ADVANCED DEFENSE TECHNOLOGIES, INC.

Financial Statements (unaudited)

March 31, 2016

and

December 31, 2015

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ADVANCED DEFENSE TECHNOLOGIES, INC.

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March 31, 2016 and December 31, 2015

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ADVANCED DEFENSE TECHNOLOGIES. INC.
BALANCE SHEETS (unaudited)
March 31, 2016 and December 31, 2015

	As of March 31, 2016	As of December 31, 2015
ASSETS:		
Current Assets:		
Cash	$ 2,229	$ 5,347
Accounts Receivable	-	-
Total Current Assets	2,229	5,347
Property and Equipment (net of accumulated depreciation)	5,308	5,308
Other Assets:		
Deferred income taxes - asset	-	-
Intellectual Properties	50,000	50,000
Business Development Costs	5,000,000	5,000,000
Total Other Assets	5,050,000	5,050,000
TOTAL ASSETS	5,057,537	5,060,656
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current Liabilities:		
Accrued Expenses	204	1,440
Income tax payable	800	800
Loans Payable-Officers	232,091	226,043
Loans Payable-Tahim & Associates, APC	173,535	160,935
Total Current Liabilities	406,629	389,218
Long Term Liabilities:		
Notes Payables - Consultants	-	-
Total Liabilities	406,629	389,218
Stockholders' Equity:		
Common Stock:		
1,000,000,000 shares authorized at $0 .001 par value		
554,780,990 shares issued and outstanding		
See statement of changes in stockholders' equity	4,650,907	4,671,438
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,057,537	$ 5,060,656

See notes to financial statements

ADVANCED DEFENSE TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS (unaudited)
March 31, 2016 and December 31, 2015

	For the Three Months Ended March 31, 2016	For the Year Ended December 31, 2015
REVENUE:		
Operating Revenue	$ -	$ -
Total Revenue	-	-
EXPENSES:		
Consulting Fees	-	13,500
Depreciation	-	88
Legal and Professional Fees	5,500	22,367
Rent	3,600	14,400
I.T AND Website expenses	7,500	30,000
OTC Market Group and Transfer fees	2,100	4,659
General and administrative	1,830	12,238
Total Expenses	20,530	97,253
NET OPERATING PROFIT (LOSS)	(20,530)	(97,253)
OTHER INCOME/EXPENSE		
Allowance on Deferred Income Tax	-	94,164
Impairment of Intangible Assets	-	295,642
LOSS BEFORE TAX PROVISION	(20,530)	(487,059)
PROVISION FOR INCOME TAXES	-	800
NET LOSS	$ (20,530)	$ (487,859)
LOSS PER SHARE		
Basic and diluted	$ -	$ -
Average Outstanding shares		
Basic (stated in 1,000's)	546,281	546,281

See notes to financial statements

ADVANCED DEFENSE TECHNOLOGIES, INC.
STATEMENT OF STOCKHOLDERS' EQUITY (unaudited)
For The Three Months Ended March 31, 2016

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit from Operations During Development Stage	Total Equity
Balance December 31, 2009	75,000,000	$ 1,000	$ -	$ -	$ 1,000
Reverse Split 1-500 (Note 1)	(74,849,535)	-	-	-	-
Balance June 1, 2010	150,465	1,000	-	-	1,000
Issuance of Common Stock for Asset purchase	50,000,000	50,000	-	-	50,000
Issuance of Common Stock for Services-Legal & Consulting	11,250,000	11,250	-		11,250
Issuance of Common Stock for Debt Conversion	5,000,000	5,000	-		5,000
Issuance of Common Stock subscribed by investors	1,767,063	1,767	243,392	-	245,159
Deficit for the year	-	-	-	(196,283)	(196,283)
Balance December 31, 2010	68,167,528	69,017	243,392	(196,283)	116,126
Issuance of Common Stock subscribed by investors	1,113,462	1,113	201,267	-	202,380
Issuance of Common Stock for Services	28,500,000	28,500			28,500
Prior year's income tax adjustment				(850)	(850)
Deferred income taxes				94,164	94,164
Deficit for the year	-	-	-	(213,774)	(213,774)
Balance December 31, 2011	97,780,990	$ 98,630	$ 444,659	$ (316,743)	$ 226,546
Cancellation of Note Receivable and Issued Shares	(5,000,000)	(5,000)	(1,100)		(6,100)
Issuance of Common Stock	1,000,000	1,000			1,000
Issuance of Common Stock for Services	4,500,000	4,500	4,500		9,000
Issuance of Common Stock for Debt Conversion	15,000,000	15,000	159,000		174,000
Deficit for the period				(89,422)	(89,422)
Balance December 31, 2012	113,280,990	$ 114,130	$ 607,059	$ (406,165)	$ 315,024
Issuance of Common Stock for Services	1,500,000	1,500	16,500		18,000
Deficit for the period				(137,200)	(137,200)
Balance December 31, 2013	114,780,990	115,630	623,559	(543,365)	195,824
Issuance of Common Stock for services	23,000,000	23,000			23,000
Issuance of Common Stock for services	400,000,000	400,000		(360,000)	40,000
Deficit for the period				(116,528)	(116,528)
Balance December 31, 2014	537,780,990	538,630	623,559	(1,019,893)	142,296
Issued 5,000,000 shares for services	5,000,000	5,000			5,000
Issued 1,000,000 shares for services	1,000,000	1,000			1,000
Capital Contribution			5,000,000		5,000,000
Issued 2,000,000 shares for services	2,000,000	2,000			2,000
Issued 2,000,000 shares for services	2,000,000	2,000			2,000
Issued 1,000,000 shares for services	1,000,000	1,000			1,000
Issued 1,000,000 shares for services	1,000,000	1,000			1,000
Issued 5,000,000 shares for services	5,000,000	5,000			5,000
Deficit for the period				(487,859)	(487,859)
Balance December 31, 2015	554,780,990	555,630	5,623,559	(1,507,752)	4,671,437
Deficit for the period				(20,530)	(20,530)
Balance March 31, 2016	554,780,990	555,630	5,623,559	(1,528,282)	4,650,907

See notes to financial statements

ADVANCED DEFENSE TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS (unaudited)
March 31, 2016 and December 31, 2015

	For the Three Months Ended March 31, 2016	For the Year Ended December 31, 2015
Cash Flows From Operating Activities:		
Net Loss	$ (20,530)	$ (487,859)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	-	88
Changes in		
(Increase) Decrease in Intangible Assets		(4,702,700)
(Increase) Decrease in Deferred Income Tax Asset	-	94,164
Increase (Decrease) in Accrued Expense	(1,236)	(12,644)
Increase (Decrease) in Income Tax Payable	-	800
Net Cash Provided (Used) in Operating Activities	(21,766)	(5,108,151)
Cash Flows From Investing Activities:		
Increase In Other Assets	-	-
Net Cash Provided (Used) in Investing Activities	-	-
Cash Flows From Financing Activities:	-	
Loans from Officers and Related Parties	18,648	91,021
Notes Payable - Consultants	-	5,017,000
Net Cash Provided (Used) from Financing Activities	18,648	5,108,021
	-	
Net Change (Decrease) in Cash	(3,118)	(130)
Cash at Beginning of year	$ 5,347	5477
Cash (Deficit) at End of the period	$ 2,229	$ 5,347
Supplemental Information:		
Cash paid for income taxes	$ -	-
Cash Paid for interest expense		-

Note 1 - Basis of Presentation

Business Description

The Company was originally organized as "June Project 1 Corp" on May 26, 1998 (inception) under the corporate laws of the State of Florida. June Project 1 Corp operated as a Florida for Profit Corporation from inception until it changed its name to "Medcore Holdings, Inc." on April 13, 2007. Medcore Holdings, Inc. operated as a Florida for Profit Corporation from April 13, 2007 until it changed its name to Advanced Defense Technologies, Inc on January 19, 2010.

On December 19, 2009 the Company purchased the patents, technology, contracts, ongoing relationships, research projects, research and development funded by the government contracts and exclusive rights to use its patents from "RST Scientific Research Inc". In conjunction with this asset purchase the Company decided to change its name to Advanced Defense Technologies, Inc. and focus on developing and marketing new breakthrough technologies for applications in defense, home land security and large scale use of communications systems in private sector.

The Company completed its corporate restructuring including a name change, 1- for 500 reverse split, and ticker symbol change to ADCF.PK from MEDC.PK on June 1, 2010.

Restatement of Financial Statements

As part of the Company's continued effort[1] to evaluate and improve internal controls over financial reporting[2], errors have been noted in the application of generally accepted accounting principles in previously filed financial statements. The reporting errors have no impact on cash, market capitalization, earnings (loss) per share, stockholders' equity or the accumulated deficit.

Environment Leading to the Discovery of the Errors

As discussed in Advanced Defense Technologies, Inc.'s Annual Report 2014 and its Quarterly Report – March 31, 2015, the Company has implemented a revised Business Plan commencing with 2015 ("Business Plan Revised" or "BPR"). We disclosed that as part of implementing the BPR, the Company had terminated all existing joint venture arrangements and consulting services agreements including those agreements filed with the Company's Initial Disclosure Statement[3].

[1] See disclosure in ADTI's Annual Report 2014 and Quarterly Report – March 31, 2015 regarding Management's plans to evaluate and improve internal controls over financial reporting.

[2] Establishing and maintaining adequate internal controls over financial reporting is not required by the OTC Pink Basic Disclosure Guidelines.

[3] ADTI Annual Report 2014, see page 9, paragraph three.

Note 1 - Basis of Presentation (continued)

Note that all of these arrangements and agreements had been substantively terminated during 2014 (or in periods prior to 2014) and the termination disclosure language in the Annual Report 2014 was a formal and legal notice for the cancellations[4].

In our Quarterly Report – March 31, 2015, we disclosed that the Business Plan Revised requires Management to identify and evaluate internal control weaknesses and design reporting controls and procedures that are compliant with SEC Reporting requirements[5].

We also disclosed in our Quarterly Report – March 31, 2015 that, based on a preliminary evaluation, Management believed that design changes would be necessary to the following disclosure control and procedure weaknesses for reported information to satisfy the internal control requirements for SEC Reporting:

- The lack of segregation of duties in the process of cash receipts and disbursements;
- The lack of timely closing of our books and preparation of financial statements;
- The lack of controls with respect to the documentation and accounting for the issuance of our common stock;
- Inadequate resources to account for and analyze technical accounting and securities issues
- The lack of annual audits on our financial statements

Management disclosed in the Quarterly Report – March 31, 2015, that no changes were made to internal controls over financial reporting during the quarter ended March 31, 2015[6].

As part of the internal control evaluation procedures performed subsequent to March 31, 2015, Management identified errors in certain applications of generally accepted accounting principles.

[4] To the best of Managements' knowledge, none of the contracts cancelled are under dispute nor or any of the parties to the cancelled contracts asserting financial (or any other consideration) claims against the Company.

[5] ADTI Quarterly Report – March 31, 2015, see "CONTROLS AND PROCEDURES" on pages 9 and 10.

[6] ADTI Quarterly Report – March 31, 2015, see page 10, "There have not been any changes in our internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting".

Note 1 - Basis of Presentation (continued)

Evaluating and Correcting the Errors
Staff Accounting Bulletin 99 (SAB 99) suggests that balance sheet reclassification errors may be corrected prospectively rather than retroactive restatement of previously issued financial statements. However, Management has determined that the simplest approach to correcting the misstatements is to restate the March 31, 2015 and December 31, 2014 financial statements. Restated December 31, 2014 financial statements are included as comparative statements with the June 30, 2015 financial statements being filed on August 14, 2015. The Company intends to also file single year presentation of the restated March 31, 2015 and December 31, 2014 financial statements within five days following August 14, 2015.

The restatements relate to (i) an error in the application of generally accepted accounting principles with respect to cost recognition on conditional contracts, and (ii) an error in the application of generally accepted accounting principles with respect to capitalization policies for intangible assets.

The Company's prior accounting methodology with respect to cost recognition on conditional contracts with consultants was formulated around an inherent misunderstanding of the basic terms of the contracts. In short, the Company's performance based "conditional contracts" with consultants were accounted for as "unconditional contracts" and costs were periodically recorded as a function of time rather than reconciled to the defined performance indicators and/or contractor termination. As such, the Company has erroneously accrued costs for services not performed (and therefore not obligations of the Company) and "Notes Payables – Consultants" is overstated in the Company's financial statements by $546,500 and $510,000 at March 31, 2015 and December 31, 2014, respectively.

The Company's prior accounting methodology with respect to capitalization policies for intangible assets (Business Development Costs) formulated around the capitalization of costs not incurred by the Company (see the consulting contracts discussed above). Furthermore, had the costs been actually been incurred by the Company, the significant majority (or likely all) of the costs would not meet the capitalization requirements for intangible assets and be expensed in the periods incurred. As such, Business Development Costs is overstated in the Company's financial statements by $546,500 and $510,000 at March 31, 2015 and December 31, 2014, respectively.

Note 1 - Basis of Presentation (continued)

Collectively, the errors resulted in offsetting assets and liabilities of erroneously recorded journal entries which need to be reversed. Note that charging off the erroneous assets and liabilities through operations is incorrect as the costs were not incurred and economic obligations do not exist. Granted, a charge off through operations would have no net effect on loss per share, the accumulated deficit or stockholders' equity; however, such treatment would inappropriately create a "gain on the extinguishment of debt" tax liability to the Company.

As previously noted, the non-cash restatements have no impact on market capitalization, loss per share, stockholders' equity or the accumulated deficit. Furthermore, the Company has yet to commence operations so an offsetting reduction to intangible assets and long term liabilities balance would proportionately better the position of all of the Company's stockholders'.

Note 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. These accounting policies conform to generally accepted accounting principles in the U.S. (GAAP) and have been consistently applied in the preparation of the financial statements.

Going Concern

The accompanying financial statements (unaudited) have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate the continuation of the Company as a going concern. As shown in the accompanying financial statements (unaudited), the Company has incurred losses since inception and has accumulated deficits of $1,528,281 and $1,507,752 at March 31, 2016 and December 31, 2015, respectively.

Management anticipates that the Company will secure its product development contract, however, there is no assurance that the Company can successfully commercialize any of its technologies and products and realize any revenues there from. The Company's technologies and products have never been utilized on a large-scale commercial basis and there is no assurance that any of its technologies or products will receive market acceptance. Accordingly, the Company may continue to incur losses in the current and subsequent years. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Note 2 – Summary of Significant Accounting Policies (continued)

Since December 31, 2012, services provided to the Company have been paid primarily through the issuance of common stock at its par value and cash expenditures have been voluntarily funded by the Company's President and his wife. There is no assurance (nor would it be reasonable to expect there to be) that future expenditures incurred by the Company will continue to be funded by the President and his wife. As of March 31, 2016 and December 31, 2015, loans payable to the President and his wife amount to $405,625 and $386,978, respectively.

Except for nominal amounts, we have not generated any revenues from operations since our inception and we have not been profitable in any reporting period. We will require financing and/or advances against product development contracts in order to commence the necessary produtization of our technologies and for the Company to continue its operations for the next 12-month period.

Management believes that the Company is now in a favorable position to commence generating sustainable revenues and avoid an otherwise necessary capital raise to fund product commercialization and/or operating costs. No assurance can be given that we can complete the development of any technology or that, if any technology is fully developed, it can be manufactured and marketed on a commercially viable basis. Furthermore, no assurance can be given that any technology will receive market acceptance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant of these estimates and assumptions relate to loss recognition, fair values of assets acquired and liabilities assumed in the normal course of business, market values for stock-based employee compensation expense, income taxes, including the valuations of deferred tax assets, litigation reserves and environmental obligations and the recoverability relating to the useful lives and valuation of recorded amounts of long-lived assets, identifiable intangible assets and goodwill. Changes in estimates are reflected in the periods during which they become known. Actual amounts will differ from these estimates and could differ materially.

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications
Certain reclassifications have been made to conform prior-year amounts to the current-year presentation

Revenue Recognition
The Company anticipates that sales revenues will be generated from written contractual (revenue) arrangements. The sales price for the Company's revenue arrangements will be either fixed-price, cost-plus or time-and-material type. Depending on the contractual scope of work, the Company will utilize either contract accounting standards or accounting standards for revenue arrangements with commercial customers to account for these contracts.

Cash and Cash Equivalents
The Company considers demand deposits and certificates of deposits, with an original maturity of one year or less, to be cash equivalents. Management believes that as of March 31, 2016 and December 31, 2015, the Company had no cash equivalents.

Concentration of Credit Risk
The Company currently maintains substantially all of its cash with major financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures each depositor for up to $250,000. As of March 31, 2016 and December 31, 2015, the Company had no funds in excess of FDIC insured limits. The Company has not experienced any losses in such accounts.

Fair Value of Financial Instruments
As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC 825 "Financial Instruments", fair value on financial instruments is measured based on a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Note 2 – Summary of Significant Accounting Policies (continued)

The three levels of the financial instrument fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Management has concluded that the carrying amounts of the Company's financial instruments consisting of cash and accrued expenses approximated their fair values as of March 31, 2016 and December 31, 2015 due to their short term maturities. The fair value of the Company's related party financial instruments consisting of loans payable are not determinable due to their related-party nature.

Basic and Diluted Loss per Share

Basic loss per share amounts is computed based on the weighted average number of shares actually outstanding. Diluted loss per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of any common share rights unless the exercise becomes anti dilutive and then only the basic per share amounts are shown in the report. As of March 31, 2016 and December 31, 2015, there were no dilutive common shares issued by the Company.

Research and Development

Independent research and development (IRAD) costs sponsored by the Company and bid and proposal (B&P) costs relate to both U.S. Government contracts and those for international and commercial customers. The IRAD and B&P costs for certain of the Company's businesses that are U.S. Government contractors are recoverable indirect contract costs that are allocated to U.S. Government contracts in accordance with U.S. Government procurement regulations, and are specifically excluded from research and development accounting standards. The Company includes the recoverable IRAD and B&P costs allocated to U.S. Government contracts in inventoried contract costs, and charges them to costs of sales when the related contract sales are recognized as revenue. Research and development costs that are not recoverable on U.S. Government contracts are accounted for in accordance with research and development accounting standards and are expensed to cost of sales as incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

Customer-funded research and development costs are incurred pursuant to contracts (revenue arrangements) to perform research and development activities according to customer specifications. These costs are not accounted for as research and development expenses, and are also not indirect contract costs. Instead, these costs are direct contract costs and are expensed to cost of sales when the corresponding revenue is recognized, which is generally as the research and development services are performed. Customer-funded research and development costs are substantially all incurred under cost-plus type contracts with the U.S. Government.

Stock-Based Compensation

The Company follows the fair value based method of accounting for stock-based employee compensation, which requires the Company to expense all stock-based employee compensation. Stock-based employee compensation is primarily a non-cash expense because the Company settles these obligations by issuing shares of ADTI common stock instead of settling such obligations with cash payments.

Compensation expense for all restricted stock unit and stock option awards is recognized on a straight-line basis over the requisite service period for the entire award based on the grant date fair value. All of the stock options granted to employees by the Company are non-qualified stock options under U.S. income tax regulations. Compensation expense for performance unit's payable in ADTI common stock is based on the fair value of the units at the grant date (measurement date), adjusted each reporting period for progress towards the target award, and recognized on a straight line basis over the requisite service period.

Intangible Assets

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350 "Intangibles – Goodwill and Other" requires the Company to complete, on at least an annual basis, an analysis to determine if intangible assets are impaired as of the balance sheet date. The Company has not performed the Topic 350 intangible asset impairment analysis in previous years.

The Company's Intangible Assets include Intellectual Properties which consist of ADTI's patented phased array technologies. In accordance with FASB ASC Topic 350, owned patent rights that have been determined to have indefinite lives must be reviewed for potential impairment annually and when triggering events are detected.

Note 2 – Summary of Significant Accounting Policies (continued)

To determine the fair value of owned patent rights, the Company used a multi-period excess earnings approach. This approach involves estimating and projecting after-royalty future earnings, discounting those earnings using an appropriate market discount rate and subtracting a contributory charge for net working capital, property and equipment, assembled workforce and customer relationships to arrive at excess earnings attributable to the owned patent rights. The Company calculated the present value of cash flows generated from future excess earnings and determined that the fair values receded the financial statement carrying value as of December 31, 2015. Accordingly, the Company recognized impairment charges on the intangible assets for Business Development Costs amounting to $5,050,000 at March 31, 2016

The Company's Intangible Assets also include certain Business Development Costs. In accordance with FASB ASC Topic 350, Business Development Costs that have been determined to have indefinite lives must be reviewed for potential impairment annually and when triggering events are detected. To determine the fair value of Business Development Costs, the Company used an estimated relief-from-royalty valuation approach. This approach assumes that in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of add-on assets to the ADTI technologies. This approach is dependent on a number of factors, including estimates of future revenues (with embedded assumptions for growths and trends), royalty rates in the category of intellectual property, discount rates and other variables. The Company recognized an impairment of intangible assets for Business Development Costs amounting to $295,642 in the period ended December 31, 2015.

The Company basis its fair value estimates on assumptions it believes to be reasonable, but which are inherently uncertain.

Income Taxes

The Company accounts for income taxes under FASB ASC 740-10, which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences.

Deferred income taxes are provided for temporary differences arising from using the straight-line depreciation method for financial statement purposes and accelerated methods of depreciation for income taxes, including differences between book and tax for amortizing organization expenses. In addition, deferred income taxes are recognized for certain expense accruals, allowances and net operating loss carry forwards available to offset future taxable income, net of valuation allowances for potential expiration and other contingencies that could impact the Company's ability to recognize the benefit.

The Company is required to file federal and state income tax returns. Various taxing authorities may periodically audit the Company's income tax returns. These audits would include questions regarding the Company's tax filing positions, including the timing and amount of deductions. Management has performed its evaluation of all 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.

From time to time, the Company may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been non-existent and would be classified as other expenses if they occur.

Deferred tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. As of December 31, 2015, a valuation allowance equal to the Company's net deferred tax asset of $94,164 has been recorded against the carrying value of the net deferred tax asset such that no value is recorded for the asset in the accompanying financial statements.

Long-lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost or carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its fair value or disposable value. As of March 31, 2016 the Company determined that none of its long-term assets were impaired

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's Management and, to the extent necessary, its legal counsel would assess such contingent liabilities, and such assessments inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that would be pending against the Company or unasserted claims that may result in such proceedings, the Company and, to the extent necessary, it's legal counsel, would evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicated that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicated that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

The Company's policy is to accrue all legal costs expected to be incurred per event, up to the amount of their deductible.

Accounting Standards Issued and Not Yet Implemented

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-2, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This update is effective for the interim and annual periods beginning after December 15, 2015. The adoption of this standard will not have an impact on the Company's financial position, results of operations or cash flows.

In January 2015, the FASB issued ASU 2015-1, which eliminates from GAAP the concept of extraordinary items. The update is effective for the Company for the interim and annual periods beginning after December 15, 2015. The adoption of this standard will not have an impact on the Company's financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU 2014-12, which provides new guidance on

accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The update requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition under Accounting Standards Codification (ASC) 718 *Compensation — Stock Compensation* , and apply existing guidance as it relates to awards with performance conditions that affect vesting to account for such awards. The update is effective for the Company for the interim and annual periods beginning after December 15, 2015. The adoption of this standard will not have an impact on the Company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which will replace numerous requirements in U.S. GAAP, including industry-specific requirements, provide companies with a single revenue recognition model for recognizing revenue from contracts with customers and significantly expand the disclosure requirements for revenue arrangements. The new standard will be effective for the Company for interim and annual reporting periods beginning January 1, 2017. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application.

The Company is currently evaluating the expected impact of the adoption of this standard on its consolidated financial statements and related disclosures and the transition alternatives available. As the new standard will supersede substantially all existing revenue guidance, it could impact revenue and cost recognition on substantially all of the Company's contracts, in addition to the Company's business processes and our information technology systems. As a result, the Company's evaluation of the impact of the standard will extend over future periods.

New Accounting Standards Implemented

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* that provides new guidance on the accounting and reporting of discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Additionally, the new guidance requires additional disclosures about discontinued operations.

Note 2 – Summary of Significant Accounting Policies (continued)

Effective January 1, 2014, the Company adopted FASB issued amendments to an accounting standard that require an unrecognized tax benefit or portion of an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except when certain conditions exist. The adoption of this standard contributed to the $94,164 valuation allowance recorded against Deferred Income Tax Assets as of December 31, 2015.

Note 3 – Intangible Assets (Intellectual Properties & Business Development Costs)

On December 19, 2009 the Company purchased intellectual properties which include patents, technology, contracts, ongoing relationships, research projects, research and development funded by the government contracts and exclusive rights to use its patents from “RST Scientific Research Inc” for $50,000. As agreed by “RST Scientific Research Inc”, Raghbir Tahim and Anne Tahim, officers of “RST Scientific Research Inc have been issued 50,000,000 shares (25,000,000 shares to each officer) of the Company at par value of $0.001.

In April 2015, Texas A&M University transferred to Raghbir Tahim its 50% ownership interest in patent rights on technology the University co-developed with Mr. Tahim through RST Scientific Research, Inc. Concurrent with the transfer of ownership interests from Texas A&M University to Mr. Tahim, Raghbir Tahim declared a capital contribution to the Company and transferred the ownership interests in the patent to the Company.

FASB ASC Topic 350 requires acquired intangible assets to be recorded at their values. Based on Management’s knowledge of the technology (specifically, the technology’s compatibility with numerous product applications across numerous industries), the Company has determined the patent to have an indefinite life and a fair value of $5,000,000. The Company will test the patent rights for impairment if and when circumstances indicate that the intangible asset’s carrying amount may not be recoverable, but no less than annually.

Business Development Costs include the payments for attorneys’ fees, filing fees and expenses relating to change of name, corporate restructuring and change of ticker symbol. In addition, consultants were engaged to provide services relating to capital structure, reorganization, broker/dealer and institutional investor relations.

Note 3 – Intangible Assets (continued)
These capitalized costs were primarily attributable to efforts that were formerly abandoned with the Company's revised Business Plan in 2015. Accordingly, the Company recognized impairment charges on the intangible assets for Business Development Costs amounting to $295,642 at December 31, 2015.

Note 4 – Loans Payables to Officers

The Company has outstanding loans payable to Raghbir Tahim amounting to $232,091 and $226,043 as of March 31, 2016 and December 31, 2015, respectively. The loans payable are to reimburse Mr. Tahim for funding Company expenditures, are due on demand and do not bear interest.

The company has outstanding loans payable to Tahim and Associates, APC amounting to $173,535 and $160,935 at March 31, 2016 and December 31, 2015, respectively. The loans were incurred to fund various services rendered to the Company, are due on demand and do not bear interest. These loans do not bear interest.

Note 5 – Equity Transactions

Per Article IV "Shares" of Articles of Association dated April 30, 2007, the Capital Stock of the corporation was consisting of 100,000,000 shares of common stock, no par value and 20,000,000 shares of preferred stock. On July 16, 2010 Article IV "Shares" of Articles of Association was amended. Per amendment to Article IV "Shares" the authorized capital stock of the corporation will now be consisting of 1,000,000,000 shares of common stock, $0.001 par value. Further, effective July 16, 2010, 20,000,000 shares of preferred stock will not be part of the authorized capital stock of the corporation.

During 2014, the Company issued 423,000,000 shares of common stock to Raghbir and Anne Tahim for services rendered.

In February 2015, the Company issued 5,000,000 shares of common stock at par to the Vice President of Marketing and Operations for services rendered.

In February 2015, the Company issued 1,000,000 shares of common stock at par to the CFO for services rendered.

In addition, during 2015, the Company issued 11,000,000 shares of common stock at par to various parties for services rendered.

Note 7 – Income Taxes

The Company accounts for income taxes under FASB ASC 740-10, which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences.

Deferred income taxes are provided for temporary differences arising from using the straight-line depreciation method for financial statement purposes and accelerated methods of depreciation for income taxes, including differences between book and tax for amortizing organization expenses. In addition, deferred income taxes are recognized for certain expense accruals, allowances and net operating loss carry forwards available to offset future taxable income, net of valuation allowances for potential expiration and other contingencies that could impact the Company's ability to recognize the benefit.

Deferred tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. As of December 31, 2015, a valuation allowance equal to the Company's net deferred tax asset of $94,164 has been recorded against the carrying value of the net deferred tax asset such that no value is recorded for the asset in the accompanying financial statements.

Note 8 – Commitments and Contingent Liabilities

As of March 31, 2016, the Company is not a defendant in any litigation nor is the Company aware of any potential or threatened litigation.

The Company voluntarily elected to file restated financial statements for March 31, 2015 and December 31, 2014. The non-cash restatements affect balance sheet accounts only and have no impact on market capitalization, loss per share, stockholders' equity or the accumulated deficit.

The Company evaluated events that have occurred after the balance sheet date of March 31, 2016, and through June 5, 2016, the filing date for the financial statements. Based upon our review, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the March 31, 2016 financial statements.