31, 2013 and 2012 amounted to $5,000. Minimum lease payments for the fiscal years ending October 31, 2014, 2015 and 2016 amount to $60,000, 460,000 and $10,000, respectively.

NOTE 7 – SUBSEQUENT EVENTS

On February 2, 2014, the Company entered into a stock purchase agreement with ACLH, LLC. (“ACLH”) wherein the latter acquired a 100% interest in the Company for a total purchase price of $2,500,000. Of the total purchase price, $2,250,000 was paid in cash while and the balance of $250,000 through the issuance of a note by ACLH to the sole shareholder of the Company. The note is subject to annual interest of 6% and payable in equal quarterly installments over a period of 2 years. The stock purchase agreement included a purchase price adjustment provision based on the net worth of the Company at closing.

NOTE 8 - RECONCILIATION FROM U.S. GAAP TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

There were no identified differences between U.S. GAAP to IFRS for the periods included in these financial statements.