

ISM INTERNATIONAL INC
FINANCIAL STATEMENTS

December 31, 2011

ISM INTERNATIONAL INC

December 31,2011

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**FINANCIAL AND ACCOUNTING SERVICES
2699 SEVILLE BLVD SUITE 103
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Engagement Letter

To the Shareholders of ISM International Inc

I have reviewed the balance sheet of ISM International Inc as of December 31, 2011 and the statements of operations and retained earnings, statement of cash flows and statement of changes in shareholders equity for the year ended December 31, 2011. My review was made in accordance with generally accepted accounting standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussions related to information supplied to me by the company.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Kenneth E Westlin
March 29, 2012

ISM INTERNATIONAL INC
BALANCE SHEETS
Unaudited
As of December 31, 2011 and 2010

	December 31 2011	December 31 2010
ASSETS		
Current Assets		
Cash	464	75
Inventory	12,675	0
Prepaid Expense	2,510	0
Total Current Assets	15,649	75
Fixed Assets		
Furniture and Fixtures	8,315	0
Equipment and Software	12,250	0
Total Fixed Assets	20,565	0
Other Assets		
Investment in Wholly Owned Subsidiary	0	542,300
License Agreement	1,540,000	1,540,000
Organizational Expenses	297,908	297,908
Goodwill	16,260	0
Total Other Assets	1,854,168	2,380,208
Total Assets	1,890,382	2,380,283
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	14,632	56,176
Total Current Liabilities	14,632	56,176
Shareholders Equity		
Capital Stock	30,690	35,064
Additional paid in Capital	2,234,689	2,666,939
Deficit	(389,629)	(377,896)
Total Shareholders Equity	1,875,750	2,324,107
Total Liabilities and Shareholders Equity	1,890,382	2,380,283

The accompanying notes are an integral part of these statements

ISM INTERNATIONAL INC
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
UNAUDITED
For the years ended December 31,2011 and 2010

	Dec 31,2011	Dec 31,2010
Sales	21,964	0
Cost of Sales	0	0
Gross Profit	21,964	0
General and Administrative Expenses		
Accounting	5,000	3,750
Office and Administration	13,315	1,872
Miscellaneous	535	0
Publicity and Promotion	2,775	0
Rent and Utilities	4,916	10,024
Repair and Maintenance	3,420	0
Telephone	1,076	1,284
Corporate Fees	2,660	0
Total Expenses	33,697	16,930
Net (Loss) Income	-11,733	(16,930)
Retained Earnings (Deficit) at beginning of period	-377,896	(360,966)
Retained earnings (Deficit) at end of period	-389,629	(377,896)

The accompanying notes are an integral part of these statements

ISM INTERNATIONAL INC
STATEMENT OF CASH FLOWS
Unaudited

For the years ended December 31,2011 and 2010

	Dec 31,2011	Dec 31,2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/Income	-11,733	-16,930
Changes in assets and liabilities		
Changes in current assets	-15,185	
Changes in fixed assets	-20,585	
Changes in accounts payable and accrued liabilities	-41,544	16,900
Change in goodwill	-16,260	
Net cash (used in) provided by operating activities	-105,307	-30
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Subsidiary	-543,000	
Gain on redemption of shares	-106,350	
Net cash used (gained) from investing activities	-649,350	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of common shares	106,496	
Return of shares due to divestiture of subsidiary	648,550	
Net cash from financing activities	755,046	0
Net (decrease) increase in cash and cash equivalents	389	-30
Cash and cash equivalents at beginning of year	75	105
Cash and cash equivalents at end of year	464	75

ISM INTERNATIONAL INC
Statement of Changes in Shareholders Equity

	Authorized	Common Stock Shares Issued		Paid In Capital Amount	Retained Earnings (Deficit)	Total Shareholders Equity
	No of Shares	Amount				
Balance at December 31,2008	50,000,000	35,064,653	35,064	2,666,939	-344,386	2,357,617
No share transactions during 2009						
Operating income (Loss) for the period					(16,580)	(16,580)
Balance at December31,2009	50,000,000	35,064,653	35,064	2,666,939	-360,966	2,341,037
No shares were issued during 2010						
Operating Income (Loss) for the year					(16,930)	(16,930)
Balance at December 31,2010	50,000,000	35,064,653	35,064	2,666,939	377,896	2,324,107
March,2011 Issue of common shares as payment for outstanding accounts payable as of dec 31,2010 in the amount of \$ 56,176		\$600,000	\$600	\$55,576		\$56,176
May,2011 Return of shares to treasury due to dissolving the purchase of the Canadian Subsidiary(see accompanying notes to the financial statements).		(6,423,611)	(6,424)	(535,876)		(542,300)
July,2011 Issue of 1,450,000 restricted common shares for the purchase of ISM Investments Inc valued at \$ 49,500		1,450,000	1,450	48,050		49,500
Operating Income(Loss) for the year					(11,733)	(11,733)
Balance at December 31,2011	50,000,000	30,691,042	30,690	2,234,689	389,629	1,875,750

ISM INTERNATIONAL INC
NOTES TO THE FINANCIAL STATEMENTS
ISM INTERNATIONAL, INC.
Condensed Notes to the Financial Statements
December 31, 2011

NOTE A - PRESENTATION

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at September 30, 2011, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted.

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

NOTE B - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. During the year ended December 31, 2011 the Company realized a net loss of \$11,733 and has incurred an accumulated deficit of \$389,629. The Company has only \$14,632 in liabilities and considers the amount to present no risk to the continuity of the Company. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and additional shareholders sufficient to meet its minimal operating expenses and to carry out its development plans. However management cannot provide any assurances that the Company will be successful in any of its plans.

NOTE C – SUMMARY OF ORGANIZATION

ISM International (the company) was incorporated in Delaware May, 2005. . During 2005 the company agreed to purchase a 100 % ownership in a Canadian corporation ISM Developpement Strategique, Inc. The sale was finalized in January 2006. Operating results of the Canadian Company were never included in ISM International Financials.

In 2011 it was determined by management that the Canadian Company was not a good fit for the Corporation and did not fit with the future plans for ISM International Inc.

The diversification was negotiated with the former owners of the Canadian Company and agreement was reached to retrieve the original 6,423,611 shares in May 2011.

In October 2006 the company purchased a license agreement to manufacture and market several patented products related to the health and beauty industry.

On January 11, 2011 the Company entered into an agreement with ISM Investments Inc. (“Seller”) to purchase one hundred percent (100%) of the shares in the seller and right, title and interest in the Seller’s tangible and intangible assets for \$49,500 to be paid by the issue of 1,450,000 common restricted shares. The agreement was conditional on the seller obtaining all necessary permits and opening a Flea Market/Mini Store no later than September 1, 2011. The operation was opened for business and occupied in July 2011 and the purchase was completed on July 17, 2011. Operating results have been consolidated with ISM International Inc for the period ended December 31, 2011.

NOTE D - ACCOUNTING POLICIES

The company records financial transactions in accordance with generally accepted accounting principles and GAAP requirements and policies.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make and assumptions that reflect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Because there are numerous uncertainties inherent in the estimation process, actual results could differ from estimates.

Revenue Recognition

The company has had no revenue from operations prior to July 2011. The company will in future recognize revenue from products and services at the time it is delivered or the service is rendered.

Concentration of Credit Risk

As of the date of these statements the company has incurred only a nominal accounts payable, which is not considered to be a serious credit risk to the company.

Property and Equipment

During the year the Company acquired ISM Investments Inc. The acquisition resulted in the addition of Furniture and Fixtures and Equipment and Software totaling \$ 20,565

NOTE E- INVESTMENTS IN SUBSIDIARIES

In 2005 the company entered into a sale and exchange of shares agreement to purchase 100% of the shares of a Canadian company ISM Developpement Strategique, Inc. The purchase consideration was \$ 542,300 to be paid by the issuance of 5,423,611 common shares of ISM International Inc in January of 2006. The operations of the Canadian company have never been consolidated with ISM International Inc.

In May 2011 the Subsidiary was divested from the Company with the return of all common shares originally issued for the purchase.

On January 11, 2011 the Company entered into an agreement with ISM Investments Inc. ("Seller") to purchase one hundred percent (100%) of the shares in the seller and right, title and interest in the Seller's tangible and intangible assets for \$49,500 to be paid by the issue of 1,450,000 common restricted shares. The agreement was conditional on the seller obtaining all necessary permits and opening a Flea Market/Mini Store no later than September 1, 2011. The operation was opened for business and occupied in July 2011 and the purchase was completed on July 17, 2011.

NOTE F- LICENSE AGREEMENT

In November, 2006 the company acquired a 10 year License Agreement to manufacture and market a number of proprietary formulations related to a unique organic, non acetone, non ethyl acetate, non alcohol based nail polish, glue, resin and enamel remover patented and trademarked under the name Biosolvent. These products will be marketed to drug, beauty, food and retail merchandising outlets. The market is currently a \$ 5 billion industry in the United States. Management projects a potential to capture a significant percentage of this market in the next five years.

The purchase consideration was \$ 1,500,000 paid by the issuance of 12,688,925 common shares of the company.

NOTE G – STOCKHOLDERS EQUITY

The company was incorporated with an authorized share capital of 7,500 common shares having no par value. On December 12, 2005 the authorized share capital of the company was amended to 50,000,000 common shares with a par value of \$ 0.001 per share.

As of as of December 31, 2011 there were a total of 30,691,042 common shares outstanding having a par value of \$.001 issued and outstanding. The following is a summary of share issues that have been made:

1. In January and March of 2006 174,125 free trading shares and 142,467 restricted shares were issued to officers and relatives for cash at a price of \$.001 per share.

2. In January 2006 a total of 6,423,611 restricted shares were issued to the president at an approximate price of \$.10 per share as payment for the acquisition of ISM Developpment Stratigique Inc and payment of a note payable in the amount of \$ 106,250.

3. In February 2006 2,500 free trading and 2,500 restricted shares were issued for \$.50 per share for services rendered to assist in the organization of the company.

4. In October 2006 100,000 free trading shares were issued to an outside firm for services rendered in the organization of the company.

5. In October 2006 900,000 free trading shares were issued to settle accounts payable in the amount of \$ 22,300 covering organizational expenses.

6. In November 2006 a total of 12,688,925 restricted shares were issued at an approximate price of \$.12 per share. to acquire a 10 year License Agreement to manufacture and market various proprietary patented products.

7. During the latter part of 2006 1,270 restricted shares were issued to 254 individual shareholders at a price of \$.05 per share

8. In November 2007 750,000 restricted shares were issued at an approximate price of \$.10 per share for services rendered in the organization and share structure of the Company.

9. In December 2007 300,000 restricted shares were issued for services rendered in the preparation of filings to register the Company for public share issues.

10. In December 2007 300,000 restricted shares were issued for consulting and advisory services rendered to the Company at an approximate price of \$.10 per share.

11. During the period September to December 2007 409,000 shares were issued at a value of \$.086 per share.

12. In January, 2008 700,000 shares were sold for cash under a Reg D (504) issue.

13. In January, 2008 100,000 shares were issued as payment for organizational services in the amount of \$ 20,250.

14. In January, 2008 2,500,000 shares were issued as compensation for past board of director services by the president.

15. In January, 2008 2,500,000 shares were issued as compensation for past board of director services by the vice president.

16. In January, 2008 2,500,000 shares were issued as compensation for past board of director services by the chief executive officer..

17. In January, 2008 1,640,155 shares were issued to repay corporate expenses covered personally by the chief executive officer of the company.

18. In January, 2008 1,000,000 shares were issued for publicity and promotional services.

19. In January, 2008 330,000 shares were issued for the acquisition of a marketing and distribution license for the "SwatBra".

20. In February, 2008 100,000 shares issued for organizational services rendered.

21. In June, 2008 1,500,000 shares were sold for cash under a Reg D (504) issue.

22. In December, 2007 5,000,000 common shares were issued for a prepaid advertising contract for airtime in the USA and Europe over the next five years. In April of 2008 the company determined that the arrangement was premature and the agreement was cancelled, the 5,000,000 shares were returned to the company. The 2008 Financials were amended to reflect the altered financial condition of the company.

23. No shares were issued during 2009 or 2010.
24. In March 2011 600,000 restricted common shares were issued to take care of \$ 56,176 in outstanding accounts payable as of December 31,2010.
25. In May 2011 6,423,611 common shares were redeemed and cancelled as a result of the divestiture of the Canadian subsidiary.
26. In July 2011 1,450,000 restricted common shares were issued to purchase ISM Investment Inc (a company operating a Flea Market and Mini Store complex in Clearwater FL)