

TOFFEE, INC.

Reviewed Financial Statements For The Period of Inception (April 23, 2020) To August 31, 2020



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To Management
Toffee, Inc.
London, England

We have reviewed the accompanying financial statements of Toffee, Inc. (a corporation), which comprise the balance sheet as of August 31, 2020, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, We do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether We are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of Our procedures provide a reasonable basis for Our conclusion.

Accountant's Conclusion

Based on Our review, We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Jason M. Tyra, CPA, PLLC
Dallas, TX
October 1, 2020

TOFFEE, INC.
BALANCE SHEET
AUGUST 31, 2020

ASSETS

CURRENT ASSETS

| | | |
|------|--|--------|
| Cash | | \$ 413 |
|------|--|--------|

| | | |
|--|----------------------|-----|
| | TOTAL CURRENT ASSETS | 413 |
|--|----------------------|-----|

| | | |
|--|--------------|-----|
| | TOTAL ASSETS | 413 |
|--|--------------|-----|

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|------------------|--|---|
| Accounts Payable | | - |
|------------------|--|---|

| | | |
|--|-------------------|---|
| | TOTAL LIABILITIES | - |
|--|-------------------|---|

SHAREHOLDERS' EQUITY

| | | |
|---|--|----|
| Common Stock (10,000,000 shares authorized; 8,000,000 issued; \$0.00001 par value) | | 80 |
|---|--|----|

| | | |
|----------------------------|--|-----|
| Additional Paid in Capital | | 650 |
|----------------------------|--|-----|

| | | |
|-----------------------------|--|-------|
| Retained Earnings (Deficit) | | (317) |
|-----------------------------|--|-------|

| | | |
|--|----------------------------|-----|
| | TOTAL SHAREHOLDERS' EQUITY | 413 |
|--|----------------------------|-----|

| | | |
|--|--|--------|
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 413 |
|--|--|--------|

TOFFEE, INC.
INCOME STATEMENT
FOR THE PERIOD OF INCEPTION APRIL 23, 2020 TO AUGUST 31, 2020

| | |
|-----------------------------------|-----------------------|
| Operating Expense | |
| Formation Expenses | 250 |
| Advertising | 67 |
| | <hr/> |
| | 317 |
| Net Income from Operations | 317 |
| Net Income | <hr/> <u>\$ (317)</u> |

TOFFEE, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD OF INCEPTION APRIL 23, 2020 TO AUGUST 31, 2020

| | |
|---|---------------------------|
| Cash Flows From Operating Activities | |
| Net Income (Loss) For The Period | \$ (317) |
| Change in Accounts Payable | - |
| | <hr/> |
| Net Cash Flows From Operating Activities | (317) |
| | |
| Cash Flows From Financing Activities | |
| Draws on Related Party Loan | |
| Issuance of Common Stock | 80 |
| Increase in Additional Paid In Capital | 650 |
| | <hr/> |
| Net Cash Flows From Financing Activities | 730 |
| | |
| Cash at Beginning of Period | - |
| Net Increase (Decrease) In Cash | <hr/> 413 |
| Cash at End of Period | <hr/> \$ 413 <hr/> |

TOFFEE, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD OF INCEPTION APRIL 23, 2020 TO AUGUST 31, 2020

| | Common Stock Number | Amount | Additional Paid in Capital | Retained Earnings | Total Stockholders' Equity |
|----------------------------|------------------------|--------|-------------------------------|-------------------|-------------------------------|
| Balance at Inception | 8,000,000 | \$ 80 | \$ - | \$ - | \$ 80 |
| Issuance of Stock | | - | 650 | | 650 |
| Net Income | | | | (317) | (317) |
| Balance at August 31, 2020 | 8,000,000 | \$ 80 | \$ 650 | \$ (317) | \$ 413 |

Contents

Auditor’s Report 3

NOTE A- ORGANIZATION AND NATURE OF ACTIVITIES 5

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 5

 Basis of Presentation..... 5

 Significant Risks and Uncertainties 5

 Use of Estimates 5

 Cash and Cash Equivalents..... 5

 Advertising..... 5

 Income Taxes 5

 Recently Issued Accounting Pronouncements..... 6

NOTE C- EQUITY 7

NOTE D- FAIR VALUE MEASUREMENTS 7

NOTE E- CONCENTRATIONS OF RISK..... 8

NOTE F- SUBSEQUENT EVENTS 8

TOFFEE, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED)
APRIL 23, 2020 TO AUGUST 31, 2020

NOTE A- ORGANIZATION AND NATURE OF ACTIVITIES

Toffee, Inc. (“the Company”) is a corporation organized under the laws of Delaware. The Company plans to operate as an e-commerce business, providing a platform for customers to buy and sell digital products.

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Company’s fiscal year ends December 31.

Significant Risks and Uncertainties

The Company is subject to customary risks and uncertainties associated with development of new technology including, but not limited to, the need for protection of intellectual property, dependence on key personnel, costs of services provided by third parties, the need to obtain additional financing, and limited operating history.

Developing and commercializing a product requires significant capital, and based on the current operating plan, the Company expects to continue to incur operating losses as well as cash outflows from operations in the near term.

Use of Estimates

The preparation of financial statements in conformity with 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. Changes in estimates are recorded in the period they are made. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Advertising

The Company records advertising expenses in the year incurred.

Income Taxes

In December 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted into law and the new legislation contains several key tax provisions that affected the Company, including a reduction of the corporate

TOFFEE, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED) (CONTINUED)

income tax rate to 21% effective January 1, 2018, among others. The Company is required to recognize the effect of the tax law changes in the period of enactment, such as determining the transition tax, remeasuring deferred tax assets and liabilities, as well as reassessing the net realizability of our deferred tax assets and liabilities. The tax rate change had no impact to the Company's net loss as the Company has not incurred a tax liability or expense for the period ended August 31, 2020 and has a full valuation allowance against its net deferred tax assets.

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination by the relevant taxing authority based on its technical merit.

The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States. The Company sustained net operating losses during fiscal years 2016 and 2017. Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in the financial statements, but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

The Company is subject to franchise and income tax filing requirements in the State of Delaware.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date. The Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet for most leases previously classified as operating leases. Subsequently, the FASB has issued amendments to clarify the codification or to correct unintended application of the new guidance. The new standard is required to be applied using a modified retrospective approach, with two adoption methods permissible: (1) apply the leases standard to each lease that existed at the beginning of the earliest comparative period presented in the financial statements or (2) apply the guidance to each lease that had commenced as of the beginning of the reporting period in which the entity first applies the new lease standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The pronouncement changes the impairment model for most financial assets and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset.

TOFFEE, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED) (CONTINUED)

Subsequently, the FASB issued an amendment to clarify the implementation dates and items that fall within the scope of this pronouncement. This standard is effective beginning in the first quarter of 2020. The adoption of ASU 2016-13 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Under this guidance, if the carrying amount of a reporting unit exceeds its estimated fair value, an impairment charge shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. This standard is effective beginning in the first quarter of 2019, with early adoption permitted. The adoption of ASU 2017-04 is not expected to have a material effect on the Company's financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. As a result, most of the guidance in ASC 718 associated with employee share-based payments, including most requirements related to classification and measurement, applies to nonemployee share-based payment arrangements. This standard is effective beginning in the first quarter of 2019, with early adoption permitted. The adoption of ASU 2018-07 is not expected to have a material effect on the Company's financial statements.

NOTE C- EQUITY

Under the Company's original articles of incorporation in effect through April of 2020, the Company authorized 10,000,000 shares of \$0.00001 par value Common Stock.

The Company currently has one class of equity outstanding.

Common Stock: Common shareholders have the right to vote on certain items of Company business at the rate of one vote per share of stock. Common Stock ranks behind all issues of Preferred Stock in liquidation preference.

As of August 31, 2020, the number of shares issued and outstanding by class was as follows:

| | |
|--------------|-----------|
| Common Stock | 8,000,000 |
|--------------|-----------|

NOTE D- FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Company uses valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

TOFFEE, INC.
NOTES TO FINANCIAL STATEMENTS (REVIEWED) (CONTINUED)

Level 1 - Observable inputs, such as quoted prices for identical assets or liabilities in active markets;
Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, or market-corroborated inputs; and
Level 3 - Unobservable inputs for which there is little or no market data which require the reporting entity to develop its own assumptions about how market participants would price the assets or liabilities.

The valuation techniques that may be used to measure fair value are as follows:

Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models, and excess earnings method.

Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

NOTE E- CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and cash equivalents with a limited number of high-quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

NOTE F- SUBSEQUENT EVENTS

Management considered events subsequent to the end of the period but before October 1, 2020, the date that the financial statements were available to be issued.