

BRANCHEZ-VOUS! INC.

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

BRANCHEZ-VOUS! INC.

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demersbeaulne



Demers Beaulne, LLP
1100, boulevard René-Lévesque Ouest, 20^e étage
Montréal (Québec) Canada H3B 4N4
telephone 514.878.9631 fax 514.874.0319
www.demersbeaulne.com

AUDITORS' REPORT

To the Shareholders of
BRANCHEZ-VOUS! Inc.

We have audited the balance sheets of **BRANCHEZ-VOUS! Inc.** as at December 31, 2006 and 2005 and the statements of earnings, retained earnings and contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Demers Beaulne, LLP

Chartered Accountants

Montreal, March 26, 2007

BRANCHEZ-VOUS! INC.

**STATEMENT OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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	<u>2006</u>	<u>2005</u>
REVENUES		
Advertising	\$ 3,405,284	\$ 2,591,111
Other	<u>39,080</u>	<u>38,150</u>
	3,444,364	2,629,261
COST OF REVENUES	<u>1,402,507</u>	<u>870,423</u>
GROSS PROFIT	2,041,857	1,758,838
OPERATING EXPENSES (Note 3)	<u>1,767,866</u>	<u>1,205,785</u>
NET EARNINGS	<u>\$ 273,991</u>	<u>\$ 553,053</u>
 EARNINGS PER SHARE		
Basic and diluted (Note 8)	\$ <u>0.01</u>	\$ <u>0.02</u>
Weighted average number of outstanding common shares	<u>29,185,849</u>	<u>28,974,187</u>

The accompanying notes are an integral part of these financial statements.

BRANCHEZ-VOUS! INC.

STATEMENT OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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	2006	2005
DEFICIT - BEGINNING OF YEAR	\$ (1,800,562)	\$ (2,353,615)
Net earnings	273,991	553,053
Reduction of deficit (Note 4)	<u>1,750,079</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT) - END OF YEAR	\$ <u>223,508</u>	\$ <u>(1,800,562)</u>
CONTRIBUTED SURPLUS - BEGINNING OF YEAR	\$ 152,350	\$ 152,350
Reduction of contributed surplus resulting from reduction of accumulated deficit	(152,350)	-
Stock options	<u>23,402</u>	<u>-</u>
CONTRIBUTED SURPLUS - END OF YEAR	\$ <u>23,402</u>	\$ <u>152,350</u>

The accompanying notes are an integral part of these financial statements.

BRANCHEZ-VOUS! INC.

BALANCE SHEETS
AS AT DECEMBER 31, 2006 AND 2005

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	2006	2005
CURRENT ASSETS		
Cash and cash equivalents	\$ 110,658	\$ 207,298
Short-term investments, at cost	-	300,000
Accounts receivable	1,127,230	642,591
Prepaid expenses	<u>15,780</u>	<u>8,741</u>
	1,253,668	1,158,630
LONG-TERM INVESTMENTS (Note 5)	900,000	500,000
FIXED ASSETS (Note 6)	64,504	39,695
INTANGIBLE ASSETS (Note 7)	<u>18,639</u>	<u>24,956</u>
	<u>\$ 2,236,811</u>	<u>\$ 1,723,281</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>774,907</u>	\$ <u>583,030</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	1,214,994	2,788,463
Contributed surplus	23,402	152,350
Retained earnings (deficit)	<u>223,508</u>	<u>(1,800,562)</u>
	<u>1,461,904</u>	<u>1,140,251</u>
	<u>\$ 2,236,811</u>	<u>\$ 1,723,281</u>

The accompanying notes are an integral part of these financial statements.

APPROVED BY THE BOARD

(S) André Bisson _____, Director

(S) Patrick Pierra _____, Director

BRANCHEZ-VOUS! INC.

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Net earnings	\$ 273,991	\$ 553,053
Items not affecting cash:		
Depreciation of fixed assets	15,277	8,898
Amortization of intangible assets	10,402	3,624
Stock-based compensation costs	<u>23,402</u>	<u>-</u>
	323,072	565,575
Net change in non-cash operating working capital items	<u>(299,801)</u>	<u>(22,105)</u>
	<u>23,271</u>	<u>543,470</u>
FINANCING ACTIVITIES		
Issuance of common shares	<u>24,260</u>	<u>15,740</u>
INVESTING ACTIVITIES		
Disposal of short-term investments	300,000	36,392
Acquisitions of long-term investments	(900,000)	(500,000)
Disposal of long-term investments	500,000	100,000
Acquisitions of fixed assets	(40,086)	(20,968)
Acquisitions of intangible assets	<u>(4,085)</u>	<u>(20,345)</u>
	<u>(144,171)</u>	<u>(404,921)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(96,640)	154,289
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>207,298</u>	<u>53,009</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 110,658</u>	<u>\$ 207,298</u>

The accompanying notes are an integral part of these financial statements.

1. INCORPORATION AND NATURE OF BUSINESS ACTIVITIES

Branchez-vous! Inc. was incorporated on April 7, 2000 under the Canada Business Corporations Act and became a public Company on December 18, 2000. The Company consists of a media business derivating most of its revenues from advertising sales, and all its assets are held in Canada. The Company was listed on the TSX Venture Exchange on January 17, 2001.

2. ACCOUNTING POLICIES

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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash consists of cash balances with banks. Cash equivalents are short-term, highly liquid investments that are easily convertible to known amounts of cash and which are subject to an insignificant risk of value change. Cash equivalents consist of term deposits with maturities of three months or less from the date of acquisition and bank indebtedness.

REVENUES

Revenues are recorded in the period in which the services are rendered and when there is reasonable expectation of collection. Payments received prior to rendering of services are recorded as deferred revenue. Interest income is recognized as earned.

EARNINGS PER SHARE

Basic earnings per share are determined using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of common shares outstanding during the year, plus the effects of dilutive securities like stock options. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive securities had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the average market value during the year.

NON-MONETARY TRANSACTIONS

In the normal course of operations, the Company advertises on its various sites in exchange for goods and services. Income is determined on the basis of the fair value of the goods and services rendered.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

2. ACCOUNTING POLICIES (Continued)

FIXED ASSETS

Fixed assets are depreciated using the following methods and rates:

	<u>Methods</u>	<u>Rates</u>
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Production equipment	Declining balance	20%
Leasehold improvement	Straight-line	5 years

INTANGIBLE ASSETS

Intangible assets are depreciated using the following methods and rates:

	<u>Methods</u>	<u>Rates</u>
Software	Declining balance	30%
Intellectual properties	Straight-line	2 years

STOCK OPTION PLAN

The Company has a stock option plan, which is described in Note 8. The Company uses the fair value method to account for stock-based compensation cost for stock options granted to its employees, directors and consultants. Under this method, the fair value for stock options is established at the time of grant using the Black & Scholes model. The compensation cost is recorded over the vesting period with a corresponding increase in Contributed surplus.

Any consideration paid by employees on exercise of stock options is credited to capital stock.

INCOME TAXES

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amounts and tax values of the assets and liabilities using enacted tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

3. ADDITIONAL INFORMATION ON STATEMENT OF EARNINGS

The statement of earnings included the following items:

	<u>2006</u>		<u>2005</u>
Depreciation of fixed assets	\$ 15,277	\$	8,898
Amortization of intangible assets	10,402		3,624

Non-monetary transactions are summarized as follows:

Revenues	73,687		149,306
Operating expenses	73,687		149,306

4. REDUCTION OF DEFICIT

During the year, the Company reduced its accumulated deficit by an amount of \$1,750,079 in consideration of a reduction of its contributed surplus for \$152,350 and a reduction of the paid-up capital of the issued shares for \$1,597,729.

5. LONG-TERM INVESTMENTS

The long-term investments, as at December 31, 2006, are recorded at cost and consist of \$900,000 (fair market value of \$900,000) invested in Guaranteed Investment Certificates. These investments bear interest at rates varying from 3.25% to 3.5% and mature in June and December 2009.

The long-term investments, as at December 31, 2005, are recorded at cost and consist of \$500,000 (fair market value of \$500,307) invested in Canadian mutual funds units.

BRANCHEZ-VOUS! INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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6. FIXED ASSETS

	2006		
	Cost	Accumulated amortization	Net amount
Office equipment	\$ 36,599	\$ 28,307	\$ 8,292
Computer equipment	100,535	68,162	32,373
Production equipment	17,566	2,685	14,881
Leasehold improvement	<u>10,637</u>	<u>1,679</u>	<u>8,958</u>
	<u>\$ 165,337</u>	<u>\$ 100,833</u>	<u>\$ 64,504</u>

	2005		
	Cost	Accumulated amortization	Net amount
Office equipment	\$ 34,322	\$ 26,638	\$ 7,684
Computer equipment	83,885	58,448	25,437
Production equipment	<u>7,044</u>	<u>470</u>	<u>6,574</u>
	<u>\$ 125,251</u>	<u>\$ 85,556</u>	<u>\$ 39,695</u>

7. INTANGIBLE ASSETS

	2006		
	Cost	Accumulated amortization	Net amount
Software	\$ 68,918	\$ 52,429	\$ 16,489
Intellectual properties	<u>2,500</u>	<u>350</u>	<u>2,150</u>
	<u>\$ 71,418</u>	<u>\$ 52,779</u>	<u>\$ 18,639</u>

	2005		
	Cost	Accumulated amortization	Net amount
Software	<u>\$ 67,333</u>	<u>\$ 42,377</u>	<u>\$ 24,956</u>

BRANCHEZ-VOUS! INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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8. CAPITAL STOCK

Authorized, an unlimited number:

Common shares, voting and participating.

Preferred shares, issuable in one or more series, having the rights, privileges, restrictions and conditions as determined by the Board of Directors prior to their issuance.

Issued:

	2006		2005	
	Number of shares	\$	Number of shares	\$
Common shares:				
Balance - beginning of year	29,092,517	2,788,463	28,935,117	2,772,723
Exercise of stock options	242,600	24,260	157,400	15,740
Reduction of the accumulated deficit (Note 4)	-	(1,597,729)	-	-
Balance - end of year	<u>29,335,117</u>	<u>1,214,994</u>	<u>29,092,517</u>	<u>2,788,463</u>

Stock option plan

The Company has a stock option plan in order to grant stock options to officers, directors, employees and consultants providing ongoing services to the Company. Under the terms of the plan, which is administrated by the Board of Directors, these options vest over a period of four years and expire after a period of two years to five years. The maximum number of common shares that can be issued under the plan is limited to 2,933,512 (2,909,252 in 2005), representing 10% of the issued and outstanding common shares.

During the year, the Company granted 1,436,000 stock options (none during the year 2005).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

8. CAPITAL STOCK (Continued)

The stock option plan is summarized as follows:

	2006			2005		
	Options	Carrying value	Weighted average exercise price	Options	Carrying value	Weighted average exercise price
	#	\$	\$	#	\$	\$
Options outstanding at beginning of year	242,600	-	0.1000	573,875	-	0.2262
Granted	1,436,000	-	0.1900	-	-	-
Exercised	(242,600)	-	0.1000	(157,400)	-	0.1000
Cancelled	(300,000)	-	0.3000	(50,000)	-	0.1000
Forfeited	-	-	-	(123,875)	-	0.6850
Stock-based compensation for the year	-	23,402	-	-	-	-
Options outstanding at end of year	<u>1,136,000</u>	-	<u>0.1500</u>	<u>242,600</u>	-	<u>0.1000</u>

The table below summarizes the information on the stock options outstanding and exercisable:

As at December 31, 2006:

Outstanding options	Weighted average remaining contractual life (months)	Exercise price	Exercisable options
460,000	52	0.1600	-
500,000	15	0.1500	125,000
176,000	60	0.1500	-
<u>1,136,000</u>	<u>37</u>	<u>0.1540</u>	<u>125,000</u>

As at December 31, 2005:

Outstanding options	Weighted average remaining contractual life (months)	Exercise price	Exercisable options
<u>242,600</u>	<u>11</u>	<u>0.1000</u>	<u>242,600</u>

