

# **ADVANCED DEFENSE TECHNOLOGIES, INC.**

## **Financial Statements (unaudited)**

**As of and for the years ended December 31, 2014 and 2013**

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**OTC: ADCF  
CUSIP: 0752Y105**

# **ADVANCED DEFENSE TECHNOLOGIES, INC.**

Financial Statements (unaudited)

As of December 31, 2014 and 2013 and for the years then ended

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(unaudited)

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**BALANCE SHEETS (unaudited)**  
**As of December 31, 2014 and 2013**

	As of December 31, 2014	As of December 31, 2013
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash	\$ 5,477	\$ -
Accounts Receivable	-	41,909
Total Current Assets	5,477	41,909
<b>Property and Equipment</b> (net of accumulated depreciation)	5,397	4,819
<b>Other Assets:</b>		
Deferred income taxes - asset	94,164	94,164
Intellectual Properties	50,000	50,000
Business Development Costs	807,800	673,800
Total Other Assets	951,964	817,964
<b>TOTAL ASSETS</b>	<b>962,837</b>	<b>864,692</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
<b>Current Liabilities:</b>		
Accrued Expenses	14,084	2,501
Loans Payable-Officers	196,422	217,171
Loans Payable-Tahim & Associates, APC	99,535	82,696
Total Current Liabilities	310,041	302,368
<b>Long Term Liabilities:</b>		
Notes Payables - Consultants	510,500	366,500
<b>Total Liabilities</b>	<b>820,541</b>	<b>668,868</b>
<b>Stockholders' Equity:</b>		
Common Stock:		
1,000,000,000 shares authorized at \$0.001 par value		
537,780,990 shares issued and outstanding		
See statement of changes in stockholders' equity	142,296	195,824
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 962,837</b>	<b>\$ 864,692</b>

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**STATEMENTS OF OPERATIONS (unaudited)**  
**For The Years Ended December 31, 2014 and 2013**

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	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
<b>REVENUE:</b>		
Consulting Income	\$ -	\$ -
Total Revenue	-	-
<b>EXPENSES:</b>		
Consulting Fees	24,893	41,524
Depreciation	954	1,676
Legal and Professional Fees	32,249	14,190
Rent	14,400	14,400
Salaries - employees	-	28,323
Office expense and supplies	1,625	1,393
Payroll taxes	-	3,313
I.T AND Website expenses	30,000	10,005
Pacific Stock Transfer Dues	2,617	
Market Wire Expenses	7,770	
General and administrative	1,870	21,576
Total Expenses	116,378	136,400
<b>NET OPERATING PROFIT (LOSS)</b>	(116,378)	(136,400)
<b>PROVISION FOR INCOME TAXES</b>		
Taxes - State	150	800
<b>NET LOSS</b>	\$ (116,528)	\$ (137,200)
<b>NET LOSS PER COMMON SHARE:</b>		
Basic and diluted	\$ -	\$ -
Average Outstanding shares		
Basic (stated in 1,000's)	114,781	114,781

**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY (unaudited)**  
**For The Years Ended December 31, 2014**

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit from Operations	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
Issued 23,000,000 shares for services	23,000,000	23,000	-	-	23,000
Issued 400,000,000 shares for services	400,000,000	40,000	-	-	40,000
Deficit for the Period	-	-	-	(116,528)	(116,528)
Balance December 31, 2014	537,780,990	\$ 178,630	\$ 623,559	\$ (659,893)	\$ 142,296

**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**STATEMENTS OF CASH FLOWS (unaudited)**  
**For The Years Ended December 31, 2014 and 2013**

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
<b>Cash Flows From Operating Activities:</b>		
Net Loss	\$ (116,527)	\$ (137,200)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	726	1,676
Issuance of common stock for services	63,000	-
<u>(Increase) / Decrease in assets:</u>		
Prepaid Expenses	-	-
Accounts Receivable	41,909	48,341
<u>Increase / (Decrease) in liabilities:</u>		
Accrued Expense	11,583	(5,599)
<b>Net Cash Used in Operating Activities</b>	<u>691</u>	<u>(92,782)</u>
<b>Cash Flows From Investing Activities:</b>		
Increase In Other Assets	(105,500)	-
<b>Net Cash Used in Investing Activities</b>	<u>(105,500)</u>	<u>-</u>
<b>Cash Flows From Financing Activities:</b>		
Loans from Officers and Related Parties	(12,306)	85,017
Notes Payable - Consultants	108,000	-
<b>Net Cash Provided from Financing Activities</b>	<u>95,694</u>	<u>85,017</u>
	-	-
Net Change (Decrease) in Cash	2,210	(7,765)
Cash at Beginning of year	-	7,765
	-	-
<b>Cash at End of the period</b>	<u><u>\$ 2,210</u></u>	<u><u>\$ -</u></u>
<b>Supplemental Information:</b>		
Cash paid for income taxes	<u><u>\$ 150</u></u>	<u><u>\$ 800</u></u>
Cash Paid for interest expense	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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**NOTE 1: GENERAL**

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.

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.

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

**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.

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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a. **Revenue Recognition**

**Revenue Recognition:** Substantially all of the Company's sales are generated from written contractual (revenue) arrangements. The sales price for the Company's revenue arrangements are either fixed-price, cost-plus or time-and-material type. Depending on the contractual scope of work, the Company utilizes either contract accounting standards or accounting standards for revenue arrangements with commercial customers to account for these contracts.

b. **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 December 31, 2014, the Company had no cash equivalents.

c. **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 December 31, 2014, the Company had no funds in excess of FDIC insured limits. The Company has not experienced any losses in such accounts.

d. **Fair value of financial instruments**

Statement of Financial Accounting Standards ("SFAS") No. 107 "*Disclosures about Fair Value of Financial Instruments*" requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. Management believes that the carrying amounts of the Company's financial instruments, consisting primarily of accounts payable and accrued liabilities approximated their fair values as of June 30, 2014. The fair value of related party transactions are not determinable due to their related-party nature.

e. **Basic and Diluted Net Income (Loss) Per share**

Basic net income (loss) per share amounts is computed based on the weighted average number of shares actually outstanding. Diluted net income (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.

f. **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



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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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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.

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.

*g. **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 L-3 Holdings 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 units payable in L-3 Holdings 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.

*h. **Income Taxes***

The Company provides for income taxes using the liability method. Deferred income tax assets and liabilities reflect tax carryforwards and the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes, as determined under enacted tax laws and rates. The effect of changes in tax laws or rates is accounted for in the period of enactment. Valuation allowances for deferred tax assets are provided when it is more likely than not that the assets will not be realized, considering, when appropriate, tax planning strategies.

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
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Income tax accounting standards prescribe: (1) a minimum recognition threshold that an income tax benefit arising from an uncertain income tax position taken, or expected to be taken, on an income tax return is required to meet before being recognized in the financial statements and (2) the measurement of the income tax benefits recognized from such positions. The Company's accounting policy is to classify uncertain income tax positions that are not expected to be resolved in one year as non-current income tax liabilities and to classify potential interest and penalties on uncertain income tax positions as elements of the provision for income taxes on its financial statements.

**i. *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

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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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.

j. ***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.

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 did not have an impact on the Company's financial position, results of operations or cash flows.

**NOTE 3: 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", Ragbir 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.

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. The Company also retained the services of a human resource management consultant, to provide service relating to human resource management, preparation and review of memorandum of understanding and Independent Contractors' service agreements. As of December 31, 2014, the Company had Business Development Costs and Intellectual Properties of \$807,800 and \$50,000, respectively.

**NOTE 4: NOTE PAYABLE TO OFFICERS, CONSULTANTS AND RELATED PARTY TRANSACTIONS**

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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The Company has outstanding notes payable to officers amounting to \$196,422 as of December 31, 2014. The notes are payable on demand and do not bear interest.

The Company has outstanding notes payable to consultants, for services rendered, amounting to \$510,500 as of December 31, 2014. The notes are payable on demand and do not bear interest.

The company has outstanding loans payable to Tahim and Associates, APC amounting to \$99,535 as of December 31, 2014. The loans were incurred to fund various services rendered to the Company. These loans do not bear interest.

The Company subleases its office premises on a month to month basis from Tahim and Associates, APC, owned by an officers and stockholder of the Company. Office lease expenses for the year ended December 31, 2014 amounted to \$14,400.

**NOTE 5: EQUITY TRANSACTIONS**

In 2010 the Company issued 5,000,000 Common stock, in exchange of note receivable amounting to \$6,100. However, in March, 2012, the note receivable was cancelled together with the shares issued.

In March, 2012, the Company issued 5,000,000 shares of common stock for conversion of debt into equity in the amount of \$54,000. The amount of note payable to consultants has been reduced by \$54,000.

On July 19, 2012 the Company issued an aggregate of 1,000,000 shares for subscription money received from one investor in the amount of \$1,000.

On August 8, 2012, the Company issued an aggregate of 4,000,000 shares as executive compensation to Raghbir Tahim and Anne Tahim.

In October 2012, the Company issued 10,000,000 shares of common stock for conversion of debt into equity in the amount of \$120,000. The amount of notes payable to consultants has been reduced by the same amount.

In October, 2012, the Company issued 500,000 shares of common stock for services rendered.

In March 2013, the Company issued 1,500,000 shares of common stock for services rendered.

A total of 423,000,000 shares of common stock were issued during the year ended December 31, 2014

**NOTE 6: ARTICLE: IV OF THE ARTICLE OF ASSOCIATION –CHANGE IN THE AUTHORIZED CAPITAL STOCK OF THE CORPORATION**

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**ADVANCED DEFENSE TECHNOLOGIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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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.

**NOTE 7: INCOME TAX PROVISION, PAYABLE AND DEFERRED TAXES**

The Company accounts for income taxes under the provisions of SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates for the year in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

For the year ended December 31, 2014, the Company incurred losses. Franchise fees of \$150 was recorded as income taxes for the period then ended. Deferred income tax asset of \$94,164 represents the benefit on the net operating losses as of December 31, 2011. No additional deferred income tax benefit was recorded for the years ended December 31, 2012, 2013 and 2014.

**NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES**

The Company is not a defendant in any litigation nor is the Company aware of any potential or threatened litigation.