

***GeckoSystems International Corporation***

**2015**

**Annual Report to Stockholders**



(For the period ending June 30, 2015)

**September 24, 2015**

1640 B Highway 212, SW  
Conyers, GA 30094-4255  
Telephone: (678) 413-9236  
Facsimile: (678) 413-9247  
[www.GeckoSystems.com](http://www.GeckoSystems.com)

## Issuer Information Statement

**1) The name of the issuer and its predecessor (if any) in the past five years.**

The name of the issuer is GeckoSystems International Corporation (the "Company" or "Issuer").

**2) The address of the issuer's principal executive offices.**

1640 B Highway 212, SW  
Conyers, GA 30094-4255  
(678) 413-9236 (phone)  
(678) 413-9247 (fax)  
Investor Relations Contact: Martin Spencer  
[www.geckosystems.com](http://www.geckosystems.com)  
[investors@geckosystems.com](mailto:investors@geckosystems.com)

**3) Security Information**

**Trading Symbol:** GOSY

**The exact title and class of securities outstanding:**

**Common Shares**

**CUSIP:** 3684OU 101

**Par or stated value:** \$0.001 per share

**Total shares authorized:** 825,000,000 common shares

**Total shares outstanding:** 701,659,996 shares of common stock

**Class A Preferred Convertible Shares**

Class A Preferred Convertible Shares are convertible into 71,313 common shares per Class A Preferred Convertible share. Preferred shares are voted and paid dividends at the same rate as though converted to common shares.

**Par or Stated Value:** \$.001 per share

**Total shares authorized:** 5,100 preferred shares

**Total Shares outstanding:** 5,100 preferred shares

### Transfer Agent

Continental Stock Transfer and Trust Co.  
17 Battery Place, 8<sup>th</sup> Floor  
New York, NY 10004  
Tel: (212) 509-4000

Is the Transfer Agent registered under the Exchange Act?\*      Yes: ☒      No: ☐

### List any restrictions on the transfer of securities:

None

### Describe any trading suspension orders issued by the SEC in the past 12 months.

None

### List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

## 4) Issuance History

### List of securities offerings and shares issued for services in the last two years.

The Company continually issues shares, in reliance on one or more of the available exemptions from registration provided under the Securities Act of 1933, as compensation for the officers and directors. The following table illustrates all share issuances within the prior two years for officers and directors:

<u>Recipient</u>	<u>Date of Issuance</u>	<u>Shares Issued</u>	<u>Consideration Provided</u>
R. Martin Spencer	March 31, 2015	60,000,000 common shares	President/CEO Remuneration for services rendered
Elaine G. Spencer	March 31, 2015	40,000,000 common shares	Secretary/Treasurer Remuneration for services rendered

A restrictive legend has been placed on the certificates or other documents stating that the shares have not been registered under the Securities Act of 1933 and setting forth the restrictions on transferability on the sale of the shares for compliance with applicable securities laws.

Similarly, the Company has engaged in a series of private securities offerings, in reliance on one or more of the available exemptions from registration provided under the Securities Act of 1933, as both compensation to independent consultants providing service for the benefit of the Company and private investors. The following table illustrates such share issuances within the prior two years:

<u>Recipient</u>	<u>Date of Issuance</u>	<u>Shares Issued</u>	<u>Consideration/Purpose</u>
Francis Scifo	December 30, 2014	7,500,000 common shares	Investment
William Dizenzo	December 30, 2014	7,500,000 common shares	Investment
	December 30, 2014	7,500,000 common shares	Consultant compensation for services rendered
	December 30, 2014	15,625,000 common shares	Investment
	December 30, 2014	5,000,000 common shares	Consultant compensation for services rendered
Fujii Katsuji	March 4, 2015	5,000,000 common shares	Consultant compensation for work done with Japanese companies
Hajime Yasumatsu	March 4, 2015	2000,000 common shares	Consultant compensation for work done with Japanese companies
William Dizenzo	March 30, 2015	5,000,000 common shares	Investment
	March 30, 2015	5,00,000 common shares	Investment
	March 30, 2015	2,500,000 common shares	Investment
	March 31, 2015	5,000,000 common shares	Investment
	March 31, 2015	5,000,000 common shares	Investment
	March 31, 2015	2,500,000 common shares	Investment

## **5) Financial Statements**

The Company posted its Financial Statements via the OTC Disclosure and News Service, for the periods ending June 30, 2013, June 30, 2014 and December 31, 2014 on January 28, 2015. The unaudited financials were prepared by R. Martin Spencer, in accordance with generally accepted accounting principles ("GAAP").

See Exhibit "A" for Financial Statements ending June 30, 2015.

## **6) Describe the Issuer's Business, Products and Services**

### **A. Business Operations**

The issuer is a developer of artificial intelligence (AI) mobile robot solutions based in Conyers, Georgia. The company specializes in supplying Mobile Service Robots ("MSRs") that automatically self-navigate a home, office, or business for errand running, patrolling, and other useful tasks without human assistance or intervention.

B. Issuer was incorporated in the State of Georgia on August 5, 2011;

C. The issuer's primary SIC Code is 3577; secondary SIC code is 3537;.

D. The issuer's fiscal year end is June 30;

E. Issuer's principal products or services, and their markets;

The Company is a developer of mobile robot solutions based in Conyers (Atlanta metro), Georgia, specializing in developing and supplying service robots that automatically (autonomously) navigate, or patrol, homes, offices, or places of business or leisure.

Since incorporating in late 1997, the Company has developed a suite of proprietary, complimentary hardware and AI software technologies that which, in aggregate, enable many cost effective, utilitarian user benefits. The flagship technology, the GeckoNav™ PC software, uses several proprietary artificial intelligence ("AI") technologies to enable the Company's product line of Mobile Service Robots ("MSRs") to self-navigate (for errand running and patrolling) without human assistance or intervention.

Other internally developed application software technologies such as GeckoVerify™ (a necessary MSR test, calibrate, and diagnostic utility) and GeckoChat™ (a verbal interaction software suite enabling voice control and response from the MSR) have been developed. Cost effective hardware technologies such as the GeckoImager™ (a type of machine vision system) and GeckoMotorController™ (which manages the drive wheels) have also been developed.

The Company recognizes a number of target markets and has developed, or is in the process of developing, MSRs appropriate for the following markets. They are:

- Consumer (family care and home security);
- Business (healthcare and security); and
- Government (Law Enforcement/Homeland Security).

### The CareBot™

The CareBot MSR is a man-rated servant class mobile robot capable of automatic self-navigation. It can provide caregivers remote surveillance and monitoring capabilities by way of Internet webcam (video conferencing) technology. It has a battery life of 15 to 25 hours without

recharging. It may carry payloads up to an additional 100 pounds. It may provide a cost effective alternative to babysitters, nursing homes, assisted living and other environments where loved ones need “looking in on.”

The CareBot MSR can be equipped with sensitive microphones, body heat IR detectors, and sonar equipment that can be set to detect the presence of an intruder. The robot can station itself on patrol, near potential entry points, and listen for the sounds of breaking glass, locks being picked, or doors being broken.

The CareBot’s radio frequency computer network (WiFi) link to the base personal computer allows a wide variety of powerful responses to any attempted break-in. The robot can sound a loud alarm or even give a spoken warning to a potential thief. If the base PC is equipped with a modem, the police can be called automatically. The owner of the home can also be paged. If this CareBot is equipped with an optional digital video camera, it may also record the break-in on the computer giving the police evidence of the crime in progress as well as images of the thief.

This MSR product is developed and ready for marketing and manufacturing. This product has been prototyped numerous times and is presently being offered for sale. The Issuer's proprietary, trade secret technologies that enable this product are available for licensing.

### SafePath™ Wheelchair and ChairBot™

The Company’s recent invention of the GeckoImager enables cost effective retrofitting of electric wheelchairs to be "collision proof." The “collision proof” retrofit kit is called the SafePath™ and may be added to most joystick operated electric wheelchairs. The wheelchair occupant would simply move the joystick in the direction they wish to go and GeckoNav -- in concert with multiple GeckoSavants™ -- would automatically seek that desired direction while avoiding any and all obstacles whether stationary or moving.

Using this SafePath technology, the robotic wheelchair can be upgraded to the ChairBot. The ChairBot would consist of a wheelchair equipped with several artificial intelligence systems (GeckoSavants developed for the CareBot. In concert these systems enable the occupant of the chair to benefit from automatic collision avoidance and room-to-room transitions. GeckoChat would provide verbal interaction for control of the wheelchair and announce medication and other timely reminders. The GeckoScheduler would time and commence the prompting of the various reminders for medication and/or vital sign measurements such as blood pressure, pulse rate, blood sugar and/or oxygenation level, EKG monitoring, etc. mounted on the wheelchair. The GeckoSuper would be programmed by the care givers such that appropriate alarms would trigger should any pre-set vital sign parameters be exceeded and pre-designated parties promptly notified by pager, email, and/or cell phone. In nursing homes or assisted living facilities each

ChairBot would be wirelessly networked into the residence's IS system for continuous monitoring of each individual's vital signs as they went about their daily routines.

This product has been prototyped for "proof of concept" and is being offered to potential licensing customers. The Issuer's proprietary, trade secret technologies that enable this product are available for licensing.

#### The DocBot™

The Company's MSRs augmented for telemedicine allows health care professionals to remotely consult with patients and health care providers thereby giving vital, cost effective, confidential medical services at virtually any location, rural or urban, national or international. All the basebot technologies are developed for this product. Add on upgrades for enhanced functionality, such as high-resolution pan/tilt video cameras, are available "off the shelf." (Ready for usage from long standing and numerous suppliers.)

Channel partners in the professional healthcare industry may value add with the addition of blood analysis and fax machines such that doctors may remotely request the nurse to draw the blood for analysis on board the DocBot. Results would be sent by way of the Internet to the physician such that they might review. Using an onboard fax machine, the doctor could then send written medical orders and prescriptions to the patient's bedside in a timely and cost effective manner. The DocBot reseller may also add their own custom software integrating the DocBot's data into the main Information System of the healthcare provider.

Using high quality cameras and data transfer, medical data, radiological images, sounds and patient records can be transferred from one site to another, thereby permitting physicians to consult with colleagues and others.

#### Applications:

- Patient consultation, remote diagnosis and patient care;
- Interactive distance learning medical programs;
- Patient education seminars;
- Administrative medical support with access to on-line records;
- Home health care; and
- Enhance health care for patients in rural or remote locations.

This product has not been prototyped for "proof of concept" and is not being offered as a product for sale. The Issuer's proprietary, trade secret technologies that enable this product are available for licensing.

#### The AscBot™

The Company's recent invention of the GeckoImager will enable the creation of an Assistant Sales Clerk mobile robot, or AscBot. The AscBot would be similar to a traditional customer service kiosk, but more cost-effective due to its mobility while providing intelligent, theft deterrent video surveillance. Product location service would be provided using graphical touch screen input with verbal and/or visual outputs. This AscBot benefit would interface with point-of sale (POS) store inventory control systems for location, pricing, and special offers available.

Product promotion would be verbal, visual and/or printed like an automated kiosk, but with self-guided, automatic mobility to be proximate to the consumer to enhance their shopping experience. Automatic printing of coupons as appropriate for the customer would enhance the shopper's experience by introducing new products, existing product specials, closeouts, etc. GeckoChat would enunciate product benefits, and videos of product benefits would be played. The onboard printer of the AscBot would print product sales literature with features and benefits and large print versions of normally fine print legally required notifications.

The AscBot would also function as an automated anti-shoplifting observation system for a specific product, single or multiple aisle video surveillance.

This product has not been prototyped for "proof of concept" and is not being offered as a product for sale. The Issuer's proprietary, trade secret technologies that enable this product are available for licensing.

#### The SecurityBot™

The Company's SecurityBot MSR platform will be able to perform with a high degree of reliability and accuracy the following tasks with "off the shelf" upgrades:

- Customs inspections and detection of illegal/suspicious materials and containers. The Company's SecurityBot can be fitted with technologically advanced single and multiple sensor atmospheric monitors, smoke detectors, and sampling pumps suited for use in the detection, identification and response to chemicals and vapors associated with weapons of mass destruction, chemical warfare agents, and toxic industrial chemicals. These are frequently called Volatile Organic Compound (VOC) detectors and when used in fixed locations tend to be very expensive due to limited "reach."
- Battlefield Applications - remote reconnaissance, persistent surveillance, actionable situational awareness.
- Walking patrol or beat with a programmed or freeform patrol path.
- Airport Security & Surveillance will be able to utilize the mobility of the SecurityBot to help patrol concourses including assisting with passenger screening and identification. All the basebot technologies are developed for this product. Add on upgrades for enhanced functionality, such as VOC detectors, are available "off the shelf."
- The SecurityBot reseller may also add their own custom software integrating the SecurityBot's data into the main Information System of the security company's commercial client for enhanced surveillance by the security force.

This product has not been prototyped for "proof of concept" and is not being offered as a product for sale. The Issuer's proprietary, trade secret technologies that enable this product are available for licensing.

## **7) Describe the Issuer's Facilities**

The issuer does not own any real estate properties. Issuer leases office space, R&D



laboratory and fabrication space from the Spencers, and storage space from a local storage facility. See financials in Exhibit "A" for description of physical assets.

## 8) Officers, Directors, and Control Persons

A.	Name	Title
	R. Martin Spencer	Chairman, President/CEO and Director
	Elaine G. Spencer	Secretary/Treasurer and Director

R. Martin Spencer, 67. Since founding GeckoSystems over fifteen years ago, Mr. Spencer has led the invention of a comprehensive and complementary suite of robotics hardware and software technologies. He has an extensive business and robotics career spanning decades. As a young adult he was Vice President and General Manager of Mid-America Audio and grew a single consumer electronics store to four profitable locations. His robotics career includes Regional Manager, Harmonic Drive Division of Emhart Corp. where he supported numerous advanced robotic systems research and development projects. Those projects include the successful design and development of the first walking, bipedal robot in the world, known as "CURBi" (for Clemson University Robotic Biped), which was introduced in 1987.

His robotic career was further developed when he was Director of Marketing, Schaefer Magnetics, Inc. in Chatsworth, CA. In that capacity he supported their aerospace robotics systems development for space flight applications. Later he was Manager, Diversification and Strategic Planning; Hughes Aircraft Corp. in Los Angeles, CA and was instrumental in their robotic systems development (laser based vision systems) for General Motors automotive "follow safe" cruise controls now on the market. Mr. Spencer holds a bachelor's degree in Mathematics with minors in Physics and Marketing. He also earned a master's degree in business administration from Georgia State University's J. Mack Robinson College of Business Executive MBA Program in 1987.

Elaine G. Spencer, 67. Ms. Spencer brings over thirty years of business administration expertise to the Company. She is responsible for managing the daily operations including corporate communications, assisting with facilities management and maintaining all corporate records. Prior to joining the Company, Ms. Spencer was executive assistant to the Director of Study Abroad International Programs at Southwestern University, Georgetown, TX. Her career also includes working nine years at California State University, Northridge, CA as supervisor in the circulation department of the campus library with over a one million volume collection; six years at Delta Airlines in Atlanta, GA; and four years with Pratt and Whitney Aircraft in Atlanta, GA. Ms. Spencer holds a bachelor's degree in Psychology from Georgia State University with a minor in Management.

### B. Legal/Disciplinary History

The foregoing persons have not been, within the prior five years, (i) convicted in a criminal proceeding or named in a pending criminal proceeding (excluding minor traffic violations

and other minor offenses), (ii) been subject to an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities, (iii) been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated, or (iv) have been subject to the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

### C. Beneficial Shareholders

#### i. Common Shares

R. Martin Spencer <sup>1</sup>	164,264,464 shares	23.41%
Elaine G. Spencer	116,609,137 shares	16.62%

Percent ownership is based on 701,659,996 shares of common stock issued and outstanding as of June 30, 2015.

#### ii. Preferred Class A

R. Martin Spencer <sup>1</sup>	2,937 shares	57.59%
Elaine G. Spencer	2,163 shares	42.41%

Percent ownership is based on 5,100 shares of Preferred Class A issued and outstanding as of June 30, 2015.

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<sup>1</sup>: Due to a default judgment secured by Harold & Bette Wallace in Delaware, they purchased most, but not all, of Spencer's common and preferred shares at a sheriff's sale for \$1,000. Spencer's Delaware attorney appealed this sale on March 18, 2014 stating that the sale was: (1) woefully inadequate and failed to meet the 50% rule and (2) failed to comply with SEC Rule 144. The appeal was denied by the Delaware court on May 21, 2015. Consequently, Mrs. Wallace presently owns most, but not all, of Martin Spencer's shares purchased for \$1,000. If she is successful in retaining the stock after all litigation has been completed, her ownership will not give her voting control of the company. On July 10, 2015 Mr. Spencer and his wife filed a RICO lawsuit against Bette Wallace, Neil Wallace and the Estate of Harold Wallace for manipulation of the company's stock and racketeering. A copy of that lawsuit can be found on GeckoSystems' OTC Disclosure site: <https://www.otcig.com/otciq/ajax/showFinancialReportById.pdf?id=141882>

**9) Third Party Providers**

Legal Counsel

Jonathan D. Leinwand, P.A.  
200 S. Andrews Avenue  
Suite 703B  
Ft. Lauderdale, FL 33301  
Phone: 954-903-7856  
[jonathan@jdlpa.com](mailto:jonathan@jdlpa.com)

Accountant or Auditor

None

Investor Relations Consultant

None

Other Advisor

None

**10) Issuer Certification**

**Certification from Issuer's CEO**

I, **R. Martin Spencer**, certify that:

1. I have reviewed this Disclosure Statement, for the year ending June 30, 2015, of GeckoSystems International Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: **September 24, 2015**

A handwritten signature in black ink, appearing to read "R. Martin Spencer", is written over a horizontal line.

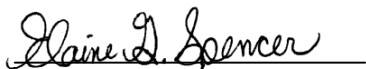
R. Martin Spencer  
President/CEO

**Certification from Issuer's CFO**

I, **Elaine G. Spencer**, certify that:

1. I have reviewed this Disclosure Statement, for the year ending June 30, 2015, of GeckoSystems International Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: **September 24, 2015**

A handwritten signature in cursive script, reading "Elaine G. Spencer", is written over a horizontal line.

Elaine G. Spencer  
Corporate Secretary/Treasurer

**EXHIBIT "A"**

**Fiscal Year End Financial Statements**  
**(For Period Ending June 30, 2015)**

**GeckoSystems International Corporation**  
**(An Emerging Growth Stage Company)**  
**Balance Sheet**  
**As of June 30, 2015**  
**(Unaudited)**

**Assets**

**Current assets:**

Cash	\$ 6,357
Supply inventory (frames, motors, electronics, etc.)	81,238
<b>Total current assets</b>	<u>87,595</u>

<b>Equipment and furniture, net</b>	19,745
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**Other non-current assets**

Employee advances	-
Utility & lease deposits	865
Long term	25,000
Treasury stock	200,000
Other (See Note 1)	134,446
<b>Total non-current assets</b>	<u>360,311</u>

<b>Total Assets</b>	<u><b>\$ 467,651</b></u>
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**Liabilities and Stockholder's Equity**

**Current Liabilities:**

Accounts Payable	-
Accrued Liabilities	255,186
Set aside for litigation (See Note 2)	125,000
<b>Total current liabilities</b>	<u><b>\$ 380,186</b></u>

**Stockholder's Equity**

Common Stock:	6,721,955
Par value: \$0.001 per share	
Authorized: 825,000,000 shares	
Outstanding: 701,659,996 shares	
Deficit accumulated during the development stage	(7,826,430)
<b>Total stockholders' equity</b>	<u><b>1,191,940</b></u>

<b>Total Liabilities and Stockholder's Equity</b>	<u><b>\$ 467,651</b></u>
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See accompanying notes.

**GeckoSystems International Corporation**  
**(An Emerging Growth Stage Company)**  
**Statement of Income (Loss)**  
**For the Year ending June 30, 2015**  
**(Unaudited)**

	For the For the Year ending June 30, 2015	Cumulative during the Development Stage
<b>Revenues</b>	\$ -	\$ 771,828
<b>Expenses</b>		
General and administrative	81,144	3,545,114
Research and development	22,930	4,591,309
Sales and marketing	85,528	335,580
Depreciation	11,364	126,255
<b>Total Expenses</b>	<u>200,965</u>	<u>8,598,258</u>
<b>Net Profit (Loss) Before Taxes</b>	<u>\$ (200,965)</u>	<u>\$ (7,826,430)</u>
Provision for local, state, federal taxes	\$ -	
<b>Net Profit (Loss) After Taxes</b>	<u>\$ (200,965)</u>	

See accompanying notes.



**GeckoSystems International Corporation**  
**(An Emerging Growth Stage Company)**  
**Statement of Cash Flows**  
**For the Year ending June 30, 2015**  
**(Unaudited)**

	For the Year ending June 30, 2015
Cash at Beginning of Year	<u><b>5,320</b></u>
<b>Operations</b>	
Cash receipts from customers	-
Cash paid for	
Inventory purchases	-
General and administrative	(81,144)
Research and development	(22,930)
Sales and marketing	(85,528)
Interest	-
Income taxes	-
<b>Net Cash Flow from Operations</b>	<u><b>\$ (189,602)</b></u>
<b>Investing Activities</b>	
Cash receipts	-
Cash paid for	-
<b>Net Cash Flow from Investing Activities</b>	<u><b>\$ -</b></u>
<b>Financing Activities</b>	
Cash receipts from	
Issuance of stock	275,000
Borrowing	-
Cash/cash equivalents paid for	
Repurchase of stock (treasury stock)	(200,000)
Repayment of loans	(3,000)
Dividends	-
<b>Net Cash Flow from Financing Activities</b>	<u><b>\$ 72,000</b></u>
<b>Net Increase in Cash</b>	(117,602)
Cash at End of Year	<b>6,357</b>

See accompanying notes.

GeckoSystems International Corporation  
(An Emerging Growth Stage Company)  
Notes to The Financial Statements  
As of June 30, 2015

**NOTE 1**

Other assets consist of MSR prototypes valued at \$134.446 after depreciation and amortization.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**General:**

GeckoSystems International Corporation (the “Company”) was incorporated in the state of Delaware in February 2007 and has now moved from its Development Stage to an Emerging Growth Stage. The Company has developed low cost mobile robot solutions for both commercial and domestic uses and is now focused on marketing and establishing joint ventures internationally.

In the opinion of management all adjustments necessary for a fair statement of results for the periods presented have been included. All such adjustments are a normal and recurring nature.

**Business risk and liquidity:**

As shown in the accompanying financial state statements, the Company incurred a net loss of \$200,965 for the fiscal year ending June 30, 2015 and has a deficit accumulated in the development stage of \$7,826,430 and cash of \$6,357 as of June 30, 2015. The Company anticipates possible additional losses in the future as it continues its marketing and seeking joint ventures for its mobile service robots. To achieve profitability, the Company, alone or with others, must successfully commercialize its mobile service robots and successfully manufacture and market such mobile service robots. The time required to reach profitability is highly uncertain, and there can be no assurance that the Company will be able to achieve profitability on a sustained basis, if at all.

The Company has incurred negative cash flows from operations with only one year as an exception since its founding; the Company has expended and expects to continue to expend in the future, substantial funds to complete its planned marketing and manufacturing efforts with its now mature suite of AI mobile robot solutions. The Company expects that its existing capital resources, including the funds received pursuant to the public placement will be adequate to fund the Company’s projected operations through the next year. No assurance can be given that the Company will not consume a significant amount of its available resources before that time. Management plans to continue to conduct its business and monitor expenditures. There can be no assurance that the Company’s financing efforts will be successful. If adequate funds are not available, the financial position and results of operations will be materially and adversely affected.

**Basis of accounting:**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States and conform to the standards applicable to emerging growth companies. The Company's fiscal year ends June 30.

**Supply inventory:**

Supply inventory is comprised primarily of raw materials and subassemblies and is carried at cost based upon the specific item identification method.

**Equipment and furniture:**

Equipment and furniture are stated as cost less accumulated depreciation. Depreciation is recognized using accelerated methods over the estimated useful lives of the assets which approximate the straight-line-method.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When equipment is sold or otherwise disposed of, the asset account and related depreciation are relieved, and any gain or loss is included in operations.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the year. Particularly susceptible to estimation is the fair value of services rendered for common stock. Actual results could and usually do differ from those estimates.

**Research and development costs:**

Research and development costs are expenses as incurred and consist primarily of salaries, supplies, and laboratory expenses.

**Advertising and marketing costs:**

Advertising and marketing costs are charged to operations when incurred.

**Start-up costs:**

Start-up costs include legal and professional fees. In accordance with Statement of Position 98-5, "Costs of Start-up Activities," these costs have been expensed as incurred.

**Stock-based compensation:**

The Company accounts for the issuance of common stock for services rendered and for equipment based upon the fair market value of the services or equipment at the time provided.

**New accounting Pronouncements:**

In May 2003, the Financial Accounting Standards Board ("FASB") issued statements of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics as both Liabilities and Equity." SFAS 150 establishes standards for classification and measurement of certain financial instruments with the characteristics of both liabilities and equity. SFAS 150 requires financial instruments with its scope to be classified as a liability (or an asset in some circumstances). Many of those financial instruments were previously classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003. For financial instruments created before and still existing as of the issuance of this statement, a cumulative effect of change in accounting principle is required to be reported upon implementation in the first interim reporting period beginning after June 15, 2003. The Company does not currently have any financial instruments that would fall under the scope of SFAS 150.

In December 2002, the FASB issued SFAS No. 148, which provided alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 145 also requires that disclosure of the pro forma effect of using the fair value method of accounting for stock-based employee compensation be displayed more prominently and in tabular format. Additionally, SFAS No. 148 requires disclosure of the pro forma effect in interim financial statements. The transition requirements of SFAS No. 148 are effective for the Company's fiscal year 2003. The Company currently does not offer stock options or warrants.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The provision of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company currently does not deal in any revenue arrangements with multiple deliverables.