

BRANCHEZ-VOUS! INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

BRANCHEZ-VOUS! INC.

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AUDITORS' REPORT

To the Shareholders of
Branchez-Vous! Inc.

We have audited the consolidated balance sheets of **Branchez-Vous! Inc.** as at December 31, 2008 and 2007 and the consolidated statements of earnings and comprehensive income, retained earnings and contributed surplus and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(s) Demers Beaulne, LLP

Chartered Accountants

Montreal, March 24, 2009

⁽¹⁾ CA auditor permit n° 11895

BRANCHEZ-VOUS! INC.**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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	<u>2008</u>	<u>2007</u>
REVENUES		
Advertising	\$ 5,695,683	\$ 4,280,659
Others (Note 6)	<u>34,309</u>	<u>49,967</u>
	5,729,992	4,330,626
COST OF SALES	<u>2,622,051</u>	<u>2,006,120</u>
GROSS PROFIT	3,107,941	2,324,506
OPERATING EXPENSES (Note 6)	<u>3,731,145</u>	<u>1,983,987</u>
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	<u>(623,204)</u>	<u>340,519</u>
INCOME TAXES (Note 14)		
Recovered	(33,439)	-
Future	<u>(242,052)</u>	<u>-</u>
	<u>(275,491)</u>	<u>-</u>
EARNINGS (LOSS) BEFORE NON-CONTROLLING INTEREST	(347,713)	340,519
NON-CONTROLLING INTEREST	<u>32,660</u>	<u>9,028</u>
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME	\$ <u>(315,053)</u>	\$ <u>349,547</u>
EARNINGS PER SHARE (NOTE 16)		
Basic and diluted earnings (loss) per share	\$ <u>(0.01)</u>	\$ <u>0.01</u>

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

BRANCHEZ-VOUS! INC.

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND CONTRIBUTED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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	<u>2008</u>	<u>2007</u>
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 573,055	\$ 223,508
Net earnings (loss)	<u>(315,053)</u>	<u>349,547</u>
RETAINED EARNINGS - END OF YEAR	\$ <u>258,002</u>	\$ <u>573,055</u>
CONTRIBUTED SURPLUS - BEGINNING OF YEAR	\$ 74,941	\$ 23,402
Stock options exercised	<u>(25,203)</u>	<u>(5,320)</u>
Stock options granted	<u>64,837</u>	<u>56,859</u>
CONTRIBUTED SURPLUS – END OF YEAR	\$ <u>114,575</u>	\$ <u>74,941</u>

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

BRANCHEZ-VOUS! INC.**CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2008 AND 2007**

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	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 146,205	\$ -
Short-term investments (Note 8)	300,000	700,000
Accounts receivable	3,268,524	1,259,863
Prepaid expenses and other	51,941	31,140
Receivable from shareholders	<u>150,825</u>	<u>-</u>
	3,917,495	1,991,003
LONG-TERM INVESTMENTS (Note 8)	5,509	600,000
FIXED ASSETS (Note 9)	202,254	76,010
INTANGIBLE ASSETS (Note 10)	2,512,471	110,755
GOODWILL	<u>2,807,201</u>	<u>-</u>
	\$ <u>9,444,930</u>	\$ <u>2,777,768</u>
CURRENT LIABILITIES		
Bank indebtedness (Note 12)	\$ 64,795	\$ 53,463
Accounts payable and accrued liabilities	1,651,079	810,582
Income taxes	31,561	-
Future income taxes (Note 14)	17,668	-
Deferred revenues	77,974	-
Current portion of advances from shareholders	<u>255,933</u>	<u>-</u>
	2,099,010	864,045
ADVANCES FROM SHAREHOLDERS (Note 13)	730,553	-
FUTURE INCOME TAXES (Note 14)	<u>260,651</u>	<u>-</u>
	3,090,214	864,045
NON-CONTROLLING INTEREST	<u>6,352</u>	<u>39,012</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 15)	5,975,787	1,226,715
Retained earnings	258,002	573,055
Contributed surplus	<u>114,575</u>	<u>74,941</u>
	6,348,364	1,874,711
	\$ <u>9,444,930</u>	\$ <u>2,777,768</u>

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

APPROVED BY THE BOARD

(s) Patrick Pierra _____, Director

(s) Athanasios Vorias _____, Director

BRANCHEZ-VOUS! INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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	2008	2007
OPERATING ACTIVITIES		
Net earnings (net loss)	\$ (315,053)	\$ 349,547
Items not affecting cash:		
Depreciation of fixed assets	41,117	20,040
Amortization of intangible assets	194,210	28,099
Impairment of intangible assets	556,542	-
Impairment of long-term investments	29,491	-
Future income taxes	(242,052)	-
Non-controlling interest	(32,660)	(9,028)
Stock-based compensation cost	<u>64,837</u>	<u>56,859</u>
	296,432	445,517
Net change in non-cash operating working capital items	<u>(207,908)</u>	<u>(112,318)</u>
	<u>88,524</u>	<u>333,199</u>
FINANCING ACTIVITIES		
Advances from shareholders	2,453	-
Issuance of common shares	<u>36,250</u>	<u>6,401</u>
	<u>38,703</u>	<u>6,401</u>
INVESTING ACTIVITIES		
Acquisitions of investments	-	(400,000)
Disposals of investments	965,000	-
Acquisitions of fixed assets	(44,030)	(31,546)
Acquisitions of intangible assets	(685,468)	(72,175)
Bank indebtedness of the acquiree	(38,314)	-
Transactions costs	<u>(189,542)</u>	<u>-</u>
	<u>7,646</u>	<u>(503,721)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	134,873	(164,121)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>(53,463)</u>	<u>110,658</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>81,410</u>	\$ <u>(53,463)</u>

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

1. INCORPORATION AND NATURE OF BUSINESS ACTIVITIES

Branchez-Vous! Inc. was incorporated on April 7, 2000 under the Canada Business Corporations Act. The Company consists of a media business derivating most of its revenues from advertising sales.

2. ACCOUNTING POLICIES

CONSOLIDATION PERIMETER

The consolidated financial statements include the financial statements of the Company and its subsidiaries, TonClip.com Inc., 4306112 Canada Inc. and NetWorldMedia Inc.

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 year. 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.

The Company's different revenue streams are recognized as follows:

Pay-per-click advertising revenue is recognized when Internet consumers click on the advertisement displayed on the Web site they are consulting. Clients often deposit funds to provision their pay-per-click campaigns. Management validates what is delivered on a monthly basis for each client and books the portion of the deposits that are not spent as deferred revenue.

Banner advertising revenue is recognized when the banner advertisements are displayed on the Web sites. The display of banners (impressions) is predetermined in advance of each client campaign along with the invoicing schedule. Every month, management validates that the impressions are delivered according to schedule. If impressions are under delivered, management lowers the invoice amounts or defers its recognition of revenue.

2. ACCOUNTING POLICIES (Continued)

REVENUES (Continued)

Professional fees for Internet advertising consulting are divided into two categories, set up fees and management fees. Set up fees are recorded in the month the services are rendered. Management fees are charged on the delivery of the advertising services rendered over the duration of the contract.

Interest income are recognized as earned and are recorded in other revenues.

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 services rendered.

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 improvements	Straight-line	5 years

INTANGIBLE ASSETS

Intangible assets that are subject to amortization are amortized using the following methods and rates:

	<u>Methods</u>	<u>Rates</u>
Client relationships	Straight-line	2 to 15 years
Non-compete clause	Straight-line	2 years
Software	Declining balance	30%
Web sites	Straight-line	2 to 4 years

2. ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS (Continued)

Trademarks have been considered to have an indefinite useful life and therefore, are not amortized. Trademarks are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The impairment test consists of a comparison of the fair value of the trademarks with its carrying amount. When the carrying amount of the trademarks exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The fair value is calculated based on evaluations of future discounted cash flows.

GOODWILL

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and intangible assets acquired at the date of acquisition. Goodwill is not amortized but tested for impairment annually on December 31. The impairment test is carried out in two steps.

In the first step, the carrying amount of the reporting unit including goodwill is compared to its fair value, which is estimated to be the sum of the future discounted cash flows. When the carrying amount of the reporting unit exceeds the fair value of the reporting unit a second step is required to measure the fair value of the goodwill, determined in the same manner as a business combination, purchase price allocation using the reporting unit's fair value as the purchase consideration. If the carrying amount of goodwill exceeds the fair value, an impairment loss of the excess is recognized.

The Company is also required to evaluate goodwill for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Certain indicators of potential impairment that could impact the Company's unit include, but are not limited to the following: a) a significant long term adverse change in online media industry that is expected to cause a substantial decline in sales and/or gross margin and b) a significant technological change that results in a substantially different way to provide advertisement within the online media environment.

STOCK OPTION PLAN

The Company has a stock option plan, which is described in Note 15. 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 on exercise of stock options is credited to capital stock.

2. ACCOUNTING POLICIES (Continued)

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.

IMPAIRMENT OF LONG-LIVED ASSETS

Fixed assets and intangible assets that are subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss should be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The fair value is calculated based on market prices, when available, or calculated based on valuation techniques such as evaluations of discounted cash flows.

FOREIGN CURRENCY TRANSLATION

Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in net earnings.

FINANCIAL INSTRUMENTS

Section 3855, Financial Instruments - Recognition and Measurement, requires that financial assets and financial liabilities, including derivative financial instruments, be recognized in the balance sheet when the entity becomes a party to the contractual provisions of the financial instrument. When all financial instruments within the scope of Section 3855, including embedded derivatives that are not closely related to the host contract, are recognized initially, they should be measured at their fair value, except for specific related party transactions. The subsequent measurement of the financial instruments depends on their classification: financial assets and liabilities held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other than held for trading financial liabilities.

2. ACCOUNTING POLICIES (Continued)*FINANCIAL INSTRUMENTS* (Continued)*Financial assets and liabilities held for trading*

Financial assets and liabilities held for trading are measured at fair value at each balance sheet date. Gain or loss arising from a change in the fair value is recognized in net income for the period in which it arises.

Held-to-maturity investments

Held-to-maturity investments are measured at amortized cost using the effective interest method. Interest revenues or expenses are included in net income.

Loans and receivables, and other than held for trading financial liabilities

Loans and receivables, and other than held for trading financial liabilities are measured at amortized cost using the effective interest method. Interest revenues or expenses are included in net income.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value at each balance sheet date. Gain or loss arising from a change in the fair value is recognized in other comprehensive income for the period in which it arises. When the financial asset is derecognized, the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income for the period.

Classification

Cash and cash equivalents	Held for trading
Short-term investments	Held for trading ⁽¹⁾
Accounts receivable	Loans and receivables
Receivable from shareholders	Loans and receivables
Long-term investments	Held for trading and available-for-sale ⁽²⁾
Bank indebtedness	Other than held for trading
Accounts payable and accrued liabilities	Other than held for trading
Advances from shareholders	Other than held for trading

⁽¹⁾ Financial assets designated as held for trading.

⁽²⁾ As at December 31, 2008, long-term investments were designated as available-for-sale. As at December 31, 2007, long-term investments were designated as held for trading.

Comprehensive income

Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income includes net income and other comprehensive income. Other comprehensive income includes essentially gains and losses, net of income taxes, arising from a change in the fair value of available-for-sale financial assets.

2. ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Transaction costs

For a financial asset or financial liability classified as held for trading, all transaction costs are recognized immediately in net income. For a financial asset or financial liability classified other than as held for trading, all transactions costs directly attributable to the acquisition or the issuance of a financial asset or financial liability are added to the fair value of the instrument and recorded in the net income using the effective interest method.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted CICA accounting handbook sections 1535, 3862 and 3863.

CAPITAL DISCLOSURES

Section 1535, Capital Disclosures establishes standards for disclosures about capital and requirements for an entity to disclose qualitative information about its objectives, policies and processes for managing capital and to disclose quantitative data about what it regards as capital. This new standard had no material impact on the Company's financial statements for the year ended December 31, 2008.

FINANCIAL INSTRUMENTS

Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" replacing Section 3861 "Financial Instruments - Disclosure and Presentation ».

Section 3862 describes the required disclosures related to: a) the significance of financial instruments on the entity's financial position and performance and b) the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863 has the same requirements in terms of standards for presentation of financial instruments than Section 3061. These new standards had no material impact on the Company's financial statements for the year ended December 31, 2008.

4. FUTURE ACCOUNTING POLICIES

GOODWILL AND INTANGIBLE ASSETS

The Accounting Standards Board of Canada ("AcSB") issued Section 3064 "Goodwill and Intangible Assets", which replaces "Goodwill and Other Intangible Assets", Section 3062, and "Research and Development Costs", Section 3450. The new standard strengthens standards for the recognition and measurement of intangible assets at initial recognition, including internally generated intangible assets. This new accounting standard is effective for the Company's financial statements beginning on January 1, 2009. The Company is currently assessing the impact of this new standard on its financial statements.

4. FUTURE ACCOUNTING POLICIES (Continued)

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The AcSB announced that accounting standards in Canada are to converge with IFRS. The changeover date from current Canadian GAAP to IFRS has been established as January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently assessing the future impact of these new standards on its financial statements.

BUSINESS COMBINATIONS

The AcSB issued Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS 3, "Business Combinations". This new accounting standard is effective for the Company's financial statements beginning on January 1, 2011. The Company is currently assessing the impact of this new standard on its financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The AcSB issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. This new accounting standard is effective for the Company's financial statements beginning on January 1, 2011. The Company is currently assessing the impact of this new standard on its financial statements.

5. BUSINESS ACQUISITION

The Company acquired all issued and outstanding shares of 4306112 Canada Inc., a privately-held Montreal-based holding company whose main holding is NetWorldMedia Inc., an Internet advertising and media company. Total consideration is \$4,361,336, paid at closing through the issuance of 30,000,000 common shares at a price of \$0.144 per share plus transaction costs of \$189,542. As per the purchase agreement, a non-interest-bearing amount of \$150,825 has been recorded as a purchase price adjustment receivable.

This acquisition was accounted for under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying consolidated financial statements since the date of acquisition, October 31, 2008.

The allocation of the purchase price was based on the fair value of identifiable assets, including intangible assets acquired and liabilities assumed at the effective date of the acquisition, and other information available at those dates, and the difference being allocated to goodwill.

BRANCHEZ-VOUS! INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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5. BUSINESS ACQUISITION (Continued)

The allocation of the purchase price in respect to the acquisition of 4306112 Canada Inc. is summarized as follows:

ASSETS	
Accounts receivable	\$ 1,539,398
R&D credits receivable	133,860
Equipment	123,331
Software	268,000
Non-compete clause	104,000
Client relationships	1,730,000
Goodwill	<u>2,807,201</u>
	<u>6,705,790</u>
LIABILITIES	
Bank indebtedness	38,314
Accounts payable and liabilities	516,095
Income taxes	80,194
Deferred revenue	96,122
Sales taxes payable	109,325
Shareholders' advances	984,033
Future income taxes	<u>520,371</u>
	<u>2,344,454</u>
NET ASSETS ACQUIRED	\$ <u><u>4,361,336</u></u>
CONSIDERATION	
Transaction costs	\$ 189,542
Receivable from shareholders	(150,825)
Share issuance	<u>4,322,619</u>
	\$ <u><u>4,361,336</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

6. INFORMATION INCLUDED IN EARNINGS

Other revenues include investment income totalling \$24,740 (\$35,383 in 2007).

Operating expenses included the following items:

	<u>2008</u>	<u>2007</u>
Depreciation of fixed assets	\$ 41,117	\$ 20,040
Amortization of intangible assets	194,210	28,099
Impairment of intangible assets	556,542	-
Impairment of long-term investments	29,491	-

Non-monetary transactions are summarized as follows:

Revenues	\$ 129,750	\$ 80,357
Operating expenses	129,750	80,357

7. REDUCTION OF DEFICIT

In 2006, 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.

8. SHORT-TERM AND LONG-TERM INVESTMENTS

The short-term investments, as at December 31, 2008, are recorded at fair market value and consist of \$300,000 invested in Guaranteed Investment Certificates. These investments bear interest at rates varying from 3.5% to 4.25% and mature between September 2009 and September 2010.

The long-term investments, as at December 31, 2008, represent investments in private companies and are recorded at cost. An impairment of \$29,491 has been recorded during the year for these investments as management believes the carrying amount will not be recoverable. Estimates of future cash flows were used to test the recoverability of the long-term investments.

The short-term investments and long-term investments, as at December 31, 2007, are recorded at fair market value and consist of \$1,300,000 invested in Guaranteed Investment Certificates. These investments bear interest at rates varying from 3% to 4% and mature between June 2009 and September 2010.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

9. FIXED ASSETS

	2008		
	Cost	Accumulated amortization	Net amount
Office equipment	\$ 77,945	\$ 52,452	\$ 25,493
Computer equipment	319,300	176,823	142,477
Production equipment	17,566	8,042	9,524
Leasehold improvements	<u>43,502</u>	<u>18,742</u>	<u>24,760</u>
	<u>\$ 458,313</u>	<u>\$ 256,059</u>	<u>\$ 202,254</u>
	2007		
	Cost	Accumulated amortization	Net amount
Office equipment	\$ 41,268	\$ 30,422	\$ 10,846
Computer equipment	113,092	80,548	32,544
Production equipment	17,566	5,661	11,905
Leasehold improvements	<u>24,956</u>	<u>4,241</u>	<u>20,715</u>
	<u>\$ 196,882</u>	<u>\$ 120,872</u>	<u>\$ 76,010</u>

10. INTANGIBLE ASSETS

	2008		
	Cost	Accumulated amortization	Net amount
Client relationships	\$ 1,730,000	\$ 35,327	\$ 1,694,673
Non-compete clause	104,000	8,667	95,333
Trademarks	407,206	-	407,206
Software	360,613	87,251	273,362
Web sites	<u>128,365</u>	<u>86,468</u>	<u>41,897</u>
	<u>\$ 2,730,184</u>	<u>\$ 217,713</u>	<u>\$ 2,512,471</u>
	2007		
	Cost	Accumulated amortization	Net amount
Trademarks	\$ 31,216	\$ -	\$ 31,216
Software	91,379	66,003	25,376
Web sites	<u>69,038</u>	<u>14,875</u>	<u>54,163</u>
	<u>\$ 191,633</u>	<u>\$ 80,878</u>	<u>\$ 110,755</u>

10. INTANGIBLE ASSETS (Continued)

On March 1, 2008, the Company acquired the Fanatique.ca sports Web site and the HumourQuebec.com humour Web site for a consideration of \$290,000, of which \$225,000 was paid in cash and \$65,000 in common shares of the Company. Including transactions cost, \$298,104 was accounted as follows: \$72,000 for Web sites and \$226,104 for trademarks. These acquisitions were not accounted for as business combinations.

On April 1, 2008, the Company acquired several Web sites for \$600,000, of which \$300,000 was paid in cash and \$300,000 in common shares of the Company. The main acquired assets included the Matin.qc.ca (Matinternet), a general news Web site, and Showbizz.net, an entertainment news Web site. Including transaction costs, \$610,996 was accounted as follows: \$60,000 for Web sites and \$550,996 for trademarks. This acquisition was not accounted for as a business combination.

On May 1, 2008, the Company acquired the LeCinema.ca Web site for a cash amount varying between \$100,000 and \$150,000, depending on the financial performance of the site during the year following the acquisition. Management estimates the total cost of LeCinema.ca to be \$115,000. Including transaction costs, \$116,509 was accounted as follows: \$30,000 for Web site and \$86,509 for trademarks. This acquisition was not accounted for as a business combination.

11. IMPAIRMENT ON INTANGIBLE ASSETS

In the second quarter of 2008, the Company recorded an impairment loss of \$48,130, for the Web site and trademark, in the Company's subsidiary TonClip.com Inc., as management believes the carrying amount will not be recoverable. As the Company owns 51% of the subsidiary, the net effect on the consolidated results is \$24,546.

As at December 31 2008, the Company recorded an impairment loss on intangible assets of \$508,412 as management believes the carrying amount will not be recoverable. This consisted of an impairment of \$490,557 for Web sites acquired during the year, Fanatique.ca, HumourQuebec.com, Matin.qc.ca, Showbizz.net and LeCinema.ca and an impairment of \$17,855 for Materre.ca. Estimates of future cash flows were used to test the recoverability of the intangible assets.

12. BANK INDEBTEDNESS

The Company has an authorized line of credit of \$700,000 bearing interest at prime rate plus 1%, secured by a movable hypothec on the accounts receivable.

The loan agreement provides for certain covenants including provisions relating to the maintenance of certain financial ratios, which were respected as at December 31, 2008.

BRANCHEZ-VOUS! INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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13. ADVANCES FROM SHAREHOLDERS

	<u>2008</u>	<u>2007</u>
Shareholder's advances, bearing interest at prime rate plus 2%, payable on demand, interest payable monthly	\$ 155,933	\$ -
Shareholder's advances, bearing interest at prime rate plus 2%, payable by August 5, 2009, interest payable monthly	100,000	-
Shareholder's advances, non-interest bearing until January 1, 2010, then bearing interest rate at prime rate plus 1%, payable on January 1 2011, interest payable monthly	373,500	-
Shareholders' advances, non-interest bearing until January 1, 2010, then bearing interest at prime rate plus 1%, payable on January 1, 2010, interest payable monthly	<u>357,053</u>	-
	986,486	-
Current portion of advances from shareholders	<u>(255,933)</u>	-
	\$ <u>730,553</u>	\$ -

These advances cannot be repaid without the consent of the Bank.

14. INCOME TAXES

The reconciliation between the Company's statutory and effective income tax rates on earnings is as follows:

	<u>2008</u>	<u>2007</u>
Income taxes (recovered) based on the combined tax rate of approximately 30.9% (32% in 2007)	\$ (192,570)	\$ 108,966
Stock-based compensation cost	20,035	18,195
Non-deductible expenses	66,367	-
Tax benefits not recognized in previous years	(171,044)	-
Shares issue cost	-	(2,546)
Additions to cumulative eligible capital deduction	-	30,598
Other elements	1,721	(8,434)
Unrecognized tax benefits on losses and temporary differences	-	(146,779)
Income taxes recovered	\$ <u>(275,491)</u>	\$ -
Effective tax rates	<u>(44.2) %</u>	- %

14. INCOME TAXES (Continued)

The tax effects of temporary differences and net operating losses that give rise to future income tax asset and liability are as follows:

	<u>2008</u>	<u>2007</u>
Future income tax asset		
Non-capital losses	\$ -	\$ 220,731
Fixed assets	68,047	17,537
Cumulative eligible capital deduction	-	63,955
Valuation allowance	<u>-</u>	<u>(302,223)</u>
	\$ <u>68,047</u>	\$ <u>-</u>
Future income tax liability		
Intangible assets	\$ <u>(346,366)</u>	\$ <u>-</u>
Classified in the financial statements as:		
Current future income tax liability	\$ (17,668)	\$ -
Long-term future income tax liability	(260,651)	-

15. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**
15. CAPITAL STOCK (Continued)

Issued:

	2008		2007	
	Number of shares	\$	Number of shares	\$
Common shares:				
Balance - beginning of year	29,375,117	1,226,715	29,335,117	1,214,994
Exercise of stock options	240,000	61,453	40,000	11,721
Share issuance	30,745,898	4,687,619	-	-
Balance - end of year	<u>60,361,015</u>	<u>5,975,787</u>	<u>29,375,117</u>	<u>1,226,715</u>

During the year, the Company issued 30,000,000 common shares in exchange of all issued and outstanding shares of 4306112 Canada Inc. (Note 5). The Company also issued 745,898 shares for the acquisition of several Web sites (Note 10).

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 are administrated by the Board of Directors, these options vest over a period of four years and expire after a period of five years. The maximum number of common shares that can be issued under the plan is limited to 6,036,101 (2,937,511 in 2007), representing 10% of the issued and outstanding common shares.

During the year, the Company granted 1,908,000 stock options (328,800 in 2007).

The following table summarizes information on stock options:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance - beginning of year	1,422,400	0.2675	1,136,000	0.1500
Granted	1,908,000	0.11	328,800	0.6456
Exercised	(240,000)	0.1510	(40,000)	0.1600
Cancelled	(88,800)	0.1516	(2,400)	0.1500
Expired	(290,000)	0.1500	-	-
Balance - end of year	<u>2,711,600</u>	<u>0.1832</u>	<u>1,422,400</u>	<u>0.2675</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**
15. CAPITAL STOCK (Continued)

The table below summarizes information on exercisable stock options:

As at December 31, 2008:

Outstanding options	Weighted average remaining contractual life (months)	Weighted average exercise price	Exercisable options
		\$	
1,908 000	59	0.11	-
335,000	28	0.16	208,333
139,800	36	0.15	67,400
28,800	44	0.60	2,400
300,000	45	0.65	18,750
2,711,600	52	0.1832	296,883

As at December 31, 2007:

Outstanding options	Weighted average remaining contractual life (months)	Weighted average exercise price	Exercisable options
		\$	
420,000	40	0.16	151,665
500,000	7	0.15	375,000
173,600	48	0.15	43,400
28,800	56	0.60	-
300,000	57	0.65	-
1,422,400	33	0.2625	570,065

Stock-based compensation expense for options

The average fair value of stock options, at the time of grant, granted during the year is \$ 0.11 per option (\$0.30 per option in 2007). The fair value of each option granted was established using the Black & Scholes model and based on the following assumptions:

	2008	2007
Risk-free interest rate	2%	5%
Expected life	5 years	5 years
Expected volatility in the market price of the share	2.0	0.5
Expected dividend yield	0.00%	0.00%

Compensation costs with respect to these options amounted to \$64,837 for the current year and were included in expenses (\$56,859 in 2007).

16. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	<u>2008</u>	<u>2007</u>
Net earnings (net loss)	\$ <u>(315,053)</u>	\$ <u>349,547</u>
Weighted average number of shares to compute basic earnings per share	<u>35,176,862</u>	29,362,240
Dilution effect under stock options	<u>-</u>	<u>816,778</u>
Weighted average number of shares to compute diluted earnings per share	<u>35,176,862</u>	<u>30,179,018</u>
Basic and diluted earnings (loss) per share	\$ <u>(0.01)</u>	\$ <u>0.01</u>

The Company uses the treasury stock method for the computation of the diluted net earnings per share and excludes anti-dilutive options. For the year ended December 31, 2008, the potentially diluted loss per share was the same as the basic loss per share since the effect of the 2,711,600 outstanding stock options would have been anti-dilutive. As at December 31 2007, 300,000 stock options were not taken into account in the calculation of diluted earnings per share, since they were not "in the money".

17. COMMITMENTS

The Company has the following commitments under lease obligations and for services with respect to Web sites:

2009	\$ 751,645
2010	209,432
2011	5,735
2012	2,083

18. FINANCIAL INSTRUMENTS***RISK MANAGEMENT POLICIES***

The Company conducts transactions in foreign currencies and is exposed to foreign exchange risks. The company is also exposed to interest rate risk due to the nature of its financial instruments. Risk management is the responsibility of management and the Company did not use derivative financial instruments for the purpose of speculation.

CREDIT RISK

The Company grants credit to its clients in the normal course of business. On a continued basis, the Company carries out credit assessments of its clients and maintains allowances for potential bad debts. The Company generally does not require collateral. Advertisers place advertisement through advertising agencies, thus an advertising agency may represent several clients. As at December 31, 2008, the Company does not have a significant exposure to any individual client (44% of accounts receivable were derived from two clients in 2007).

18. FINANCIAL INSTRUMENTS (Continued)

The following table sets out details of the age of receivables that are outstanding and the related allowance for doubtful accounts:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Current	\$ 964,843	\$ 426,485
31-90 days	1,822,777	618,278
91-150 days	368,726	177,044
Over 150 days	174,915	50,275
Less: allowance for doubtful accounts	<u>(62,737)</u>	<u>(12,219)</u>
Total accounts receivable, net	\$ <u>3,268,524</u>	\$ <u>1,259,863</u>

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognised in the consolidated statement of income within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income.

Cash and cash equivalents and short-term and long-term investments (except for an amount of \$5,509 as at December 31, 2008) are held at a Canadian chartered bank.

LIQUIDITY RISK

Liquidity risks arise from an excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents.

As at December 31, 2008 the Company was holding cash and cash equivalents of \$81,409. In addition, the Company has the credit facilities described in Note 12.

INTEREST RATE RISK

The Company is exposed to interest risk relating to shareholders advances in the event of fluctuation of the prime rate of the bank of Canada. As at December 31, 2008, the Company had \$986,486 of interest bearing shareholders' advances. A variation of 1% of the prime rate would not have a significant impact on the Company's results for the year ended December 31, 2008. These shareholders advances are described in Note 13.

The Company manages its portfolio investments based on its cash flow needs and with a view to optimizing its interest income.

18. FINANCIAL INSTRUMENTS (Continued)

FOREIGN CURRENCY RISK

Foreign exchange risks for royalties payable are not significant because these royalties are calculated in Canadian dollars. The foreign exchange risks are limited to accounts payable in Euros. Increase or decrease of the exchange rate will not have a significant impact on net income.

As at December 31, 2008, cash and cash equivalents include an amount of US\$30,428 (CA\$37,262) and accounts payable include an amount of EURO 36,287 (CA\$59,246).

As at December 31, 2007, cash and cash equivalents include an amount of US\$30,544 (CA\$30,181) and accounts payable include an amount of EURO 42,117 (CA\$60,766).

FAIR VALUE

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms.

The Company has determined that the fair value of its current financial assets and liabilities corresponds to their respective carrying amounts as at the balance sheet dates because of their short-term maturity.

As at December 31 2008, the long-term investments are classified as financial instrument available-for-sale and are recorded at cost since the fair value of this financial asset is not available. The fair value of the advances from shareholders approximates their carrying amounts because they bear interest at rates similar to market rates.

As at December 31 2007, the long-term investments are classified as held for trading and are recorded at fair value.

19. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue growth organically or via strategic acquisitions, to ensure the externally imposed capital requirements relating to its credit facilities are met, to provide services to its customers and to provide returns to shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt.

As at December 31, 2008, total managed capital is \$7,085,269 (\$1,913,723 in 2007) and consists of shareholders equity of \$6,354,716 (\$1,913,723 in 2007) and long-term debt of \$730,553. The long-term debt is owed to shareholders of the recently acquired 4306112 Canada Inc.

The Company manages its capital structure in a manner that ensures operation cash flow together with cash on its consolidated balance sheet is greater than interest expense and principal repayments required to be paid. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including proposals on acquisitions or other major investment or divestiture, reimbursement of shareholder advances as well as capital and operation budgets.

According to the credit agreement conditions, the Company is subjected to certain restrictive clauses with regard to the maintenance of financial ratios on an annual basis at the end of the fiscal year. These financial ratios were respected as at December 31, 2008.

20. SEGMENT DISCLOSURE

In 2008, revenues from one client represent approximately \$863,000 (\$1,275,000 in 2007) of the Company's total revenues.

21. RELATED PARTY TRANSACTIONS

In 2008, the Company incurred legal fee expenses for \$92,445 (\$88,452 in 2007) with a firm of which one of the partners is also a director of the Company. These transactions were carried out in the normal course of business and are recorded at the exchange value.

22. SUBSEQUENT EVENTS

- a) On January 1, 2009, the Company and its subsidiaries, 4306112 Canada Inc. and Networldmedia Inc., were amalgamated. The operations of the amalgamated companies will be continued under the name Branchez-vous! Inc. The amalgamation will be accounted for as a continuity-of-interests transaction maintaining the carrying amount of the assets and liabilities of the combined entities.
- b) On January 1, 2009, the Company sold 32 shares (32% of voting shares) of its subsidiary TonClip.com for \$4,800.