



ATWEC TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED MARCH 31, 2012

1. Organization and Principal Activities

ATWEC Technologies, Inc., a Nevada c-corporation having originally incorporated on February 23, 1987, is publicly traded on the OTC Markets under the symbol 'ATWT'. ATWEC is a child safety company, headquartered in Memphis, TN, that develops, markets, and sells a unique line of hi-tech safety and security devices designed to protect the transportation of children. The Company has invested substantial resources towards the production and sale of its Kiddie Systems™ product line, being sold to schools, churches, and families throughout the US and Mexico. The Company has taken an active role in, and has benefited from, sweeping statewide legislation designed to protect children, with states now requiring the exact safety devices that the Company sells, and imposes fines and other penalties for organizations that do not follow these requirements. This development has caused a substantial increase in demand for the Company's products and services in 2012, with substantial gains projected for 2013-14.

The unaudited financial statements included herein were prepared from the records of the Company and adjusted for comparative purposes. These financial statements reflect all adjustments which, in the opinion of management, are necessary to provide the results of operations and financial position for the quarter ended March 31, 2012. Significant adjustments may be required upon the financial statements being audited to be in conformity with Generally Accepted Accounting Principles.

2. Going Concern

As reflected in the accompanying consolidated financial statements, as of March 31, 2012, the Company had \$3,848 of current liquid assets and \$45,435 of current liabilities, for a working capital deficiency of \$41,587. These factors raise substantial doubt about its ability to continue as a going concern. In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon the Company's ability to make immediate sales, raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The accounts have been prepared on the basis that the entity can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realization of assets in the ordinary course of business. Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. The Company is actively pursuing additional funding and a potential merger or acquisition candidate and strategic partners, which would enhance stockholders' investment.

During the first quarter of 2012, the Company's Board of Directors elected to raise capital and to improve its balance sheet, and plans to issue new common stock in exchange for liquid cash and for the cancellation of certain corporate debts to shareholders, officers, and key corporate vendors. The Company's Board of Directors has elected to raise approximately US\$500,000 during 2Q 2012, and plans to cancel debt in an amount which approaches \$300,000, which will be close to one-half of the nearly \$650,000 in long-term liabilities on the corporate balance sheet. The Company has filed the appropriate amendments with Nevada and has increased its authorized capital stock to 3B common shares. Management believes that the above actions will allow the Company to continue operations through the end of 2012 fiscal year.



ATWEC TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED MARCH 31, 2012

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The consolidated financial statements include the account of ATWEC Technologies, Inc. and all of its lines of business, including Kiddie Systems™ products and services, alarm monitoring services, and any sales of alkaline water.

Statement of Cash Flows

In accordance with FASB guidance, cash flow from the Company's operations is calculated based upon the functional currency. As a result, amounts related to assets and liabilities reported on the statement of cash flows may not necessarily agree with changes in the corresponding balances on the balance sheet.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results when ultimately realized could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks with maturities of three months or less, and all highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less. Fair Value of Financial Instruments estimates fair values of cash, property and equipment, and due to stockholder, none of which are held for trading purposes, approximates their carrying value because of short-term maturity of these instruments or the stated interest rates are indicative of market interest rates.

Accounts Receivable

Accounts receivable are recorded at the invoice amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and determined based on managements' assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness, and the economic environment. Recoveries of balances previously written off are also reflected in this allowance.

Concentrations of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents with high-quality institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and therefore bear minimal risk.



ATWEC TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED MARCH 31, 2012

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition.

The Company recognizes the depreciation of its property, plant and equipment on a straight-line basis over the estimated useful lives of the assets based on their costs less 5% residual value. The useful lives for property, plant and equipment are estimated as follows:

Plant and machinery	10 years
Office equipment and furniture	5 to 10 years
Motor vehicles	5 to 10 years

Other Assets

The Company capitalizes the costs associated with obtaining patents, trademarks, or other intellectual property associated with its business. Such costs are amortized over the estimated useful life of such assets using the straight-line method, unless such useful life is deemed indefinite. Investments total \$88,277 for the periods given, and include amounts invested in other stocks and directly into the purchase of Safeguard Alarm and Guard Services, a TN security corporation, whereby the Company acquired their assets including the firm's security alarm accounts (54 total accounts), client list, marketing, TN licenses, goodwill, and accounts receivable.

Goodwill

Goodwill is an accounting concept meaning the value of an entity over and above the value of its assets, or expressing the intangible but quantifiable 'prudent value' of an ongoing business beyond its assets resulting in part from the reputation of the Company with its customers. As is given herein, goodwill is defined as the value between the proposed purchase price of the Company and the sum of the fair net value of the net assets. If a another company were to acquire the Company, that company must recognize goodwill as an asset in its financial statements and present it as a separate line item on its balance sheet. In this sense, goodwill serves as the balancing sum that allows one company to provide accounting information regarding its purchase of another firm for a price substantially different from its book value.

Intellectual Property

Intellectual Property is a broad categorical description for the set of intangibles owned and legally protected by a company from outside use or implementation without consent. Intellectual property can generally consist of patents, trade secrets, copyrights, trademarks, or ideas and content. The Company has obtained several informal valuations on the value of its product concepts and trademarks, along with its patent no. US 7,646,288 B2 "Occupant Warning System for School or Day Care Bus and Van", which ensures that a driver and others will be alerted by a unique warning system that prevents children from being forgotten or left in vehicles. The Company has defined the value of the patent as a variable amount, increasing as the patent grows in value with the increased sales and spreading use of its safety devices in North America, and this value has remained at approximately \$1,552,690 as of 3/31/12.



ATWEC TECHNOLOGIES, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED MARCH 31, 2012**

Income Taxes

The Company accounts for income tax under the provisions of Statements of Financial Accounting Standards No. 109, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Deferred income taxes are provided using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities. In addition, the Company is required to record all deferred tax assets, including future tax benefits of capital losses carried forward, and to record a "valuation allowance" for any deferred tax assets where it is more likely than not that the asset will not be realized.

4. Accounts Receivable

The Company's accounts receivable at March 31, 2012 are summarized as follows:

	<u>2010</u>	<u>2011</u>	<u>3/31/2012</u>
Accounts Receivable	\$1,240	\$4,960	\$4,820
Less: Allowance for doubtful accounts	--	--	--
Accounts Receivable, net	<u>\$1,240</u>	<u>\$4,960</u>	<u>\$4,820</u>

5. Liabilities

Loans from Shareholders:

Loans from shareholders have been made by the Company, in the total principal amount of \$235,195 loaned by shareholders and by members of the Company's Board of Directors, with interest being charged to the Company at 1.5% per annum over the term of the notes.

Accrued Wages:

Accrued wages are comprised of past salaries for all officers and directors of the Company, who have not been paid for services performed over the years, for the benefit of the Company. The Company is making a serious effort to reduce this amount, either by issuing shares in lieu of this debt, or providing performance bonuses and other perks so as to help improve the balance sheet. Officers and directors include Wiley, Brown, Hall, and Wright, and the total amount outstanding has remained at \$272,856.

Notes Payable:

As of 3/31/12, notes payable are comprised of several key corporate vendors, including Assembled Products and WB Hunt Consulting Corp., all owed money by the Company for services performed for the Company in prior fiscal years, when the Company felt it absolutely necessary to obtain these services during the normal course of business, for a total amount outstanding of \$129,790, whereby the Company entered into three-year notes with these vendors for the balances, with interest being paid at 6% per annum. The amount calculated has been adjusted to accurately reflect the current and updated amount of interest accrued, which will be paid by the Company. The Taylor Trust has executed the sale of the Company's patent to the Company, in return for cash payment over time, with the current amount outstanding and due and payable to the Taylor Trust is \$1,447,421.



ATWEC TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED MARCH 31, 2012

6. Operating Expenses

Wages

Wages total \$10,200 for the first quarter 2012, and reflect the salary received by the Company's President and CEO Alex Wiley.

Professional Services

Professional Services for the first quarter 2012 total \$13,696, and include all legal, accounting and other consulting fees, and also include payments made to the OTC Markets and to the Company's transfer agent, Continental Stock Transfer and Trust Company.

Travel Expense:

For the first quarter 2012, the Company spent \$3,702 on travel, which resulted from the Company's sales efforts in the state of Florida. Mr. Wiley and several members of the Company's sales staff traveled to Florida on several occasions during February and March, in order to attend sales conferences and to make sales to local day care centers and schools.

7. Commitments and Contingencies

Capital and Lease Commitments

As of March 31, 2012, the Company has no significant capital and lease commitments outstanding.

Legal Proceedings

The Company is not currently involved in any litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending, to the knowledge of the Company's Board of Directors.

PREPARED BY: ATWEC TECHNOLOGIES, INC.
BOARD OF DIRECTORS
ACCOUNTING COMMITTEE
2799 BROAD AVENUE
MEMPHIS, TN 38112