

123 GREETINGS.COM, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED

MARCH 31, 2015

123 GREETINGS.COM, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

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ZBS GROUP LLP

Certified Public Accountants and Advisors

Board of Directors and Shareholders
123 Greetings.com Inc.
New York, NY

Report on the Financial Statements

We have audited the accompanying financial statements of 123 Greetings.com Inc. which comprise the balance sheet as of March 31, 2015, and the related statement of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 123 Greetings.com Inc. as of March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying supporting schedules and general and administrative expenses schedule is presented for purposes of additional analysis only and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements as a whole.

ZBS Group LLP

ZBS Group LLP

Plainview, New York
May 20, 2015

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123 GREETINGS.COM, INC.
BALANCE SHEET
MARCH 31, 2015

A S S E T S

Current Assets:	
Cash and cash equivalents	\$ 147,529
Accounts receivable	365,602
Prepaid expenses	<u>22,606</u>
Total Current Assets	535,737
Property and Equipment	
Furniture and fixtures	2,116
Office equipment	46,363
Software	<u>18,000</u>
	66,479
Less accumulated depreciation	<u>50,954</u>
Property and Equipment, Net	15,525
Other Assets:	
Security deposits	3,710
Trademark	625
Prepaid taxes	<u>24,455</u>
Total Other Assets	28,790
TOTAL ASSETS	<u><u>\$ 580,052</u></u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:	
Accounts payable and accrued expenses	\$ 39,212
Advances from customers	49,240
Income Taxes Payable	15,251
Due to Related Party	<u>273,038</u>
Total Current Liabilities	376,741
TOTAL LIABILITIES	376,741
Shareholder's Equity:	
Common stock	100,000
Retained earnings	<u>103,311</u>
	203,311
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u><u>\$ 580,052</u></u>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

123 GREETINGS.COM, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2015

Revenues		
Sales	\$	21,488,998
Expenses:		
Cost of Sales (Schedule 1)		15,228,902
Product and Content Development (Schedule 2)		3,204,917
Sales and Marketing Expenses (Schedule 3)		2,659,677
General and Administrative Expenses (Schedule 4)		372,407
Total Expenses		21,465,903
Net Profit Before Provision for Income Tax		23,095
Provision for Income Tax		5,719
NET PROFIT		17,376
RETAINED EARNINGS - BEGINNING		85,935
RETAINED EARNINGS - ENDING	\$	103,311

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

123 GREETINGS.COM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

Cash flows from operating activities:

Net Profit	\$	17,376
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization		11,235
Changes in operating assets and liabilities:		
(Increase) Decrease in accounts receivable		451,449
(Increase) Decrease in prepaid expenses		7,671
(Increase) Decrease in inventory		216,679
(Increase) Decrease in prepaid taxes		(5,869)
(Increase) Decrease in advance to vendors		265,023
(Increase) Decrease in advance to parent company		3,486,602
Increase (Decrease) in accounts payable and accrued expenses		(1,120,295)
Increase (Decrease) in advance from customers		15,346
Increase (Decrease) in interest payable		(4,722)
Increase (Decrease) in due to related party		(1,143,832)
Increase (Decrease) in income taxes payable		9,020
Increase (Decrease) in sales tax payable		(14,405)
Net cash provided by operating activities		2,191,278
Cash Flows Used in Investing activities:		
Purchase of fixed assets		(2,045)
Cash Flows Used in Financing activities:		
Repayment of Notes Payable		(3,171,652)
Net decrease in cash		(982,419)
Cash at beginning of year		1,129,948
Cash at end of year	\$	147,529

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Interest	\$	27,301
Income taxes	\$	6,240

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

**123 GREETINGS.COM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

1. Summary of Significant Accounting Policies

Organization

123 Greetings.com, Inc (“The Company”), incorporated in the state of Delaware on May 27, 1999 under the name of Intrasoft Media Technologies, Inc. to provide Internet based electronic greeting cards delivery services. During the second quarter of 2009, the company began operations of its e-commerce business.

On August 31, 1999 the Company changed its name to 123 Greetings.com, Inc.

On October 1, 2014, the Company was restructured which resulted in the sale of the e-commerce division which was formed into a corporation, 123Stores Inc. The results of the Company operations for the year ended March 31, 2015 includes only six months of operations for the e-commerce division from the period April 1, 2014 through September 30, 2014.

Cash and cash equivalent

For the purpose of the statement of cash flows, the Company considers all temporary cash investments purchased with maturity of three months or less to be cash equivalent.

Revenues

Electronic greeting cards delivery service:

Revenues are principally generated from impressions of customer’s banners on the company’s web site. Revenues are recognized and billed on the last day of the month using industry recognized reporting.

E-Commerce:

The Company generally recognizes product revenue when persuasive evidence of an arrangement exists, shipment has occurred, the fee is fixed or determinable, and collectability is probable. In instances where final acceptance of the product is specified by the customer, revenue is deferred until all acceptance criteria have been met. Cash payments received in advance are recorded as deferred revenue. The Company is generally not contractually obligated to accept returns, except for defective product. However, the Company may permit its customers to return or exchange products and may provide pricing allowances on products unsold by a customer.

Accounts receivable

Accounts receivable totaled \$365,602 as of March 31, 2015. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

123 GREETINGS.COM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

1. Summary of Significant Accounting Policies - continued

Inventory

Inventories are maintained at three different warehouses, located in New York and Nevada and Fulfillment centers of Amazon. The company's e-commerce business inventory is stated at the lower of cost or market. There were no inventories held at March 31, 2015 due to the spinoff of the e-commerce division.

Advertising costs

The company expenses advertising costs as incurred. Advertising costs for the year ended March 31, 2015 totaled \$15,593.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated lives of the related assets. Depreciation and amortization expenses for the year ended March 31, 2015 totaled \$11,235.

Shipping and handling costs

The company charges shipping and handling costs incurred to cost of goods sold on drop ship sales. Shipping and handling costs included in cost of goods sold were \$2,841,069 for the year ended March 31, 2015.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Events Occurring After Reporting Date

The Company has evaluated events and transactions that occurred between March 31, 2015 and May 20, 2015 which is the date the financial statements were issued (or available to be issued) for possible disclosure and recognition in the financial statements.

123 GREETINGS.COM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

2. Prepaid Expenses

Prepaid expenses consist of web services that the company purchases in advance. Prepaid expenses for the year ended March 31, 2015 were \$22,606.

3. Related Party Transactions

The Company's parent company provides Development and Transmission of IT Enabled Services. During the year ended March 31, 2015, amounts billed by the parent company were \$3,154,305. As of March 31, 2015 balance due to the parent company totaled \$273,038.

The Company also advances amounts on a periodic basis to the parent Company. Advances to the parent company during the year totaled \$0 and amounts totaling approximately \$3,486,602 were offset against amounts owing for Development and Transmission of IT Enabled Services. As of March 31, 2015 amounts due from the parent Company amounted to \$0.

4. Income Taxes

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based upon the differences between financial statements carrying amounts and the tax basis of existing assets and liabilities. During the year ended March 31, 2015, there were no material differences that required deferred tax asset or liability.

The Company reviews tax positions taken to determine if it is more likely than not that the position would be sustained upon examination resulting in an uncertain tax position. The Company did not have any material unrecognized tax benefit at March 31, 2015. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the year ended March 31, 2015, the Company recognized no interest and penalties.

The Company files U.S. federal tax returns and tax returns in various states. All tax periods since 2011 remain open to examination by the taxing jurisdictions to which the Company is subject.

123 GREETINGS.COM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

5. Concentration of Risk

The Company maintains cash in deposit accounts in a federally insured bank. At times, the balance in the account may be in excess of federally insured limits.

6. Note payable

The company borrowed the sum of \$500,000 from Amazon Capital Services for a period of six months. The loan bears an annual interest rate of 11.9 %. The balance due on the loan was repaid during the year ended March 31, 2015.

7. Revolving Credit Promissory Note

The Company borrowed the sum of \$5,000,000 under the terms of a revolving credit promissory note with Barclays Bank PLC. On renewal of the note in January 14, 2014 the facility was reduced to \$4,100,000. The note bears interest at a rate of LIBOR plus 1.5% and is payable upon demand. During the year ended March 31, 2015 balance due on the loan of \$3,000,000 was repaid.

8. Operating Leases

The Company leases office space in Manhattan, New York. On March 13, 2012 the Company extended its lease agreement for a period of three years from July 1, 2012 through June 30, 2015. The lease requires monthly payments, which increases according to the lease terms. The Company has the option to terminate the lease with a thirty days' notice. Rent expenses were \$21,993 for the year ended March 31, 2015.

At March 31, 2015 the aggregate future minimum rental commitments under this lease are as follows:

<u>Twelve Months Ending March 31,</u>	<u>Amount</u>
2016	\$ 5,517

123 GREETINGS.COM, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

9. Common and Preferred Stock

The Company authorized 10,000,000 shares of \$.01 par value common stock and 1,000,000 shares of \$.01 par value preferred stock. At March 31, 2015 the company had 10,000,000 shares of common stock issued and outstanding.

10. Sale of e-commerce business:

On October 1, 2014, the Company executed an agreement to sell its e-commerce business to a related party, 123Stores Inc., a newly formed corporation, which was formerly a separate division within the Company, for a sale price of \$341,893.

Included in the agreement were the following assets and liabilities:

Assets	
Cash	\$ 32,559
Accounts receivable	472,228
Inventory at wholesale prices	688,488
Advances to vendors	297,192
	<u>\$ 1,490,467</u>
Liabilities:	
Accounts payable and other liabilities	\$ 1,148,574
	<u>\$ 341,893</u>
Net sale price	

123 GREETINGS.COM, INC.
SUPPORTING SCHEDULES
FOR THE YEAR ENDED MARCH 31, 2015

Schedule 1 - Cost of Sales

Ad service charges	\$ 65,259
Bandwidth and usage charges	316,787
Dues & subscriptions	12,596
Cost of goods	14,834,260
	<u>\$ 15,228,902</u>

Schedule 2 - Product and Content Development

Content purchases	3,204,917
	<u>\$ 3,204,917</u>

Schedule 3 - Sales and Marketing Expenses

Advertising	\$ 15,593
Market place fees	2,121,688
PayPal fees	79,078
Commissions on delivery	167,619
Commissions on sales	140,900
Delivery discount	3,232
Discount Allowed	131,567
	<u>\$ 2,659,677</u>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.

123 GREETINGS.COM, INC.
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015

Schedule 4 - General and Administrative Expenses

Payroll	\$	70,385
Payroll taxes		6,122
Employee benefits		4,608
Rent		21,993
Dues and subscriptions		11,554
Repairs and maintenance		1,075
Professional fees		58,510
Interest		27,301
Communication & Correspondence		15,682
Insurance		1,431
Finance charges		52,667
General expenses		13,580
Travel and entertainment		11,812
Depreciation		11,235
Utilities		3,338
Bad Debt Expense		61,114
	\$	<u>372,407</u>

The accompanying notes and accountants' report should be read in conjunction with the financial statements.