

**WWEBNET, INC.**

**Report and Consolidated Financial Statements**

*For the year ended*

**30 June 2007**

# WWEBNET, INC.

## COMPANY INFORMATION

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**Director**

R L Kelly



**Secretary**

R L Kelly

### **Registered Office**

6100 Neil Road  
#500 Reno  
NV 89511

### **Banker**

Royal Bank of Scotland Plc  
London Cavendish Square Branch  
28 Cavendish Square  
London

### **Auditor**

Saffery Champness  
La Tonnelle House  
Les Banques  
St. Sampson  
Guernsey

# WWEBNET, INC.

## REPORT OF THE DIRECTOR

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The director presents his report and the audited consolidated financial statements for the year ended 30 June 2007.

### Director's Responsibilities

The director's responsibilities are set out on page 3.

### Principal Activity and Review of the Business

The principal activity of the Company is a software communications company.

WWEBNET, Inc. ("WWEBNET") which is located in Nevada, United States of America, together with its 100% owned subsidiary, Direct Choice (TV) Communications Limited, (collectively the "Company") own, market and sell broadcast software technology to major entertainment companies, as well as other targeted industries ("Clients"). The Company's product provides a permanent link between the end consumer and the Client. Through this link the Client is able to market directly to the consumer in line with the consumer's own preferences.

The company is focused on penetrating entities that are based in the United States and the United Kingdom, but expects to expand to other international locations as future expansion capital may permit. The Company is developing a branded broadcast channel with the use of WWEBNET's technology and distribution model via the World Wide Net. The Company signed an agreement with Universal Music Ltd to use this branded broadcast channel.

### Future Developments

The Company will continue to focus on marketing and selling the broadcasting technology into the major music and entertainment companies in the United Kingdom and the United States and is attempting to secure financing to allow for further penetration internationally.

### Results and Dividends

The consolidated income and expenditure account for the year is set out on page 6. The director does not propose a dividend for the year.

### Director

The director of the Company during the period from 1 July 2006 to the date of this report was :

R L Kelly

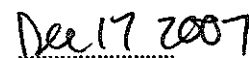
### Auditor

A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

   
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Director

   
.....

Date

## **WWEBNET, INC.**

### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

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Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the relevant law. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WWEBNET, INC.

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We have audited the consolidated financial statements of WWEBNET, Inc. for the year ended 30 June 2007 set out on pages 5 to 12. These consolidated financial statements have been prepared under the fundamental accounting concept and the accounting policies set out therein.

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Director and Auditor

As described on page 3, the company's director is responsible for the preparation of financial statements in accordance with applicable law and International Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared. We also report to you if in our opinion the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board of the United Kingdom. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


## Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the future funding of the company given in notes 1 and 14. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain funding. Our opinion is not qualified in this respect.

## Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with International Accounting Standards, of the state of the group's affairs as at 30 June 2007 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with applicable law.

  
SAFFERY CHAMPNESS  
CHARTERED ACCOUNTANTS  
GUERNSEY

*2 January 2008*

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**WWEBNET, INC.**  
**CONSOLIDATED INCOME STATEMENT**  
For the year ended 30 June 2007

	Notes	2007 \$	2006 (14 months) \$
<b>TURNOVER</b>		-	-
<b>OPERATING EXPENSES</b>	3	3,440,917	4,206,025
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(3,440,917)	(4,206,025)
Interest receivable		511	1,310
<b>LOSS FOR THE YEAR/PERIOD</b>	7	(3,440,406)	(4,204,715)

The Group's turnover and expenses all relate to continuing operations.

The notes on pages 9 to 12 form an integral part of these financial statements.

**WWEBNET, INC.****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE**

For the year ended 30 June 2007

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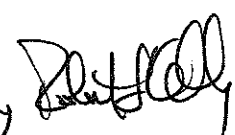
	Notes	2007 \$	2006 (14 months) \$
Exchange differences on translation of foreign operations		(32,975)	(571,782)
<b>NET INCOME RECOGNISED DIRECTLY IN EQUITY</b>		<u>(32,975)</u>	<u>(571,782)</u>
<b>LOSS FOR THE YEAR/PERIOD</b>		<u>(3,440,406)</u>	<u>(4,204,715)</u>
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR/PERIOD</b>	7	<u><u>(3,473,381)</u></u>	<u><u>(4,776,497)</u></u>

The notes on pages 9 to 12 form an integral part of these financial statements.

**WWEBNET, INC.**  
**CONSOLIDATED BALANCE SHEET**  
As at 30 June 2007

	Notes	2007		2006	
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		1,949		3,856	
Intangible asset	4	452,278		710,710	
			454,227		714,566
<b>CURRENT ASSETS</b>					
Trade and other receivables	5	105,887		774,865	
Cash and cash equivalents		32,583		80,497	
			138,470		855,362
<b>TOTAL ASSETS</b>			<u>592,697</u>		<u>1,569,928</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Called up share capital	6	30,195		28,342	
Preference shares	6	4,000		4,000	
Reserves	7	(521,433)		478,800	
<b>EQUITY SHAREHOLDERS' FUND</b>	8		(487,238)		511,142
<b>NON-CURRENT LIABILITIES</b>					
Loan	9		200,000		200,000
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10		879,935		858,786
<b>TOTAL EQUITY AND LIABILITIES</b>			<u>592,697</u>		<u>1,569,928</u>

Approved by the board on

) X by   
) )  
) DIRECTOR  
) )

The notes on pages 9 to 12 form an integral part of these financial statements.

**WWEBNET, INC.**  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 30 June 2007

		2007		2006 14 months	
	Note	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash paid to suppliers and employees		(2,522,997)		(2,806,932)	
Net cash outflow from operating activities	11		(2,522,997)		(2,806,932)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of fixed assets		(429)		(93)	
Interest received		511		1,310	
			82		1,217
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital		2,475,001		2,088,144	
			2,475,001		2,088,144
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			(47,914)		(717,571)
<b>CASH AND CASH EQUIVALENTS AT 1 JULY 2006</b>			80,497		798,068
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE 2007</b>			<u>32,583</u>		<u>80,497</u>

The notes on pages 9 to 12 form an integral part of these financial statements.

**WWEBNET, INC.**  
**NOTES TO THE ACCOUNTS**  
**For the year ended 30 June 2007**

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**1. GOING CONCERN**

The financial statements have been prepared on a going concern basis. Subsequent to the audit date the Group has raised approximately \$4 million in additional finance which has provided funds to adequately enable the Group to meet its liabilities as they fall due.

**2. ACCOUNTING POLICIES**

***Basis of Preparation***

The consolidated financial statements of WWEBNET, Inc., a development stage company with domicile in the United States of America, have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and the Interpretations of International Accounting Standards issued by the Standing Interpretations Committee of the IASB. The consolidated financial statements for the year ended 30 June 2007 have been prepared under the historical cost convention

***Depreciation***

Depreciation is calculated at the following annual rates so as to write off the cost of fixed assets over their anticipated useful lives using the straight line method:

Fixtures and fittings	20%
Office equipment	20%

***Research and Development Expenditure***

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred except development incurred on individual projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with sales from the relevant projects.

***Intangible Assets***

Amortisation is calculated at a rate of 25% so as to write off the cost of the patent over its anticipated useful life using the straight line method.

***Operating Leases***

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

***Foreign Exchange***

Transactions in foreign currencies are translated into US dollars at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities are retranslated into US dollars at the rates ruling at the balance sheet date. Differences thus arising are dealt with in the income statement.

The income and expenses of foreign operations are translated at the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity until the disposal of the investments in the foreign operation. The assets and liabilities of foreign operations, both monetary and non-monetary, are translated into US Dollars at exchange rates ruling at the balance sheet date.

**WWEBNET, INC.**  
**NOTES TO THE ACCOUNTS**  
For the year ended 30 June 2007

<b>3. OPERATING EXPENSES</b>	2007	2006 (14 months)
Operating expenses include the following :	\$	\$
Audit fees	39,939	30,000
Amortisation	<u>258,432</u>	<u>301,504</u>
<b>4. INTANGIBLE ASSETS</b>	2007	2006
	\$	\$
<b>Patent</b>		
At 1 July 2006	710,710	1,012,214
Amortisation	<u>(258,432)</u>	<u>(301,504)</u>
At 30 June 2007	<u><u>452,278</u></u>	<u><u>710,710</u></u>
<b>5. DEBTORS</b>	2007	2006
	\$	\$
Corporation tax	1,645	750,636
Due from director	49,259	-
Sundry debtors	54,983	24,229
	<u>105,887</u>	<u>774,865</u>
<b>6. SHARE CAPITAL</b>	2007	2006
	\$	\$
Authorised :		
150,000,000 ordinary shares of US\$0.001 each	150,000	150,000
100,000,000 preferred shares of US\$0.001 each	100,000	100,000
	<u>150,000</u>	<u>150,000</u>
Issued and fully paid :		
30,194,730 ordinary shares of US\$0.001 each (2006: 28,342,216 ordinary shares of US\$0.001 each)	30,195	28,342
4,000,000 preferred shares of US\$0.001 each (2006: 4,000,000 preferred shares of US\$0.001 each)	4,000	4,000
	<u>34,195</u>	<u>32,342</u>

**WWEBNET, INC.**  
**NOTES TO THE ACCOUNTS**  
For the year ended 30 June 2007

**7. RECONCILIATION OF MOVEMENTS IN RESERVES**

	Share premium \$	Translation reserve \$	Retained earnings \$	Total \$
Balance at 1 July 2006	19,561,307	(448,980)	(18,633,527)	478,800
Premium on issue of shares	2,473,148	-	-	2,473,148
Exchange differences on overseas operations	-	(32,975)	-	(32,975)
Loss for the year	-	-	(3,440,406)	(3,440,406)
Balance at 30 June 2007	<u>22,034,455</u>	<u>(481,955)</u>	<u>(22,073,933)</u>	<u>(521,433)</u>

**8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2007 \$	2006 \$
Loss for the year/period	(3,440,406)	(4,204,715)
Exchange difference on overseas operations	(32,975)	(571,782)
Proceeds of share issue	<u>2,475,001</u>	<u>3,354,344</u>
Net addition to shareholders funds	(998,380)	(1,422,153)
Opening shareholders' funds	511,142	1,933,295
Closing shareholders' funds	<u>(487,238)</u>	<u>511,142</u>

**9. NON-CURRENT LIABILITIES**

	2007 \$	2006 \$
Shareholder's loan	<u>200,000</u>	<u>200,000</u>

WWEBNET Inc was advanced a loan of US \$200,000 by Mr T Hansen. This is covered by a promissory note.

**10. CURRENT LIABILITIES**

	2007 \$	2006 \$
Other creditors	58,708	41,302
Trade creditors	821,227	817,484
	<u>879,935</u>	<u>858,786</u>

# WWEBNET, INC.

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2007

### 11. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET PROFIT

	2007	2006
	\$	\$
Net loss for the year/period	(3,440,917)	(4,206,025)
Shares issued as consideration for services	-	1,266,200
Decrease/(increase) in receivables	668,978	(605,083)
Increase in payables	21,149	1,005,801
Depreciation	2,336	2,453
Amortisation	258,432	301,504
Unrealised exchange loss	(32,975)	(571,782)
	<u>(2,522,997)</u>	<u>(2,806,932)</u>

### 12. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

Management Fees of US \$440,087 were paid to Executive Consultant Services Ltd. Executive Consultant Services Ltd is controlled by R L Kelly. The ultimate controlling party is R L Kelly.

### 13. FINANCIAL INSTRUMENTS

The Group holds or issues financial instruments in order to achieve three main objectives, being:

- to finance its operations;
- to manage the interest rate and currency risks arising from its operations and from its sources of finance; and
- for trading purposes.

In addition, various financial instruments (for example, trade debtors, trade creditors, accruals and prepayments) arise directly from the Group's operations.

Transactions in financial instruments result in the Group assuming or transferring to another party one or more of the financial risks described below.

#### Interest Rate Risk

The group does not have any significant borrowings so does not have a significant exposure to interest rate risk.

#### Credit Risk

The Group has yet to commence trading so does not have any significant exposure to credit risk.

#### Liquidity Risk

The Group is exposed to liquidity risk since they require significant future funding to enable them to meet their liabilities as they fall due. They have obtained future funding as detailed in note 14.

#### Currency Risk

The Group has one significant overseas subsidiary which operates in the United Kingdom and whose expenses are denominated mainly in Sterling. The expenses are funded by intra-group borrowings. The Group monitors exchange rate movements and could react if it considered the currency exposure to become significant but the Group does not have a current policy to protect the company from exposure to currency fluctuations.

### 14. FUTURE FUNDING

Subsequent to the balance sheet date, the Group has raised approximately US\$4 million in additional equity capital. Furthermore, the Group is currently engaged in negotiations to raise additional equity capital to fund its ongoing operations for the foreseeable future.

**WWEBNET, INC.**  
**DETAILED PROFIT AND LOSS ACCOUNT**  
For the year ended 30 June 2007

	2007 \$	2006 (14 months) \$
<b>Interest received</b>	511	1,310
<b>EXPENSES</b>		
Consultancy fees	826,642	872,522
Accountancy fees	202,640	239,058
Professional fees	-	59,051
Management fees	-	90,000
Software expenses	-	444,815
Software hire	1,185,807	1,359,597
Advertising and events	9,639	8,924
Subscriptions	6,067	6,322
Amortisation	258,432	301,504
Depreciation	2,336	2,453
Legal expenses	134,575	203,475
Finance fees	40,613	40,000
Bad debt written off	-	38,005
Auditors remuneration	39,939	30,000
General expenses	2,167	9,352
Insurance	86,275	43,780
Traveling and entertainment	365,845	281,658
Bank charges and interest	2,741	3,274
Printing and stationery	16,031	11,300
Carriage	8,718	7,076
Rent and rates	206,676	96,826
Telephone	41,196	49,292
Electricity, repairs and maintenance	4,578	7,741
	<u>3,440,917</u>	<u>4,206,025</u>
<b>LOSS FOR THE YEAR/PERIOD</b>	<u><u>(3,440,406)</u></u>	<u><u>(4,204,715)</u></u>

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PART OF THE AUDITED FINANCIAL STATEMENTS**