Interact – TV Incorporated

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

for the Three and Twelve Months Ended December 31, 2013

Interact - TV Incorporated

CONSOLIDATED BALANCE SHEET

As of December 31, 2013

ASSETS		
CURRENT ASSETS		
Cash	$	206
Deferred tax asset		133,140
Total Current Assets		133,346
OTHER ASSETS		
Notes receiveable		14,948
TOTAL ASSETS	$	148,294
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Convertible notes	$	379,823
Accounts payable		590,111
Notes payable		14,150
Total Current Liabilities		984,084
TOTAL LIABILITIES		984,084
STOCKHOLDERS' DEFICIT		
Common stock, par value $0.00001 per share; 30,000,000,000 shares authorized; 20,303,750,746 shares issued and outstanding	$	186,082
Preferred Stock, par value $0.00001 per share; 240,000,000 shares authorized; 3,485,071 shares issued and outstanding		252
Additional paid in capital		1,867,751
Retained earnings		(2,889,875)
TOTAL STOCKHOLDERS' DEFICIT		(835,790)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	148,294

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

Interact - TV Incorporated

CONSOLIDATED STATEMENT OF OPERATIONS

For the Three and Twelve Months Ended December 31, 2013

	3 months ended Dec 31, 2013	12 months ended Dec 31, 2013
Tour and Sponsorship Revenue	$ --	$ 75,000
Licensing and Publishing Revenue	--	219,875
Album Sales and Royalties Revenue	4,544	60,271
Total Revenue	4,544	355,146
Cost of Services Provided	--	105,715
Gross Margin	4,544	249,431
Selling, General and Administrative Expenses	39,024	422,001
Operating Income (Loss)	(34,480)	(172,570)
Other Income (Expense)		
Consulting income	500	500
Convertible notes accrued interest expense	(5,820)	(26,963)
TOTAL OTHER INCOME (EXPENSE)	(5,320)	(26,463)
NET LOSS	$ (39,800)	$ (199,033)

Interact-TV Incorporated

Statement of Cash Flows

for the three and twelve months ended December 31, 2013

	3 mos ended December 31, 2013	12 mos ended December 31, 2013
Cash Flows from Operating Activities		
Cash Provided by Operating Activities	5,044	355,646
Cash Used in Operating Activities	(23,509)	(375,505)
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Net Cash Provided by Operating Activities	(18,465)	(19,859)
Cash Flows from Investing Activities		
Cash Provided by Investing Activities	400	9,400
Cash Used in Investing Activities	-	-
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Net Cash Provided by Investing Activities	400	9,400
Cash Flows from Financing Activities		
Cash Provided by Sale of Preferred Stock	-	5,000
Cash Provided by Loans	11,750	11,750
Cash Used in Repaying Loans (Notes Payable)	-	(6,800)
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Net Cash Used in Financing Activities	11,750	9,950
Net Change in Cash	(6,315)	(509)
Cash, Beginning of Period	6,521	715
Cash, End of Period	206	206

Interact - TV Incorporated

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013

	$0.00001 Par Value		Additional	
	Common Stock	Preferred Stock	Paid in Capital	Accumulated Deficit
BALANCE - January 1, 2013	16,613,750,746	23,554,070	$ 1,858,256	$ (2,690,841)
Issuance of preferred shares		5,000	5,000	
Conversion of preferred to common shares	2,750,000,000	(13,750)		
Net loss for the three months ended 3/31/2013				(64,529)
BALANCE - March 31, 2013	19,363,750,746	23,545,320	1,863,256	(2,755,370)
Net loss for the three months ended 6/30/2013				(48,720)
BALANCE - June 30, 2013	19,363,750,746	23,545,320	1,863,256	(2,804,090)
Conversion of preferred to common shares	940,000,000	(19,500)		
Net loss for the three months ended 9/30/2013				(45,985)
BALANCE - September 30, 2013	20,303,750,746	23,525,820	1,863,256	(2,850,075)
Issuance of preferred shares		450,000	4,495	
Reverse split of preferred, Series B shares		(20,490,749)		
Net loss for the three months ended 12/31/2013				(39,800)
BALANCE - December 31, 2013	20,303,750,746	3,485,071	1,867,751	(2,889,875)

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

NOTE 1 – Organization and Summary of Significant Accounting Policies

Business Activity

Interact-TV Incorporated (the "Company") is a Delaware corporation. The Company is a multi-faceted multi-media company with operations in both the music recording industry as well as music artist management. The Company has one wholly-owned subsidiary: Viscount Media Trust, a California business trust. Viscount Media Trust, in turn has one wholly-owned subsidiary: Viscount Records, Inc., a Delaware corporation, which in turn has one wholly-owned subsidiary; Pocket Kid Records, a California business trust.

These statements are consolidated with its subsidiary and all subsidiaries thereunder as described above.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are customer's obligations due under normal trade terms. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change.

Property and Equipment

Property and equipment is stated at cost net of accumulated depreciation and amortization. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in operations for the period.

The Company capitalizes leased equipment when the terms of the lease result in the transfer to the Company of substantially all of the benefits and risks of ownership of the equipment.

Depreciation and amortization of property and equipment are provided utilizing primarily the straight-line method over the estimated useful lives of the respective assets as follows:

Building and Improvements	39.5 years
Machinery and equipment	3 to 5 years
Furniture and fixtures	5 years

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvement utilizing the straight-line method. The Company presently has no property plant and equipment.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets to determine if they have been impaired by adverse conditions that may affect the Company, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. As of December 31, 2013, no impairment of long-lived assets was deemed necessary.

Accounting for Derivative Instruments and Hedging Activities

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at fair value, which is recorded through earnings. If a derivative is a qualifying hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the underlying assets or liabilities through earnings or recognized in accumulated comprehensive income until the underlying hedged item is recognized in earnings. The ineffective portion of a derivative's change in the fair value is to be immediately recognized in earnings.

The Company has in the past entered into convertible note contracts to fund the Company's operations. As of December 31, 2013, the Company had no derivative instruments. See footnote 2 for further discussion on convertible notes.

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, a signed non-cancelable contract (ii) delivery has occurred and the music rights have been transferred to the licensee, who is able to use them, (iii) the fee is fixed or determinable and (iv), collectability of the sale is reasonably assured. All significant duties and obligations owed to the licensee are met.

Advertising Expenses

The Company expenses all advertising costs as incurred. Advertising expenses for the year ended December 31, 2013 was approximately $600, and was recorded as advertising expense in the selling, general and administrative expenses in the accompanying statements of operations. There were other advertising and marketing expenses specifically for the band Dead Sara of approximately $10,000 for the year ended December 31, 2013, but those advertising expenses were categorized under Dead Sara album promotion expenses by Pocket Kid and recorded as General, Selling and Administrative Expenses on these statements.

Income Taxes

Management has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability from an uncertain tax position in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

Management's conclusions regarding uncertain tax positions may be subject to review and adjusted at a later date based upon ongoing analyses of tax laws, regulations, and interpretations thereof as well as other factors. Generally, federal, state, and local authorities may examine the tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of December 31, 2013.

Deferred taxes represent the tax effects of differences between the financial reporting and tax basis of the Company's assets and liabilities at the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Income tax expense consists of the income tax within the period and the change during the period in deferred tax assets and liabilities.

Total accrued deferred tax assets as of December 31, 2013 was $133,140.

Fair Value of Financial Instruments

The Company utilizes a three-level hierarchy (the "Valuation Hierarchy") for fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. The Company has no level 1 assets and liabilities as of December 31, 2013.

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The Company has no level 2 assets and liabilities as of December 31, 2013.

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company has no level 3 assets and liabilities as of December 31, 2013.

Use of Estimates

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the accounts receivable and inventory allowances and deferred tax valuation allowance. Actual results could differ from those estimates.

NOTE 2 – Revenue

Revenues include monies received by the Company's wholly-owned subsidiary Pocket Kid Records for the licensing of albums by bands signed to Pocket Kid Records, as well as the sponsorship of such bands and non-recoupable advances made in support of band tours by various third parties, as well as album sales.

The exact terms of these revenue deals are not available for public disclosure beyond the disclosures contained in the quarterly disclosure statement which these financial statements accompany.

NOTE 3 – Convertible Notes Payable

As of December 31, 2013, the Company had five convertible notes outstanding, as follows:

On September 1, 2009 Viscount Records, Inc., a wholly owned subsidiary of Viscount Media Trust (which in turn is a wholly owned subsidiary of the Company) issued a convertible note in the amount of $150,000 at an interest rate of 8 percent per annum to Viscount Productions Ltd in exchange for a recording artist contract. The contract was subsequently assigned to FMCOCO, Inc. (a related party, see note 3 below). As of December 31, 2013 the note had an estimated fair value of $209,515 including interest.

On November 25, 2009 the Company issued a convertible note payable to FMCOCO in the amount of $20,000 at an interest rate of 5 percent per annum. As of December 31, 2013 the note had an estimated fair value of $5,696 including interest.

On February 11, 2010 the Company issued a convertible note payable to FMCOCO in the amount of $60,000 at an interest rate of 8 percent per annum. As of December 31, 2013 the note had an estimated fair value of $80,622 including interest.

On April 1, 2010 the Company issued a convertible note payable to FMCOCO in the amount of $20,000 at an interest rate of 5 percent per annum. As of December 31, 2013 the note had an estimated fair value of $14,870 including interest.

On February 28, 2012 the Company issued a convertible note payable to FMCOCO (the fifth convertible note held by FMCOCO) in the amount of $60,000 at an interest rate of 8 percent per annum. As of December 31, 2013 the note has an estimated fair value of $69,120 including interest.

All convertible notes have a conversion rate equal to one share of common stock of the Company in exchange for every $0.00001 of the total value of the note, including any accrued interest at the time of conversion.

NOTE 4 - Related Party Transactions

a. Stan Medley is the President and primary owner of FMCOCO, Inc., a Colorado corporation. As of December 31, 2013, FMCOCO is the holder of all five currently outstanding convertible notes issued by ITVI or its subsidiaries, with a total value of $379,823. In addition, FMCOCO owns 100,000 shares of the Preferred Stock, Series A of ITVI. FMCOCO also has been retained by Pocket Kid Records to provide promotion services for a fee of $5,000 per month. Pocket Kid Records is a California business trust which is owned, through two intermediary subsidiaries, by ITVI, and which has as its sole trustee ITVI.

Stan Medley is also the President of Fordee Management Company, which has a joint venture agreement with Pocket Kid Records, a subsidiary of ITVI, to co-produce the first album of Pocket Kid recording artist Dead Sara and in exchange, receive half of any proceeds due Pocket Kid as a result of any licensing, publishing or other fees related to the album or proceeds from the sale of such album, as well as receive re-imbursement of all expenses paid in producing the album. Stan Medley's son Steve Medley is a director of the Company (ITVI).

b. Steve Medley is one of three directors of ITVI. He is also the sole trustee of SM CA Trust, a California business trust, which owns 2,000,000 shares of the Preferred Stock, Series A of ITVI (out of a total of 2,244,000 shares of Series A outstanding), which amounts to 71.3% voting control of the entire company (ITVI), as well as 10,000 shares of Preferred Stock, Series B (out of a total of 10,251 shares of Series B outstanding). Steve is the son of Stan Medley, president and primary owner of FMCOCO.

NOTE 5 - Commitments and Contingencies

Legal Matters

The Company, including all of its subsidiaries, is not aware of, nor involved or engaged in any pending, threatened or current legal proceedings.

NOTE 6 – Issuance of Preferred Shares

Series E

The Company currently has a total of 864,000 shares of Preferred Stock, Series E issued and outstanding. All shares were issued for services rendered, including 450,000 shares issued to President and Director Robert Bryan in the three months ended December 31, 2013 in exchange for the retirement of $4,500 in amounts payable to Mr. Bryan.

NOTE 7 – Share-Based Compensation

The Company accounts for stock-based compensation pursuant to ASC 718, "Share-Based Payment," which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation, net of estimated forfeitures, over the requisite service period for awards expected to vest. The Company recognized $789,000 of pre-tax stock-based compensation during the year ended December 31, 2012, of which $50,000 of the share based compensation was awarded to Alan Brown for director compensation. The Company utilized the value of the services rendered to estimate the value of the share based awards, as that provided the clearest evidence of the value of the respective awards.

NOTE 8 – Reverse Split of Preferred Shares

In December of 2013, the issued and outstanding shares of Preferred Stock Class, Series B were reduced through a reverse split of the shares of stock, at a ratio of 1 new share for every 2,000 old shares of Preferred Stock, Series B. Prior to the split, 296,820 shares of Preferred Stock, Series B were converted to the same number of shares of Preferred Stock, Series D. As a result of such conversions and the reverse split, the number of shares of Preferred Stock Class, Series B issued and outstanding is 10,251. As a result of the conversions, the number of shares of Preferred Stock Class, Series D rose to 366,820 shares.

NOTE 9 – Subsequent Events

Management has evaluated subsequent events to determine if events or transactions occurring through March 31, 2014, the date these financial statements were available for publication, required potential adjustment to or disclosure in the accompanying financial statements. In March of 2014, 36,000 shares of Preferred Stock, Series D were converted into 1,800,000,000 shares of the Common Stock of the Company.