ALAS

ALAS Defense Systems, Inc.
(A Development Stage Enterprise)
Financial Statements
(unaudited)
For the Years Ended June 2010 and 2009

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ALAS Defense Systems, Inc.

(Previously A Development Stage Enterprise)

Consolidated Balance Sheets

	June 30, 2010 (audited)	June 30, 2009 (audited)
Assets		
Current assets		
Cash	$ 23	$ -
Total current assets	23	-
Total Assets	$ 23	$ -
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ -	$ -
Accrued expenses	80,775	-
Notes payable	-	1,956,416
Loans and notes payable, related parties	53,900	-
Total current liabilities	134,675	1,956,416
Total liabilities	134,675	1,956,416
Stockholders' Equity		
Preferred Stock:		
Preferred Stock, Series A: 1,000,000 shares authorized; $.10 par value; 0 and 0 issued and outstanding	-	-
Preferred Stock, Series B: 5,000,000 shares authorized; $.001 par value; 1,000,000 and 0 issued and outstanding	1,000	-
Common Stock, $.001 par value, 249,000,000 shares authorized; 20,504,281 and 53,509 shares issued and outstanding, respectively	20,504	54
Additional paid-in capital	(20,799)	(1,956,470)
Accumulated deficit during development stage	(135,357)	-
Total stockholders' deficit	(134,652)	(1,956,416)
Total Liabilities and Stockholders' Equity	$ 23	$ -

The accompanying notes are an integral part of these financial statements.

ALAS Defense Systems, Inc.

(Previously A Development Stage Enterprise)

Consolidated Statement of Operations

(unaudited)

	For the Years Ended June 30, 2010	For the Years Ended June 30, 2009	October 22, 2004 (inception) through June 30, 2010
Revenues	$ -	$ -	-
Operating expenses:			
Compensation	79,231	-	79,231
Consulting	7,500	-	7,500
General and administrative	35,624	-	35,624
Public expense	12,240	-	12,240
Interest expenses	762	-	762
Total operating expenses	135,357	-	135,357
Loss from operations before income taxes	(135,357)	-	(135,357)
Provision for income taxes	-	-	-
Net loss	$ (135,357)	$ -	$ (135,357)
Earnings (loss) per share:			
Basic	$ (0.01)	$ -	
Dilutive	$ (0.01)	$ -	
Weighted average shares outstanding			
Basic	12,329,508	26,535	
Dilutive	12,329,508	26,535	

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ALAS Defense Systems, Inc.

(Previously A Development Stage Enterprise)

Statement of Stockholders' Deficit

	Preferred shares	Preferred Par	Common shares	Common Par	Additional Paid in Capital	Accumulated Deficit Development Stage	Stock-Holders' Deficit
Balance at June 30, 2008	-	$ -	53,509	$ 54	$ (1,956,470)	$ -	$ (1,956,416)
Net loss						-	-
Balance at June 30, 2009	-	-	53,509	54	(1,956,470)	-	(1,956,416)
Preferred shares, series B, issued at par, February 2010	1,000,000	1,000			(1,000)		-
Issuance of shares in exchange for:							
To founders, February 10, 2010, at $.001			6,496,500	6,496	(6,496)		-
Conversion of promissory notes, February 10, 2010, at $.14224			13,754,272	13,754	1,942,662		1,956,416
Excersised options, February 10, 2010, $.0035 per share			200,000	200	505		705
Net loss						(135,357)	(135,357)
Balance at June 30, 2010	1,000,000	$ 1,000	20,504,281	$ 20,504	$ (20,799)	$ (135,357)	$ (134,652)

The accompanying notes are an integral part of these financial statements.

ALAS Defense Systems, Inc.

(Previously A Development Stage Enterprise)

Consolidated Statement of Cash Flows

(unaudited)

	For the Years Ended June 30, 2010	For the Years Ended June 30, 2009	For the Period October 22, 2004 (inception) to June 30, 2010
Cash Flows from Operating Activities:			
Net (loss) income	$ (135,357)	$ -	$ (135,357)
Adjustment to reconcile Net Income to net cash provided by operations:			
Changes in assets and liabilities:			
Accrued expenses	80,775	-	80,775
Net Cash (Used) Provided by Operating Activities	(54,582)	-	(54,582)
Cash Flows from Financing Activities:			
Proceeds from issuance of stock	705	-	705
Related party advances	53,900	-	53,900
Net Cash (Used) Provided by Operating Activities	54,605	-	54,605
Net increase/decrease in Cash	23	-	23
Cash at beginning of period	-	-	-
Cash at end of period	$ 23	$ -	$ 23
Supplemental cash flow information:			
Interest paid	$ -	$ -	$ -
Taxes paid	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Supplemental Scheduleof Noncash Investing and Financing Activities

Issuance of common stock in exchange of debt	$ 45,000	$ 421,652	$ 761,651
Issuance of common stock in exchage for accounts payable	$ -	$ 5,850	$ 5,850
Issuance of common stock for software and other assets	$ -	$ -	$ 105,000
Investment in affiliate by trasfer of software	$ 22,250	$ -	$ 22,250
Sale of stock subscription	$ -	$ -	$ 350
Conversion of convertible debentures into common stock	$ 2,006,416	$ -	$ 2,006,416
Stock issued for assets acquired	$ 6,509,362	$ -	$ 6,509,362
Promissory note issued for the acquisition of assets	$ 712,500	$ -	$ 712,500

The accompanying notes are an integral part of these financial statements.

ALAS Defense Systems, Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
For the Years Ended June 2010 and 2009

1 History of the Company and Summary of Significant Accounting Policies

History of the Company

The issuer was organized under the laws of the State of Idaho and was incorporated on September 1, 1950 as Princeton Mining Company. Filed on September 6, 2001. The domicile was changed from Idaho to Nevada (Doc. No, C24457-2001-001). On July 10, 2002 Princeton Mining Company filed an Amendment to its Articles of Incorporation to change its name to LifeStyle Innovations, Inc.

On December 21, 2009 LifeStyle Innovations, Inc. acquired all the assets and liabilities of Vought Defense Systems, Inc. in a reverse-merger, whereby a change in control occurred. Lifestyle Innovations, Inc. filed an Amendment to its Articles of Incorporation to change its name to Vought Defense Systems Corporation. On April 12, 2010, Vought Defense Systems Corporation filed an Amendment to its Articles of Incorporation to change its name to ALAS Defense Systems, Inc. and effected a 545 for 1 reverse share split of its common stock outstanding. Shares presented have been restated in prior year to reflect the reverse share split.

Nature of Business

The Company currently operates under the name of a subsidiary, Redtide Defense. Redtide is a company created to provide an inexpensive and technically superior solution to a growing worldwide demand for Unmanned Air Vehicles commonly referred to as UAV's. Redtide provides support to foreign and domestic militaries as well as to public and private organizations internationally. Virtually every country spends a significant part of GNP averting terrorism, promoting National Defense, response to natural disasters as well as assist in crime fighting and civil unrest. Our company offers UAV's and ancillary training, maintenance and other services via sales or leases. Redtide is the single choice providing affordable, easily maintained and complete surveillance systems without the significant expense of hiring "high tech personnel" capable of operating existing surveillance systems in remote areas of the world.

Summary of Significant Accounting Policies

Basis of Accounting

The Company prepares its consolidated financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require 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. Management believes that these estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates.

Use of Estimates

The Company prepares its financial statements in conformity with generally accepted accounting principles in the United States of America. These principals require 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. Management believes that these estimates are reasonable and have been discussed with the Board of Directors; however, actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts and operations of ALAS Defense Systems, Inc., and its wholly owned subsidiary, Redtide Defense Group (collectively referred to as the "Company"). Accordingly, the assets and liabilities, and expenses of this company have been included in the accompanying consolidated financial statements, and intercompany transactions have been eliminated.

Development Stage Enterprise

The Company has presented financial statements as a development stage enterprise. In the initial years the Company devoted substantially all of its efforts to raising capital, planning and implementing the principal operations. The Company may continue to incur significant operating losses and to generate negative cash flow from operating activities. The Company's ability to eliminate operating losses and to generate positive cash flow from operations in the future will depend upon a variety of factors, many of which it is unable to control.

Variable Interest Entities

The Company considers the consolidation of entities to which the usual condition (ownership of a majority voting interest) of consolidation does not apply, focusing on controlling financial interests that may be achieved through arrangements that do not involve voting interest. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary is generally required to consolidate assets, liabilities and non-controlling interests at fair value (or at historical cost if the entity is a related party) and subsequently account for the variable interest as if it were consolidated based on a majority voting interest. The Company has no investments in joint ventures or any other unconsolidated entities.

Financial Instruments

The Company's balance sheets include the following financial instruments: cash, accounts receivable, inventory, accounts payable and note payable and notes payable to stockholder. The carrying amounts of current assets and current liabilities approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization. The carrying values of the note payable to stockholder approximates fair value based on borrowing rates currently available to the Company for instruments with similar terms and remaining maturities.

In September 2006, the Financial Accounting Standards Board (FASB) introduced a framework for measuring fair value and expanded required disclosure about fair value measurements of assets and liabilities. The Company adopted the standard for those financial assets and liabilities as of the beginning of the 2008 fiscal year and the impact of adoption was not significant. FASB Accounting Standards Codification (ASC) 820 *"Fair Value Measurements and Disclosures"* (ASC 820) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the 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 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2010. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, other current assets, accounts payable, accrued compensation and accrued expenses. The fair value of the Company's notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company applied ASC 820 for all non-financial assets and liabilities measured at fair value on a non-recurring basis. The adoption of ASC 820 for non-financial assets and liabilities did not have a significant impact on the Company's financial statements.

As of June 30, 2010 and 2009, the fair values of the Company's financial instruments approximate their historical carrying amount.

Cash and Cash Equivalents

The majority of cash is maintained with a major financial institution in the United States. Generally, deposits may be redeemed on demand and, therefore, bear minimal risk. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Stock Based Compensation

The Company may issue restricted stock to consultants for various services. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete. The Company will recognize consulting expenses and a corresponding increase to additional paid-in-capital related to stock issued for services. There has been no issuances of stock based compensation for the years ended June 30, 2010 and 2009.

Advertising Costs

The costs of advertising are expensed as incurred. Advertising expenses are included in the Company's operating expenses. Advertising expense was $0 for the years ended June 30, 2010 and 2009.

Research and Development

The Company expenses research and development costs when incurred. Indirect costs related to research and developments are allocated based on percentage usage to the research and development. Research and development expense was $0 for the years ended June 30, 2010 and 2009.

Income Taxes

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

Earnings (Loss) Per Share

Basic EPS is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted EPS is similarly calculated, except that the denominator includes common shares that may be issued subject to existing rights with dilutive potential, except when their inclusion would be anti-dilutive. There were no common stock equivalents outstanding as of June 30, 2010.

Impact of Recently Issued Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures ("ASU 2010-06"). This standard updates FASB ASC 820, Fair Value Measurements ("ASC 820"). ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The standard is effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances and settlements which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company will adopt ASU 2010-06 on September 1, 2010; management does not expect the adoption to have a material impact on the financial statements.

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815)-Scope Exception Related to Embedded Credit Derivatives. The amendments in this Update are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity's first fiscal quarter beginning after issuance of this Update. The company does not expect the provisions of ASU 2010-11 to have a material effect on the financial position, results of operations or cash flows of the company.

In April 2010, the FASB issued ASU No. 2010-13, Compensation-Stock Compensation (Topic 718)-Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades - a consensus of the FASB Emerging Issues Task Force. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. Earlier application is permitted. The company does not expect the provisions of ASU 2010-13 to have a material effect on the financial position, results of operations or cash flows of the company.

In April 2010, the FASB issued ASU No. 2010-12, Income Taxes (Topic 740)-Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts. After consultation with the FASB, the SEC stated that it "would not object to a registrant incorporating the effects of the Health Care and Education Reconciliation Act of 2010 when accounting for the Patient Protection and Affordable Care Act". The company does not expect the provisions of ASU 2010-12 to have a material effect on the financial position, results of operations or cash flows of the company.

Other recent accounting pronouncements issued by the FASB, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

3 Going Concern

As of June 30, 2010, the Company has a working capital deficit and has incurred a loss from operations and recurring losses since its inception resulting in an accumulated deficit. As of June 30, 2010, the Company had negative working capital, and minimal cash with which to satisfy any future cash requirements. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company depends upon capital to be derived from future financing activities such as loans from its officers and directors, subsequent offerings of its common stock or debt financing in order to operate and grow the business. There can be no assurance that the Company will be successful in raising such capital. The key factors that are not within the Company's control and that may have a direct bearing on operating results include, but are not limited to, acceptance of the Company's business plan, the ability to raise capital in the future, to continue receiving funding from its officers, directors and shareholders, the ability to expand its customer base, and the ability to hire key employees to grow the business. There may be other risks and circumstances that management may be unable to predict.

4 Accrued Expenses

Accrued expenses at June 30, 2010 and 2009 were as follows:

	June 30,	
	2010	2009
Accrued salaries	71,531	$
Accrued interest	762	
Accrued expenses	100	
	72,393	$

5. Debt Agreements

The Company has a Master Note Agreement with a shareholder for operational capital. Advances are payable in one year from the date received and bears interest at 6% per annum. As of June 30, 2010 and 2009, amounts due to the lender were $28,900 and $0, respectively. Interest, accrued and unpaid was $762 and $0 for the years ended June 30, 2010 and 2009, respectively.

The Company entered into a Note Agreement on February 23, 2010, with a company owned by a shareholder, Dee Fam, LLC, for operational capital in the amount of $25,000. Advances are payable in one year from the date received and bears interest at 10% per annum. As of June 30, 2010 and 2009, amounts due to the lender were $25,000 and $0, respectively. Interest, accrued and unpaid was $882 and $0 for the years ended June 30, 2010 and 2009, respectively.

6. Related Parties Disclosures

Employment Agreements

Edwin B. Salmon

Effective February 17, 2010, the Company entered into a five-year employment agreement with Edwin B. Salmon, one of the Company's directors. The Agreement provides for (a) a base salary of $120,000 per annum; (b) a 10% bonus, based on the Company's profit, as defined in the agreement; and (c) all group insurance plans and other benefit plans and programs made available to the Company's management employees.

Alvin Ayers

Effective February 17, 2010, the Company entered into a five-year employment agreement with Edwin B. Salmon, one of the Company's directors. The Agreement provides for (a) a base salary of $86,000 per annum; (b) a 5% bonus, based on the Company's profit, as defined in the agreement; and (c) all group insurance plans and other benefit plans and programs made available to the Company's management employees.

Facilities

The Company has minimal needs for office space. Currently the operations are performed from offices provided by the executives of the Company at no cost. No rent expense has been recognized for the year end June 30, 2010 or 2009.

The amounts and terms of the above transactions may not necessarily be indicative of the amounts and terms that would have been incurred had comparable transactions been entered into with independent third parties.

7. Income Taxes

There is no current or deferred income tax expense or benefit allocated to continuing operations for the years ended June 30, 2010 and 2009.

The income tax provision differs from the amount of tax determined by applying the federal statutory rate as follows:

	For the Year Ended	
	June 30, 2010	June 30, 2009
Income tax benefit at statutory rate	(38,400)	$
Increase (decrease) in income taxes due to:		
Change in valuation allowance	38,400	
	$ -	$ -

The Company has not recognized an income tax benefit for its operating losses generated for the year ended June 30, 2010 or 2009 based on uncertainties concerning the Company's ability to generate taxable income in future periods. The tax benefit is offset by a valuation allowance established against deferred tax assets arising from operating losses and other temporary differences, the realization of which could not be considered more likely than not. In future periods, tax benefits and related deferred tax assets will be recognized when management considers realization of such amounts to be more likely than not.

8. Commitments and Contingencies

Legal Matters

From time to time the Company may be a party to litigation matters involving claims against the Company. Management believes that there are no current matters that would have a material effect on the Company's financial position or results of operations.

9. Subsequent Events

On April 6, 2010 the Company issued a Stock Purchase Agreement with Quality Performance, Inc. ("QPI"), a Virginia corporation. The aggregate purchase price of $8 million dollars will be in the form of cash ($4 million), Confessed Judgment Promissory Note ($2 million, bearing interest at 7%, with a 12 month maturity, convertible into common shares at the election of the holder) and preferred stock ($2 million). The transaction is subject to certain closing conditions, including financing and due diligence. The completion of the transaction will occur on the successful raise of the cash portion of the agreement and anticipate that the closing will occur in October 2010.