WWA GROUP INC
Form 10-K
April 01, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

þ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **December 31, 2008**.

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ___ to ___.

Commission file number: **000-26927**

WWA GROUP, INC.

(Exact name of registrant as specified in its charter)

Nevada	**77-0443643**
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

600 East Baseline Rd., Suite B3, Tempe, Arizona 85283
(Address of principal executive offices) (Zip Code)

(480) 505-0070

(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: none.
Securities registered under Section 12(g) of the Exchange Act: common stock (title of class), $0.001 par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933: Yes o No þ.
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act: Yes o No þ.

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes þ No o.

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act: smaller reporting company þ.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No þ.
The aggregate market value of the registrant's common stock, $0.001 par value (the only class of voting stock), held by non-affiliates (9,646,937 shares) was approximately $1,997,622 based on the average closing bid and asked prices ($0.205) for the common stock on March 27, 2009.

At March 27, 2009, the number of shares outstanding of the registrant's common stock, $0.001 par value (the only class of voting stock), was 22,591,922.

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PART I

ITEM 1. BUSINESS

As used herein the terms "WWA Group," "it," "its," "we," "our," and "us" refer to WWA Group, Inc., its subsidiaries, and predecessors, unless context indicates otherwise.

Corporate History

WWA Group was incorporated in Nevada on November 26, 1996, as "Conceptual Technologies, Inc." On April 9, 1998 the company's name changed to "NovaMed, Inc." to reflect the acquisition of a medical device manufacturer and retailer. The medical device business was abandoned in October of 2000. On August 8, 2003, the company acquired World Wide Auctioneers, Ltd. ("World Wide Auctioneers") a British Virgin Island registered company. We subsequently changed our name to "WWA Group, Inc." to reflect the acquisition and business focus.

Since the owners of World Wide Auctioneers obtained the majority of the outstanding shares of WWA Group through the acquisition, the acquisition is accounted for as a reverse merger or recapitalization of WWA Group. As such, World Wide Auctioneers is considered the acquirer for accounting purposes.

Our United States business office is located at 600 E. Baseline Rd., Suite B3, Tempe, Arizona, 85283, and our telephone number is (480) 505-0070. Our registered statutory office is located at the Corporation Trust Company of Nevada, 6100 Neil Road, Suite 500, Reno, Nevada, 89511. We maintain our principal place of business in the Jebel Ali Free Zone, Dubai, United Arab Emirates ("UAE").

WWA Group currently trades on the Over the Counter Bulletin Board under the symbol "WWAG".

The Company

Auctioneering Operations

WWA Group auctions transportation and industrial equipment from its primary location in Dubai, UAE in addition to various other locations worldwide. Our subsidiary World Wide Auctioneers has held 43 large un-reserved equipment auctions and 23 video and internet auctions from Dubai, UAE and Doha, Qatar between March of 2001 and March 27, 2009. Gross auction sales from the primary locations have reached over $725 million during this period, in addition to over $200 million in gross auction sales realized from other auction locations where we operate through joint ventures or franchise relationships. Equipment auctioned in Dubai and Doha included more than 42,000 items from 4,700 consignors that were sold to over 7,100 bidders. WWA Group's primary auctioned items include mobile and stationary earthmoving and construction equipment such as crawler tractors, excavators, wheel loaders, cranes, trucks and trailers, generators, compressors, agricultural tractors, and forklifts. Much of the equipment can be used in multiple industries and in diverse geographic locations. We also sell light vehicles and other related items such as boats and motorcycles. We generate commission and service income from these auctions that comprises a large portion of our total gross operating revenue.

Recent Auctions

The table below lists WWA Group's major Dubai auctions for the year ended December 31, 2008.

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Auctions in 2008

Auction Date	*Gross Sales (in millions)*
February 19 – 21	$17.0
April 22 – 24	$22.0
June 28 – 30	$25.3
September 15	$8.4
October 18 – 20	$18.4
December 20 – 22	$33.1
Total	

In 2008 we auctioned over $124 million worth of equipment in major auctions at our primary Dubai location. The auctions in 2008 attracted 1,100 successful bidders to purchase over 7,200 total lots. We generated lower numbers across most categories in 2008 compared to 2007. The decrease was due primarily to festivities associated with the religious holiday of Ramadan that caused us to limit the size of our September auction. However, our December 2008 auction generated record results in gross auction sales, bidder buyers, commissions and service revenue. This auction was larger due to the abrupt slowdown in speculative equipment buying activity and the increase in consignors desirous of converting equipment to cash prior to the year end. Our February 2009 auction showed a continuation of this trend, with gross auction sales 30% higher than our average February auction sales in 2005 through 2008.

Revenues

When we refer to "gross auction sales" we mean the total gross proceeds to the seller from final bid prices paid on all equipment and other items sold at any WWA Group auction, or the total proceeds from prices paid for any items at our competitors' auctions. Gross auction sales are not presented in our consolidated financial statements. Gross revenue as a percentage of gross auction sales is a measure of WWA Group's operating performance and we believe that gross auction sales provide the most meaningful comparative measure of its relative operating performance between periods, and our sales activity relative to the overall market.

Revenues from commissions and services earned in WWA Group's capacity as agent for consignors of equipment are comprised mainly of auction commissions in the form of flat selling fees or fixed or sliding percentages of the gross auction sale price of any consigned equipment. The majority of auction commissions are earned as a fixed rate of the gross selling price. Revenues from commissions and services also include any preparation, shipping, clearing, transport and handling charges and fees applicable to certain items of consigned equipment; incidental interest income; and buyers' commission applicable on certain sales of items. All revenue is recognized when the auction sale is complete and we have determined that the auction proceeds are collectible. Revenues from commissions and services may be compared to gross auction sales as a measure of relative operating performance between periods. On occasion, WWA Group guarantees a certain net level of proceeds to a consignor. Revenue on guaranteed consignments comes from a percentage of the proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, we can incur a net loss on the sale. Our exposure from these guarantee contracts can vary over each guarantee contract. Losses, if any, resulting from guarantee contracts are recorded in the period in which the relevant auction is held. WWA Group guaranteed no net proceeds to any consignors in 2008.

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Trading

WWA Group is focused on selling for the consignor rather than competing with owners and bidders. However, we do purchase and sell equipment at our auctions or in private sales. Sales of equipment owned by us accounted for approximately $7 million of the equipment sold in our auctions, or about 5.3% of the total gross auction sales in 2008. Another $13 million worth of equipment owned by us was sold through private sales in 2008. Approximately 50% of the inventory we purchase for resale comes from regular customers at our own auctions, while the remaining 50% is from various direct sellers worldwide. Of the inventory purchased from our regular consigners, we make some of the purchases during the auctions while we make the remaining purchases prior to auctions in the form of guaranteed prices or cash purchases. Revenues from such sales are defined as *Revenue from Sales of Equipment*. All costs of goods sold are accounted for under *Direct Costs – Sales of Equipment*.

In 2007 and 2008 we also generated revenue from the charter of our shipping vessel. This revenue comes from gross charter revenue paid each month by an unrelated party that charters the vessel on a long term basis. Costs of operating and maintaining the vessel are included under salaries and wages, and general and administrative expense.

Auction Particulars

All of WWA Group's auctions are unreserved, meaning that there are no minimum or reserve prices; each and every item is sold to the highest bidder on the day of the auction. Consignors are prohibited by contract from bidding on their own consigned items at the auction or in any way artificially affecting the auction results.

Our unreserved auctions are focused primarily on the sale of consigned equipment. Virtually all other equipment auction companies trade heavily for their own accounts in their own auctions, meaning they auction a significant amount of equipment that they own. When an auction company becomes overly involved in buying and selling in its own auctions it can diminish the prospective returns available to consignors and bidders. We too have sold equipment for our own account in 2006 through 2008, but the total amount sold was less than 8% of total gross auction sales in these periods. We sold about $7 million of our own inventory in our 2008 auctions in Dubai, which equates to 5.3% of gross auction sales for the year.

Of the approximately 1,400 items of equipment sold at each of our 5 "major" auctions in 2008, an average of approximately 900 units were from UAE-based consignors and 500 units from consignors outside of the UAE. The equipment for auction is consigned by an average of nearly 140 individual consignors per auction, as follows:

Source of Auctioned Equipment

Auction Date	*Number of consignors*	*Number of countries*
February 17 – 19	133	16
April 22 – 24	142	14
June 28 – 30	146	16
September 15	46	5
October 18 – 20	123	14
December 20 – 22	115	16

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Of these consignors, there are 5 to 10 regular consignors who supply large amounts of equipment from UAE-based construction and trading companies. The remaining consignors are typically from the Persian Gulf region (which consignors tend to sell equipment sourced from the region) but are located throughout the world. Singapore is the most heavily represented non-Persian Gulf country at our auctions, from where we have 10 to 15 regular consignors who source used equipment from Japan. In 2008, the number of consignors and countries where they originate decreased as compared to 2007. Since shipping rates came down in 2008 as compared to 2007, many vessels were taken off line from regular routes and shipping became more difficult for some non-UAE consignors.

On-line Auctions

Live on-line bidding is a significant component of WWA Group's ability to involve bidders in locations remote from any given physical auction site in participating in the auction process. We conduct live on-line bidding using our own proprietary interactive software system, marketed as "WWA BidLive," designed to enhance the best features of existing auction technology. We have experienced a steady user base of WWA BidLive at our Dubai auctions, despite a low internet penetration rate amongst equipment dealers in the Gulf region that comprise a large percentage of our buyers. The on-line approach to auctioning equipment opens up many more opportunities for us to sell equipment between our physical auctions in on line only auctions. However, during 2008 we had no Dubai on-line auctions due to a heavy schedule of 6 physical auctions during the year, and an extended "off" season. Nonetheless, we do expect our on-line auction system to capture an increasing percentage of sales in the future and to provide a consistent revenue production stream for us. WWA Group has a proven seller and buyer base that will support our on-line only auctions when we expand this business.

Australian Auctions

Through our joint venture partner WWA Australia Pty. Ltd. we manage industrial auctions in Perth, Western Australia. We manage auctions and license our name, customer database, and auction system software and hardware to WWA Australia Pty. Ltd., a separately owned private company. Pursuant to a management agreement, we are reimbursed for all hard costs incurred while assisting with WWA Australia Pty. Ltd. with its auctions, and are entitled to fees based on gross auction sales at each auction. WWA Group also has a right of first refusal to acquire WWA Australia Pty. Ltd. WWA Australia Pty. Ltd. is not reliant on financial support from WWA Group, and WWA Group has no commitment or financial obligation to WWA Australia Pty. Ltd.

WWA Group is considering other opportunities with foreign auction companies and we intend to establish additional permanent sites of our own. We expect that our existing Australian management agreement will mature, and that new managed and permanent auction sites will come into operation over the next 24 months as WWA Group seeks to expand the world wide reach of our auction business. However, there can be no assurance that future partners will be successful or that we will receive any fees from such relationships.

Other Operations

WWA Group has expanded operations through acquisition, including a movement into the shipping and project management businesses.

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Shipping

We own and charter out, through our wholly owned subsidiary Crown Diamond Holdings, Ltd., a shipping vessel known as the M/V Iron Butterfly. The vessel is a 100 meter long 3,500 dead-weight-ton roll-on/roll-off (RORO) ship with heavy lift cranes and a shallow draft that is ideal vessel for shipping heavy construction equipment within the Gulf region. The M/V Iron Butterfly was chartered through the end of 2008 to an independent freight forwarding company that handles shipping for us and our customers. The vessel charter generated gross revenue (adjusted for down time during dry docking) for WWA Group of approximately $1,530,000 in 2008. The vessel sails on the Dubai / Karachi / Mumbai route. The route is heavily used by our customers and is located along generally calm waters, thereby reducing maintenance requirements and extending the effective life of the vessel.

While the general RORO shipping market has turned down in the last 12 months along with a general slowdown in international trade and trade finance, our charter has not been disrupted. We have signed a new charter for 2009 through 2013 whereby WWA Group is guaranteed a net cash return equal to $600,000 per annum for the 5 year term. Under the new charter we are no longer responsible for any operational or maintenance expenses which requires less in less management effort from us and provides a better net return that that generated in 2008.

Rock Quarry and Project Management

WWA Group owns a 32% interest in an unconsolidated subsidiary, Intelspec International, Inc. (“Intelspec”) that wholly owns Power Track Projects, FZE (“Power Track”). Our initial investment went to Power Track in 2007 with equity capital and debt funding. On October 1, 2008, Power Track was acquired by Intelspec in a stock for stock transfer of our interest in Power Track for a similar interest in Intelspec.

Intelspec is engaged in providing project management for small to medium sized projects, including Power Track, a licensed equipment and project management company formed in the Fujeirah Free Zone that manages earthmoving and rock sales operations in the United Arab Emirates. Power Track is currently engaged by the government of Ras Al Khaimah, United Arab Emirates, to move over twenty five (25) million tons of limestone through 2010. The removed limestone is marketed by Power Track as processed aggregate, quarry run, and armor stone. The process of removing the limestone is completed by earthmoving and support equipment that work with three (3) crushing machines capable of producing over ten thousand (10,000) tons of crushed aggregate per day.

Competition

Auctioneering

The international, used, industrial equipment market is fragmented and very competitive. WWA Group competes for potential purchasers of industrial equipment with equipment manufacturers, distributors and dealers, and equipment rental companies. When sourcing equipment to sell at our auctions, we compete with other auction companies outside of Dubai, equipment dealers and brokers, and equipment owners who have traditionally disposed of equipment through private sales. Many of these competitive businesses are significantly larger than WWA Group with substantially greater resources and operating histories.
The Gulf Region, used, industrial equipment auction market has two only significant participants, WWA Group and Ritchie Brothers Auctioneers, Inc. (“RBA”). RBA is a Canadian based company reporting over $3.57 billion in gross auction sales from 193 auctions in 13 countries. RBA is the world’s largest un-reserved equipment auctioneer, and holds a dominant position in certain geographic locations.

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WWA Group entered the Dubai market as a direct competitor to RBA in 2001. Our competitive results are as follows:

Gross Auction Sales in Dubai

Year	*WWA Group*	*RBA*
2001	$25,000,000	$45,000,000
2002	$49,000,000	$70,000,000
2003	$89,000,000	$105,000,000
2004	$99,000,000	$79,000,000
2005	$110,000,000	$60,000,000
2006	$113,000,000	$60,000,000
2007	$137,500,000	$78,300,000
2008	$126,000,000	$108,000,000

* 2005-2007 include on-line sales from our Dubai facility

We have maintained a dominant market share in Dubai by offering more auctions, attractive pricing and better service than RBA. The gross auction sales data indicates that we held over 64% market share from 2005 through 2007. Our market share declined in 2008 to about 55%, due to an increased effort by RBA to ship in more equipment from some of their overseas auction facilities. They have a much larger site in Dubai than we do, and have capacity to bring in more equipment. However, we still expect to sell more equipment in Dubai than RBA in future periods.

More importantly, the combined gross sales by equipment auctioneers in Dubai grew from $33 million in 2000, prior to WWA Group's entry, to over $230 million in 2008. This suggests that the equipment auction industry has substantial room to grow with the advent of competition in certain underserved markets.

The entry of the Al Ain Municipality (part of the Emirate of Abu Dhabi – 100 kilometers from WWA Group's Jebel Ali Site) into the equipment auction industry in 2004 is also an indicator of the growth potential of the auction business in a large market. The Municipality previously sold excess inventory in private sales, but turned to the auction method after researching WWA Group and RBA processes and virtually copying them. The municipality has sold most of the surplus equipment they originally allocated for sale in 2004. These auctions do not accept consignments so they are not in direct competition with WWA Group. Rather than drawing buyers away from WWA Group auctions, these auctions in Al Ain have resulted in increased awareness of the auction model in the region, and have actually drawn additional equipment buyers to the UAE from the region. The Al Ain municipality has sold most of their equipment and is planning only small sales at long intervals after 2007.

Periodically there are small government auctions of construction equipment in other areas of the Gulf region, namely Saudi Arabia. Regular larger auctions are also held by Saudi Aramco, in addition to other large companies located in Saudi Arabia and throughout the Gulf region. However, these auctions are generally reserved private auctions, held by local operators, targeting local buyers that are not in direct competition with us.

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On-Line Auctions

WWA Group competes with other auction companies in other parts of the world for buyers due to Internet access to numerous on-line auctioneers of used equipment, mainly based in the U.S. and Japan. However, we believe there is no substitute for physical auctions when it comes to attracting and retaining buyers, and do not believe there is any significant competition from on-line auction companies or physical auction companies operating outside of our primary market. There are no on-line asset auction companies other than RBA, which offers live on-line bidding at their physical auctions, marketing and focusing their services in the Gulf region.

Trading

We compete with thousands of new and used equipment traders in the Gulf region, and those that are based outside the Gulf who buy and sell machinery in the region. Competing with these traders requires name branding, financial wherewithal, consistency in dealing, and personnel focused on developing contacts in the local and international markets. We have been successful in buying and selling at our own auctions and in private sales in past years, and we believe we will continue to grow this segment of our revenue.

Many traders with whom we compete are specialized, work with a few partners as opposed to many, and do not have the international the representation that WWA Group enjoys. Auction companies are known to be large buyers of equipment packages, and therefore we receive more sellers' proposals ahead of smaller traders. We have a purpose built distribution channel for sales of owned equipment and a known buyer base of thousands of active buyers. We can also utilize our own shipping vessel to assist buyers and sellers of equipment in private transactions and buy equipment primarily for sale in our own main market, the Gulf region, as opposed to other auction companies that often have numerous sites in other markets to support. We believe these factors result in certain competitive advantages over other traders and other auction companies that trade for their own account. Further, many used equipment dealers and traders with whom we used to compete have been wiped out in the recent economic and financial crisis. Bank finance for working capital and equipment trade has contracted, making the number of competitors smaller than it was in early 2008.

Competitive Advantages – Auctions and Trading

We believe that we have certain distinctive competitive advantages over all or many of our competitors that have enabled us to attract an increasing number of consignors and bidders to our auctions, and an increasing market share. We base this belief on our realization of significant growth in auction sales and equipment trading in the relatively short term since our inception. However, we can offer no assurance that we will continue to be successful in competing with existing and emerging equipment auction businesses in the Gulf region.

RBA entered the Gulf market in Dubai in 1998, and made a public announcement in 2000 that they expected as much as 10% of their overall net income to be generated by the Middle East market auctions. However, from 2001 to 2006 they did not aggressively grow their market in Dubai, likely due to differences in their corporate practices with those of local traders, confusion when WWA Group entered the market, focus on other international expansion, and local personnel problems. Nonetheless, we expect RBA to increase their gross auction sales in Dubai in 2009, based on recent sales volumes, new staff, and a new commitment to grow sales. However, it is unlikely that RBA will be able to continue operating from their existing facility in the Jebel Ali Free Zone past 2010. Land is in short supply and many locators are being moved as their leases expire. New leases are being executed at rates up to 10 times higher than rents prior to 2000, this fact alone will likely cause significant disruption to RBA's business expansion plans in the United Arab Emirates.

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Key to our competitiveness is in our practice of being the only international equipment auction company that holds unreserved auctions almost entirely for the sale of consigned equipment. Virtually all other equipment auction companies trade heavily for their own accounts in their own auction. When an auction company becomes involved in buying and selling in its own auctions it can diminish the prospective returns available to consignors and bidders. We focus our business on selling for the consignor rather than competing with the bidders. We believe that our growing reputation for conducting auctions only for the participants is a primary competitive advantage.

RBA reports that it “underwrites” (guarantees or purchases) approximately 25% of the equipment sold in its auctions around the world, as opposed to WWA Group’s total underwriting at auctions in 2008 of less than 6% of gross auction sales.

We rely upon certain other competitive advantages in our efforts to position ourselves as a leader in the auction business in the Gulf region. These advantages include our ability to offer very competitive buyer and seller commissions due to our smaller infrastructure size and maintaining our corporate headquarters at our primary auction facility.

WWA Group has also introduced new auction technologies to the industry, and management believes that WWA Group is the world’s first physical industrial equipment auction company to combine such technologies. These new features include:

- Fully enclosed air-conditioned bidding arena with glass viewing windows during summer season;

- Plasma TV screen presentation of items to be sold, with dual currency live asking price displays;

- Wireless electronic bidding buttons that bidders can use if they prefer to keep their buying strategy discreet from the other attending public bidders, with high bidder number appearing on the plasma TV screen; and

- Video auctions of late arriving imported equipment after each physical auction, and on-line only auctions for equipment arriving between physical auctions.

All of these features are designed and used to make the buyers’ auction experiences better, and have been successful in attracting and retaining buyers. Several features we introduced at our Dubai auctions have been subsequently implemented by RBA in Dubai. Other internal operating technologies, including real-time price clerking, live audio and video recording of the auctions, and auctioneer data screens have added to our operating efficiency and reduced errors. Further, we have a less restrictive policy than our competitors regarding new technology and procedures, and our executive officers play a major role in operations, therefore allowing us to test and implement new ideas very quickly.

Personnel have a significant impact on the competitive nature of any business. WWA Group employs a dedicated staff of professionals with substantial expertise in marketing, assembling and conducting auctions on an international basis. The commitment of these individuals to excellence in conducting auctions in concert with hands on customer service give us a competitive advantage over less professional organizations within the auction business.

While focusing on developing our stated competitive advantages, we have moved to a larger permanent site in the Jebel Ali Free Zone on a 20-year lease, where we will operate in a state-of-the-art auction arena and workshop facility. The small size of our former yard and restrictions on construction of permanent facilities had strained our competitiveness and growth in past years. We also plan to increase the number of locations in the Gulf region at which we conduct auctions. WWA Group has experience in conducting auctions in other countries, and has decided to focus on the Gulf region for expansion. We are already the largest construction equipment auction company in the region, and we plan to solidify our position by expansion into other underserved markets using our existing economies of scale in Dubai.

Shipping

Our charter party competes with many other vessel owners and freight companies that operate ships and book cargo in the Gulf. Heavy sea freight volume to and from India and the Gulf has resulted in new and used vessels being put onto these routes by major players in the industry. As discussed in the Market section below, the shipping market is still strong in the region for niche vessels such as ours.

We have key advantages such as:

- The small size of our vessel, combined with high capacity ramp and lifting gear, makes it ideal to serve the smaller underserved ports carrying heavy equipment.

- Our vessel burns lower priced heavy fuel, as opposed to the light fuel requirements of similar vessels.

- We have numerous buyers and sellers of equipment that do business with us and need sea freight service, providing our charter party with a consistent source of revenue to keep the vessel full on its primary routes.

These factors, along with the respected international classing of the vessel and above average maintenance, combine to give our vessel key advantages over other vessel owners in our market. We believe that the charter party can continue to compete in the market and be able to pay the contracted monthly charter fee for the next 5 years.

Rock Mining and Project Management

Our 32% owned unconsolidated subsidiary, Intelspec, competes with over 200 quarries selling similar material to a large buyer base in the Gulf. Many are much larger and better financed than Intelspec. There have been few barriers to entry in this business up until 2007, and prices have been kept very competitive by large buyers of material and local political factors.

Construction project management had been a booming industry in the oil exporting nations of the Gulf Cooperation Council (GCC) region until the recent slowdown. There are still many major and minor projects in the pipeline and many of them are in the size and type that Intelspec is targeting. Competition has become more intense among management companies bidding for these jobs.

However, we have key advantages such as:

- Our royalty rate for removed limestone is below the recent market levels of new entries;

- Increasing prices for equipment and compliance with new environmental laws are restrictive to new entries;

- We have fast, below market price access to a revolving base of mobile mining equipment in our own inventory;

- Many of our numerous equipment buying and selling customers are in related businesses such as transport, construction and ready mix, providing key access to buyers of material and subcontracts on major projects;

- Intelspec has a very low overhead structure and management that has specific experience in certain technical industries; and

- Many local project management and construction companies have downsized or closed down in recent times, effectively reducing the number of competitors.

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Marketability

WWA Group operates in the auction segment of the global industrial equipment marketplace, selling virtually all types of earthmoving, construction, transport and marine equipment through unreserved public auctions. WWA Group has also diversified into shipping and, through its 32% holding in Intelspec, into construction, engineering services, and materials supply as well. We intend to position WWA Group as a diversified participant in the Gulf region's construction industry.

Auctioneering

We chose to enter into the auction segment of the industry for several reasons, including:

- the sheer size and fragmented nature of the industry;
- the relatively small penetration of the auction model in the industry outside of North America;
- the attractiveness of the auction method;
- the resilience of the auction model in both upward and downward trending economic cycles;
- the projected growth in construction spending in the Middle East and several other regions outside of North America; and
- the dominance of the segment in certain regional markets by one company and the resulting stagnant segment growth in those markets.

Market Size and Growth

After 8 years of unprecedented growth, the global market for new heavy equipment is now in the midst of an abrupt and severe contraction. Throughout 2007 and 2008 equipment manufacturers were able to compensate for slumping US sales with rapidly increasing exports. Data from the US Association of Equipment Manufacturers shows that 2007 US exports of heavy equipment reached $17.2 billion, an increase of 26% over 2006, and in 2008 the figure soared to $20.7 billion, up 20% from 2007, allowing major manufacturers to show increases in revenues and earnings despite declining US sales.

While comprehensive data are not yet available, all indications suggest that the last months of 2008 and the first quarter of 2009 have seen dramatic reductions in equipment sales worldwide. Dominant manufacturer Caterpillar reports that earnings plunged 32 percent in the last quarter of 2008, and that global machinery sales fell 27 percent in February, the third straight month of declines. The drop in February machine sales was led by Europe, Africa and the Middle East, where retail sales plunged 37 percent compared with the same month in 2008. Sales of truck and bus engines declined of 56 percent in February, compared with drops of 55 percent in January and 30 percent in December.

Forecasting firm Off-Highway Research expects equipment sales in five major regions of the world to fall a total of 15 percent in 2009. According to the company's recently released Annual Review, construction equipment sales in these five regions last year totaled 635,831 units, an 11 percent fall on the record volume of 713,863 machines sold in 2007. Off-Highway Research expects further falls in Europe, India, Japan and North America this year, with the Chinese market staying flat. This is expected to see the market fall to 537,866 machines, down 15 percent year-on-year, and almost 25 percent lower than the peak in 2007. Caterpillar's expectations for 2009 are similar, as cited in the company's 2008 annual report:

…in 2009, the global economic conditions and key commodity prices have continued to decline significantly, the financial markets remain under stress and our expectations for 2009 have deteriorated. We are projecting 2009 sales and revenues to be in a range of plus or minus 10 percent from $40 billion, down 25 percent from 2008 sales.

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The second hand equipment market is highly fragmented, and more difficult to quantify. The extremely robust sales of new equipment for the last 5 years have left a large stock of high quality, late model machinery available on the market. Global auction firm RBA is one of the world's largest traders of second hand equipment, so its results are a reasonable indicator of global demand for second hand equipment. RBA gross auction sales increased 12% in 2008, indicating that second hand equipment transactions are continuing to accelerate. Auction sales of second hand equipment have traditionally been insulated from the impact of economic downturns. Equipment users may buy less new equipment during periods of slack growth, but trading of second hand equipment remains very active. RBA's U.S. auction volume has remained strong despite the recession and the slump in new equipment buying, and recent results indicate that the same pattern will apply to the global market.

Penetration of Auction Segment

Despite the huge size and sustainable growth of the used equipment market, only a fraction of that equipment is sold through auctions, the majority being sold directly by the owner or through dealers and brokers. RBA is by far the largest equipment auction company in the world. RBA's gross auction sales for the year ended December 31, 2008 reached $3.5 billion. RBA claims to sell more at auction than their 25 largest competitors combined. In North America, RBA and others estimate that 20% of all used equipment changing hands is traded at auction. Analysis of data available suggests that of the $100 billion of equipment changing hands outside of North America each year only about 1% to 2% is at auction. WWA Group expects this percentage to increase, and eventually to match the 20% penetration rate realized in the more mature U.S. and Canadian markets, leaving a great deal of room for growth.

Analyst Bruce Simpson of William Blair & Company stated in 2004 that:

The size of the used equipment market and the relatively small penetration of the auction model suggest that the company (RBA) has years of open-ended growth in front of it.

WWA Group believes this statement applies to the segment as a whole and all participants, especially outside of North America.

Since the virtual elimination of used equipment finance from banks and other specialized finance companies in recent months, the penetration of the auction model should now increase even more rapidly than predicted in the last few years.

Attractiveness of the Auction Method

The auction method is becoming more attractive to sellers due to the Internet and the general globalization of business communications. Buyers have more access to price and availability information, and thus the trading business is becoming more transparent – there are no longer participants that have information advantages over others. This results in more sellers accepting the auction method as the preferred way to realize market value for their inventory in a timely and cost efficient manner than selling it themselves. WWA Group believes that this trend also will contribute to the growth of the auction segment.

The ability of auctioneers to sell a wide range of equipment and related assets, offering a more comprehensive choice to bidders, is attracting more buyers. Industrial equipment auctioneers are not restricted to selling lines of equipment provided by a particular manufacturer or manufactured for a particular industry, or to holding auctions in any particular geographic location. Truly unreserved auctions attract buyers who are willing to travel to an auction or bid

on-line on items they believe they can buy for fair prices; an auction house that builds a reputation for fair practices to buyers and delivery of goods as represented builds its return buyer base.
The transparency of the international used equipment market at auctions, due to the publicly attended nature of auctions and the quality of the information available to any location through the Internet, is attracting more buyers to auctions as they become more familiar with market prices. New auction technologies, several of which have been introduced by WWA Group in its market, result in a more comfortable auction experience for buyers.

All of the above factors are attracting more buyers to auctions, and better quality end-user buyers. A proven record of large attendance of buyers at an auction house attracts larger consignments. Consignors are then able to generate bulk cash proceeds from the sale of their equipment quickly and efficiently at auction, at premium net proceeds.

Resilience of the Auction Model

The industrial equipment auction business is relatively insulated from cyclical economic trends. Many of the factors that prompt owners to sell equipment also creates an environment in which equipment buyers opt for high quality used equipment rather than more expensive new equipment. Auctioneers can therefore take advantage of economic downturns as well as upturns, whereas private dealers' revenue and profit margins tend to be negatively influenced by regional market downturns.

In recent years, we have been operating at a profit in a very active, high demand growth environment where it has been difficult to locate good quality equipment to auction. However, this environment also generates fleet re-alignments, mergers and acquisitions, lease returns, project completions, and even financial pressure from over-commitments. All of these conditions favor the auction model.

In the current period of economic contraction, auctioneers are seeing a dramatic increase in supply of used equipment for sale at auction. Numerous project cancellations and cutbacks have left contractors eager to dispose of stocks of heavy equipment. Auctions are well known for their cash transactions, as opposed to private dealers that often rely on buyer financing for many of their sales transactions. Availability of buyer financing is extremely uncertain in the current economic environment. Further, industrial equipment auctioneers are not restricted to selling lines of equipment provided by a particular manufacturer or manufactured for a particular industry, or to holding auctions in any particular geographic location.

We believe that WWA Group can generate increased business volume as a result of the global economic downturn, a belief that is strongly supported by recent auction results. Auction sales in Dubai have increased since the global downturn impacted the Arabian Gulf construction business in October and November of 2008. Gross auction proceeds at WWA Group's 3-day Dubai auction in December 2008 reached a record $33 million, while a sale in February of 2009 moved another $22 million. A 3-day Dubai sale by RBA in early March moved $29 million, also a site record for the company. Both companies recorded record attendance, bidder volume, and transaction volume.

The relationship between economic stress and auction sales is clear. Companies that have lost business due to project closures need to liquidate fleets of equipment quickly, and traditional sales methods like consignment to a broker or dealer can take months or years to produce results. Auctions provide a fast sale with immediate cash settlement.

The large regional supply of used equipment, rapid closure of many projects, and the transition from a market driven by real estate projects to a market driven by infrastructure and industrial projects has created a "churning" environment that is ideal for increased auction sales. We expect that sale prices for individual pieces of equipment may decline, but we expect transaction volume to increase enough to compensate for the drop in sale prices. WWA Group expects strong activity at 2009 auctions, with gross auction proceeds and commission revenue at levels exceeding those of 2008.

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The Gulf Region Market -General

<u>*The Gulf Economic Environment*</u>

The oil exporting nations of the Gulf Cooperation Council (GCC) have benefited from years of steadily rising oil prices, culmination in 2008 with a peak of $147/bbl and an annual average of roughly $120/bbl.
High oil prices, oil export receipts, and budget surpluses have driven rapid economic growth. The dramatic increase in oil prices from 2003 to 2008 enabled the GCC's six member countries to almost triple their aggregate gross domestic product, from $350 billion to more than $1 trillion, according to the International Monetary Fund (IMF). Over the same period the group accumulated an estimated $1.5 trillion in surplus funds.

With oil prices for the first quarter of 2009 ranging from $40-50/bbl and most analysts projecting an annual average price below $60/bbl, this pattern of explosive growth in oil revenues is clearly over. Forecasts vary, but it is generally expected that economic growth in the UAE, Kuwait, and Saudi Arabia will be minimal or slightly negative. One bright spot is Qatar, where the IMF predicts that a dramatic expansion in natural gas output is expected to fuel continued economic growth of up to 29%. Qatar has invested heavily in increasing gas output, and is now the leading exporter of natural gas, and with principal rivals Iran and Russia seeing investment constrained by high political risks, it is likely to continue in this position. Qatari gas exports are expected to increase from 39.9 million tons in 2008 to 77.4 million tons in 2010.

Regional analysts generally agree that GCC governments are able to balance expenditures and revenues with oil prices as low as $40/bbl. However, most regional budgets are expected to see deficits in 2009, as Governments ramp up spending to compensate for decreases in private sector investment and to provide economic stimulus. This trend is most visible in the UAE, where the federal budget for 2009 is expected to increase 20 percent and the Emirate of Dubai will increase spending by up to 42 percent. The UAE federal budget foresees an increase of over 20 per cent in government spending in 2009, over last year, and Dubai expects to see an increase in spending of 42 per cent over 2008. Overall, the IMF projects negative current account and fiscal balances across GCC. IMF Middle East and Central Asia Department Director Masood Ahmed stated on Feb 9, 2009:

For the oil exporters, the decline in oil prices and OPEC production cuts are projected to reduce oil export receipts by almost 50 percent in 2009. This implies a loss of government revenue to the tune of US$300 billion compared to 2008. Nevertheless, most governments—especially those in the GCC—have so far indicated that they will maintain their spending and investment plans… As a result, oil exporters' current account surplus of around US$400 billion in 2008 is expected to turn into a deficit of US$30 billion in 2009. For most countries, this deterioration is from a position of significant strength, and thus can comfortably be sustained by the large stock of reserves that these economies have built up… by continuing to spend, oil-exporting countries are contributing substantially to supporting global demand and are acting as stabilizers during the global downturn.

The authoritative Middle East Economic Digest (MEED), in a recently released research report titled GCC Economic Outlook, 2009-10, reached the following conclusions:

- The GCC faces a year of reduced economic activity that will test GCC governmental capabilities and the viability of businesses;

- 2009 is forecast to constitute a short, sharp shock to GCC private businesses;

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The region as a whole will continue to be solvent, and is likely to recover quickly once global economic trends improve;

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- Recovery is possible in 2010;
- Dollar value of GCC gdp will probably contract by about 20%, assuming a $60 average oil price;
- “whichever way the figures are manipulated, the economies of the GCC are about to be dealt a bitter blow”;
- Saudi Arabia, Kuwait, Qatar will increase government spending and the UAE will be mixed: Abu Dhabi will increase spending but Dubai will require support from Abu Dhabi if spending is to increase significantly;
- Even with a 20% fall, the GCC economy will be at the same size as 2007;
- GCC economies will recover quickly in 2010, after contracting in real and current terms in 2009, due to an expected rebound in oil prices;
- The GCC will remain solvent during 2009, despite the elimination of current account and budget surpluses;
- The longer term outlook remains positive due to globalization and oil market trends;
- Some GCC economies, regions, and sectors will be seriously affected, businesses lacking stable income sources may struggle to survive; and
- GCC governments are expected to use their savings to maintain capital spending on infrastructure and vital services. This will help sustain the private sector and encourage further non-oil growth.

Since the publication of the report, Abu Dhabi has purchased $10 billion worth of Dubai-issued bonds, and indicated willingness to purchase another equal tranche, providing Dubai with the means to support a substantial planned increase in government spending.

It is impossible to predict with certainty when oil prices will recover. It is important to note, though, that OPEC and IEA project that demand in 2009 will decrease by up to 1 million barrels per day, 1.16% of the peak global demand of roughly 86mbpd, reached in early 2008. This illustrates the degree to which oil prices are sensitive to relatively small changes in the supply/demand equation: a projected decrease in demand of slightly over 1% produced a price plunge of over 70%.

Many oil-producing regions, notably Mexico, Venezuela, and the North Sea, have seen substantial declines in production over the last 5 years. In many others, the sharp decline in oil revenue and severe political risks are likely to curb investment in new production capacity. If demand should recover by even a small margin, substantial price increases are likely to result. The primary beneficiaries of such an increase would be the GCC nations, which are continuing to make substantial new investments in oil production.

The GCC Construction Industry: Assessing the Impact of the Slowdown

The environment of high oil prices that prevailed from 2003-2008 drove a massive surge in construction in the GCC nations. MEED Projects, the project-tracking venture of the Middle East Economic Digest, announced on March 31, 2008 that projects being tracked in the GCC region were valued at over $2 trillion, a 40% increase in one year. Since the threshold for inclusion in the MEED Projects database is $50 million, thousands of smaller but still significant projects were not included in this figure: review of project announcements in regional publications suggest that the total value of these smaller projects reached a total between 30% and 50% of the value of the large projects tracked by MEED.

A dramatic decrease in oil revenue, the global credit crunch, and a substantial decrease in end-user demand for residential, commercial, and office real estate have dramatically impacted the regional project industry, and current estimates suggest that as much as $1 trillion worth of projects may be on hold or cancelled.

The GCC construction industry may be broken into the following rough project categories, which will see varying impacts from the global credit crunch and economic slowdown:

- Real estate projects, primarily financed by private investors or public/private partnerships;
- Tourism, retail, and leisure projects, also primarily financed by private investors or public/private partnerships;
- Industrial projects, generally with some private investment component but with substantial government participation;
- Oil and gas projects, largely government funded; and
- Infrastructure projects, almost entirely government funded.

The impact of the slowdown has been felt most dramatically in the first two categories, where project financing was heavily reliant on debt and projects were often highly speculative in nature. Many high-end real estate projects relied on off-plan sales to highly leveraged short-term investors who planned on “flipping” the properties as projects neared completion, a strategy that was profitable in the boom period but could not survive a recession. As the impact of the slowdown was felt layoffs accelerated, and as expatriate workers departed demand for real estate dropped, creating a declining cycle. Rents in Dubai have fallen up to 30% in the last 6 months, and in some areas the decline may even reach 50% from 2008 peaks.

The GCC building industry has suffered a series of severe shocks. Sharply reduced oil prices have constrained regional liquidity. Cash-strapped overseas investors have pulled out of regional investment markets, and equity sales are no longer an effective means of raising capital. Foreign investment has been sharply reduced, both on the corporate level and among the high net worth individuals targeted by numerous luxury real estate projects. The decline in business has caused a sharp retrenchment in expatriate employment, with a corresponding decrease in demand for real estate.

These factors have had a dramatic impact on the real estate, tourism, retail and entertainment sectors, which have seen a large number of projects cancelled or put on hold, particularly in Dubai, where close to $600 billion in civil construction projects are now cancelled or on hold. The impact of these cancellations on the regional construction market has been substantial, largely because it was sudden and unexpected: Dubai’s construction business went from rapid expansion to contraction in less than 3 months, a dramatic dislocation. In the medium term, however, several factors suggest that this impact may be diffused to some extent and may ultimately have positive effects.

Examination of project figures suggests that the first half of 2008 was a boom period for builders and their suppliers. In reality, many builders and investors found this period to be one of crisis. The pace of building in the region, the UAE, and particularly Dubai had, by early 2008, overwhelmed the region’s supply chain capacity. Shortages and rapidly escalating prices of basic materials, notably steel and cement, stalled many projects, and new entries found it impossible to hire qualified contractors or workers in many skilled trades. A recent report by Nomura International on the Middle East real estate sector claimed that construction costs in the UAE rose at about twice the total rate of inflation in 2007 and were up “that much again in the first half of 2008”. Many projects initiated under fixed-cost contracts had to be frozen, as it was simply impossible to complete them for the specified amounts.

This situation has now completely reversed. According to the Nomura report cited above, during the peak in August 2008, per square foot construction costs were being quoted at Dh1,200 in Dubai. By February 2009 quoted rates ranged from Dh475 per sq ft to Dh500 per sq ft, with some developments at Dh350 per sq ft, representing a fall of 60 per cent in just six months. Nomura International concluded:

We calculate that those developers that can pause and re-tender for developments not yet in construction can expect to save Dh100m in material costs on a standard tower development. Those that cannot will try to squeeze concessions out of contractors – with the alternative being to cancel the contract. The emerging trend is to shelve developments and then retender.

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While close to $600 billion in projects have been cancelled or put on hold in the UAE, work on projects worth $698 billion continues to move ahead, according to an industry report from Proleads Global. “The UAE may no longer be the land of milk and honey but it is still in a far better position than most,” said Emil Rademeyer, director of Proleads. “To put it into perspective, the $698 billion of continuing work we are reporting is almost equivalent to the latest stimulus package proposed for the US.” The marked reduction in construction costs is a strong incentive for developers of projects with viable financing to push their projects ahead and achieve completion at the lowest possible cost. While additional cancellations will occur, it is also likely, as mentioned in the Nomura report cited above, that some cancellations are aimed primarily at cost reduction and will eventually be retendered in an effort to lock in lower costs.

While construction activity in the real estate, tourism, entertainment, and retail sectors will be muted for some time, it is likely that activity in other sectors will be accelerated. Governments across the region are ramping up infrastructure spending to provide economic stimulus and push liquidity into their economies. In most cases these represent not new projects, but an acceleration of existing road, bridge, port, airport, and other projects. The existing backlog of these projects is enormous, including:

- The $4.2 billion expansion of the Dubai International Airport;
- Dubai’s $20 billion highway and bridge development program;
- The $4.2 billion Dubai Metro railway;
- The $6.7 billion Abu Dhabi Airport expansion;
- Abu Dhabi’s $2.2 billion Taweelah port development;
- Kuwait’s $12 billion rail system and $2.7 billion airport expansion;
- A $4.77 billion causeway linking Qatar and Bahrain;
- Qatar’s $8 billion infrastructure development program; and
- The $5.5 billion new Doha international airport.

Regional governments are also accelerating investment in planned industrial projects, in order to provide economic stimulus, take advantage of lowered construction costs, and generate long-term diversification of their economies. Thousands of industrial projects are in progress, with some of the largest being:

- Abu Dhabi’s $6 billion Taweelah aluminum smelter;
- A $4 billion oil refinery in Fujairah;
- Qatar’s $3 billion aluminum smelter;
- The $4 billion Qatargas II project;
- A $6 billion gas-to-liquids plant being built in Qatar by Royal Dutch Shell;
- Qatar’s $14.5 billion Ras Laffan port and Gas processing facility; and
- Qatar’s $20 billion downstream petrochemical development.

The GCC construction industry overall has seen a very abrupt and dramatic dislocation. Close to $600 billion in projects have been abruptly frozen or abandoned in Dubai alone and the total through the region as a whole may exceed $1 trillion. The consequences of this dislocation have been immediate: substantial unemployment, sharply reduced demand for materials and labor, and potential collapse for contractors and suppliers who were excessively dependent on a small number of projects.

On the positive side of the ledger, the reduction has brought the scale of construction back to a level consistent with the carrying capacity of regional supply chains, sharply reducing construction costs. Increased spending on necessary infrastructure and fundamentally viable industrial projects in place of highly speculative luxury real estate, tourism, and leisure projects will in the long run produce a more viable and balanced economy. Even with the reductions the regional project stock remains over $1 trillion, a very substantial amount in a region ¼ the size of the US with a population only slightly larger than that of California. Many industry players are reporting strong project loads: Al Habtoor Leighton Group, one of the largest contractors in the Gulf, expects growth of up to 40% in 2009 bolstered by new real estate projects, primarily in Qatar and Abu Dhabi, and regional engineering contractor Drake & Scull is predicting a 25% increase in revenues.

A considerable reallocation of resources will be required and there will be substantial "churning" as the industry adapts to the abrupt shift in direction, but in the medium term the GCC construction industry is expected to remain at an active, though no longer frantic, level and to remain as one of the world's stronger demand centers for construction services, materials, and equipment. This reallocation is illustrated by the following MEED figures contrasting new contract awards in the UAE and Saudi Arabia:

Value of Construction Contracts

Year	*Saudi Arabia ($bn)*	*UAE ($bn)*
2005	2.4	28.7
2006	6.4	68.9
2007	13.0	57.9
2008	11.5	74.1
2009 to date	15.7	4.1

Source: MEED

Given these figures, it is clear that idle equipment and other resources in the UAE is likely to be absorbed by the construction industry in neighboring Saudi Arabia, which is rapidly expanding due to aggressive government stimulus spending.

Heavy Equipment

For the last 5 years the GCC has been one of the world's fastest-growing markets for construction equipment. Shakil Merchant, Operations Manager of leading regional distributor Kanoo Machinery, reported in late 2007 that "Demand is so high that it's difficult to keep up", and estimated market growth at 200%. Henrike Burmeister, lead organizer of the Bauma exhibition of German-made products commented:

The level and development of the export figures of construction equipment and building material machinery to countries of the Arabian Peninsula reflect the rapid development of the construction industry… The export volume of the German manufacturers to the partner region countries increased by a total of 40 per cent to more than 400 million euros from 2005 to 2006. The lion's share of this volume was machinery and equipment, worth nearly 154 million euros (about Dh762 million), exported to the UAE, and nearly 139 million euros (about Dh688 million) exported to Saudi Arabia.

During the free-spending boom period the region's builders showed a marked preference for new equipment from premier manufacturers. In early 2008 the Abu Dhabi-based Al Jaber group placed a single order for 720 Caterpillar machines valued at approximately $220 million, one of the largest single equipment orders in history, and placed similarly sized orders with other manufacturers, including Japan's Komatsu. Other regional construction firms were similarly aggressive in acquiring high priced new equipment assets, many of which are now idle.

Demand for new equipment has now been dramatically reduced. Sales of new equipment have virtually dried up, with financing scarce and an abundant stock of late-model equipment available second hand. The drastic reduction in real estate projects and the shift toward infrastructure and industrial spending has led to a substantial reallocation of existing equipment resources, an ideal situation for equipment auctioneers.

We see the following trends dominating the heavy equipment market in the GCC during 2009:

- The real estate, tourism, and retail sectors will see a sharp retrenchment. Many major projects will be cancelled or placed on hold, including several of the most dramatic, high profile initiatives;

- Industrial, energy, and infrastructure projects will continue, and are likely to accelerate as governments ramp up spending to stimulate their economies;

- Dubai, until this year the epicenter of the regional construction boom, will see the sharpest reduction in spending; and

- Abu Dhabi, Qatar, Kuwait, and Saudi Arabia, which have the deepest reserves in the region, will emerge as construction centers.

These patterns suggest that a substantial reallocation of equipment assets will be occurring over the next year. Contractors working on projects that have been cancelled or put on hold, including megaprojects such as the Arabian Canal and the Dubai Waterfront, both of which are likely to be postponed, will be eager to dispose of idle equipment, and there will be substantial buying interest from infrastructure, energy, and industrial projects funded by the oil exporting nations, which have the reserve wealth to initiate large scale stimulus projects. We believe that this continuing reallocation process is driving the high level of activity seen at recent auction sales in Dubai, and that this increased level of activity can be sustained through 2009.

Shipping

WWA Group owns a RORO/heavy lift ship, the M/V *Iron Butterfly*, which is chartered on the Dubai/Karachi/Mumbai route.

The global recession and a large number of new vessels entering service have severely impacted world shipping rates: the Baltic Dry index, a premier index of bulk rates, dropped over 90% in 2008, and container rates dropped by similar proportions. Despite these declines, cargo volume and rates have held up fairly well on the Indian Ocean regional routes: India’s economy has been among those least impacted by the recession, and regional trade remains robust. Also, many larger vessels put on line on this route in the last few years have been taken off in the last 12 months due to high running costs.

The *Iron Butterfly* is chartered on a 5-year agreement starting Jan 1st, 2009, and provides $50,000 monthly revenue regardless of market conditions. The existing charter offers WWA Group sustained assured revenue and an important value-added service for customers using this popular route.

Project Management

In October 2008, WWA Group's unconsolidated subsidiary Power Track Projects FZE ("Power Track") was acquired by Intelspec International, in a deal that resulted in WWA Group owning approximately 32% of Intelspec. The transaction is part of a larger plan to expand Power Track into a full service construction management company focused on projects in the Middle East, Asia and Oceania.

Intelspec's business focus is on international project management, intent on servicing an underserved niche market in specialized projects and subcontracts in the $1 million to $10 million range. Generally, these are projects that are too small to attract the attention of multinational firms, but which still require world class expertise. Managed by engineers with extensive experience in construction, disposal, environmental remediation, telecommunications, and technical project management, Intelspec intends to pursue project management opportunities in oil and gas infrastructure and support activities, permanent and temporary forward base camp installation and communications, construction endeavors, debris disposal and reclamation, earthmoving and mining operations.

Engineering services of the type offered by Intelspec are still in considerable demand in the region. The economic slowdown has seen some reduction in projects offered for tender and an increase in competition for tenders, but Intelspec is currently bidding on $50 million worth of projects and investigating more. We can offer no assurance that any of these bids will be awarded to Intelspec, but we have confidence in the company’s abilities and competitive position, and the figure indicates that sufficient opportunities exist for further expansion.

Power Track is a United Arab Emirates free zone licensed equipment and project management enterprise that currently operates a local government limestone removal project in Ras Al Khaimah, UAE that supplies crushed-rock aggregate and armor rock to construction projects in the UAE and Qatar. The reduced volume of construction projects in Dubai has resulted in somewhat reduced demand for quarry products. It has also alleviated the regional cement shortage experienced during the construction peak in 2008, which had emerged as a major problem for aggregate suppliers: the ready-mix concrete firms that consume a large proportion of the aggregate produced in the region were routinely forced to cancel orders during this period because they were unable to source enough cement to support concrete production. While demand for aggregate and armor rock will be somewhat reduced, existing construction projects in Ras al Khaimah, Dubai, Abu Dhabi, and Qatar provide more than sufficient demand to support profitable pricing. While we expect prices to drop to some degree, we will also benefit from substantially reduced fuel prices: fuel costs are a large proportion of overall quarry operating cost, and high fuel costs proved a major constraint on profitability during 2008. We expect the quarry operation to be profitable in 2009.

Other projects being negotiated or under contract with Power Track include management of the construction of a 50,000-sq-foot office/warehouse complex in the Jebel Ali Free Zone in Dubai, UAE, management of the construction of a portable cabin resort on the Okuma U.S. Marine Base in Okinawa, Japan, and the removal of 10,000 tons of scrap metal from the U.S. Air Force Base on the Pacific island of Diego Garcia.

The Australian market

While Dubai and the GCC market are WWA Group’s primary auction locations, WWA Group also holds equipment auctions in Perth, in Western Australia. Western Australia has seen a substantial economic boom over the last 5 years, primarily due to rapidly rising commodity prices: Australia is the world’s leading exporter of coal, bauxite and iron ore and the fifth leading exporter of liquefied natural gas.

The recent plunge in commodity prices has driven a dramatic reduction in investment in the mining industry. Australia’s economic growth, in recent years one of the highest in the developed world, has slowed dramatically, though the slowdown has not been as severe as that affecting the US and Europe.

Nonetheless, the slowdown in Australia is likely to drive a substantial reallocation of equipment assets, with mining and residential construction operators looking to rapidly offload unneeded equipment and infrastructure contractors needing to acquire it. We expect the equipment auction market to accelerate during this recessionary period, just as it has in the US and the GCC.

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Patents, Trademarks, Licenses, Franchises,

Concessions, Royalty Agreements and Labor Contracts

We currently have no patents, trademarks, concessions, or labor contracts (other than the basic employee contracts required by Jebel Ali Free Zone law). However, we have received protection for exclusive use of the name “WWA” and our logo in the UAE by the UAE Ministry of Economy. We also own several URLs protecting and securing the name WWA. We also have a franchise relationship with our joint venture partner in Australia, WWA Australia Pty. Ltd., whereby we license our name, customer database, and auction system software and hardware. We intend to increase the number of our franchising relationships in the future, and we also intend to protect our name and logo in other countries around the world.

Governmental and Environmental Regulation

Environment

WWA Group’s operations are currently subject to the general corporate laws and regulations of the United States, and the laws of the Jebel Ali Free Zone Authority (Dubai) relating to, among other things, the auction business, imports and exports of equipment, worker safety and the use, storage, discharge and disposal of environmentally sensitive materials. Opening of other facilities in other locations may subject us to a variety of national, federal, provincial, state and local laws, rules and regulations relating to, among other things, the auction business, imports and exports of equipment, worker safety and the use, storage, discharge and disposal of environmentally sensitive materials. The development or expansion of auction sites depends upon the receipt of required licenses, permits and other governmental authorizations. Further, we may be subject to various local zoning requirements with regard to the location of our auction sites, which may vary from location to location.

Under some of the laws regulating the use, storage, discharge and disposal of environmentally sensitive materials, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in, or emanating from, such property, as well as related costs of investigation and property damage. Laws of this nature often impose liability without regard to whether the owner or lessee knew of, or was responsible for, the presence of hazardous or toxic substances.

Our consolidated subsidiary Intelspec and its 100% owned subsidiary Power Track are subject to rules imposed by the Environmental and Health Department of Ras Al Khaimah regarding the emissions and control of dust in mining operations. We have engaged a consultant to assist us with the permitting process to ensure that Power Track is in full compliance with all applicable rules and laws. Nonetheless, Power Track faces significant compliance costs, and can be of shut down at any time if the controls required by local regulations are deemed insufficient.

Doing Business with Nationals of Countries identified by the U.S. as State Sponsors of Terrorism

The U.S State Department and the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) have identified Iran, Sudan and Syria as state sponsors of terrorism, and forbid the sale of goods or services by U.S. persons or companies to these countries or to agents of the respective governments of these countries.

On April 27, 2007 WWA Group received a “cease and desist” order from OFAC proscribing the sale of equipment or services, or facilitating the sale of equipment or services to persons with registered addresses in Iran, Syria or Sudan.

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WWA Group has never sold equipment at auction or delivered equipment to countries or to agents of the respective governments of those countries that OFAC has identified as state sponsors of terrorism. However, we have in the past sold equipment to private individuals or companies resident in Iran, Sudan or Syria who may have, on their own accord, have exported such purchased equipment to their country of residence.

Since May of 2007, in compliance with the OFAC "cease and desist" order dated April 27, 2007, we have enforced a strict policy of prohibiting the sale of equipment to any persons or companies that register to bid using addresses in Iran, Sudan or Syria. Nevertheless, in early 2008 OFAC requested that WWA Group sign a tolling agreement intended to extend the time frame permitted under the relevant statute of limitations in which OFAC might continue its investigation into our operations for approximately one year from the date of signature. WWA Group complied with the OFAC's request and has since extended the time frame permitted under the original tolling agreement by an additional four months. We remain unaware of any allegations of wrongdoing asserted or contemplated by OFAC against us.

We believe that we are in compliance in all material respects with all laws, rules, regulations and requirements that affect our business, including but not limited to, the OFAC "cease and desist" order. Further, we believe that compliance with such laws, rules, regulations and requirements does not impose a material impediment on our ability to conduct business.

Employees

WWA Group currently has 40 full time employees working for the auction and equipment trading business. Our wholly owned subsidiary, Crown, employs 18 full-time employees on its owned shipping vessel. However, these 18 employees fall under the contract responsibility of the vessel charter party. Our consolidated subsidiary Intelspec employs 10 full time employees at its subsidiary level in the project management operation in Ras Al Khaimah. Our management expects to continue to use consultants, attorneys, and accountants as necessary, to complement services rendered by our employees.

Reports to Security Holders

WWA Group's annual report contains audited financial statements. We are not required to deliver an annual report to security holders and will not automatically deliver a copy of the annual report to our security holders unless a request is made for such delivery. We file all of our required reports and other information with the Securities and Exchange Commission (the "Commission"). The public may read and copy any materials that are filed by WWA Group with the Commission at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The statements and forms filed by us with the Commission have also been filed electronically and are available for viewing or copy on the Commission maintained Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission. The Internet address for this site can be found at *http://www.sec.gov*.

ITEM 1A. RISK FACTORS

WWA Group's operations and securities are subject to a number of risks. Below we have identified and discussed the material risks that we are likely to face. Should any of the following risks occur, they will adversely affect our operations, business, financial condition and/or operating results as well as the future trading price and/or the value of our securities.

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Risks Related to WWA Group's Business

Sales of equipment from our auctions may have ultimately ended up in Iran, Sudan or Syria.

Due to the proximity of Iran, Sudan and Syria to our auction site, sales records, and statistics on regional spending for used construction equipment, there is reason to believe that some percentage of the equipment sold at our auctions prior to May 2007 may have ultimately ended up in Iran, Sudan or Syria. Although we have never sold equipment to Iran, Sudan or Syria, countries which the U.S. State Department and OFAC have identified as state sponsors of terrorism, and we have never made any effort to attract consignors or bidders from any country recognized as a state sponsor of terrorism, it is possible that some equipment purchased at our auctions was sold to persons or entities that re-exported such equipment to these countries, particularly to Iran. Our records indicate as follows:

Sales between March 2001 and May 2007 to persons or entities with addresses in countries deemed State Sponsors of Terrorism by the U.S. State Department and OFAC

Address of registered bidder	*Sales*	*Percentage of total sales**
Iran	$7,300,000	1.40%
Sudan	$1,847,950	0.37%
Syria	$202,300	0.03%
TOTAL	$9,350,250	1.8%

* Total gross auction sales and private sales by WWA Group were approximately

$519,600,000 between 2001 and May of 2007

We do not believe that this percentage of sales had any impact on our operations, reputation or shareholder value. However, despite the fact that we have no knowledge of delivery of equipment purchased at our auctions into Iran, Sudan or Syria, the U.S. State Department or OFAC could impose fines upon us and has caused us to restrict sales to persons resident in Iran, Sudan or Syria based on the possibility of delivery to these countries. Any further action on the part of the U.S. State Department or OFAC could have a negative impact on our reputation which might decrease shareholder value.

A significant percentage of corporate control lies in the hands of one shareholder.

Asia8, Inc. owns and controls voting power over nearly 40% of WWA Group's issued and outstanding stock. The concentration of such a large percentage of our stock in the hands of one shareholder may have a disproportionate effect on the voting power of minority shareholders on any and all matters presented to WWA Group's shareholders. Additionally, Eric Montandon, our chief executive officer, is also the chief executive officer of Asia8, Inc.

WWA Group competes with a much larger and better-financed corporation.

We compete with numerous auction companies throughout the world, but the Gulf region is our primary market. The used equipment auction market in the Gulf region has only two significant participants, us and Ritchie Brothers Auctioneers, Inc. ("RBA"). RBA, the world's largest un-reserved equipment auctioneer, has reported over $3.5 billion in gross auction sales for 2008 from 193 auctions around the world, and holds a dominant position in certain geographic locations. While RBA is still much larger and much better-financed than us, we have gradually increased our market share in Dubai and have effectively outperformed RBA in terms of market share since 2004.

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WWA Group is dependent upon key personnel.

WWA Group's performance and operating results are substantially dependent on the continued service and performance of our officers and directors. We intend to hire additional technical, sales, managerial and other personnel as we move forward with our business model. Competition for such personnel is intense, and there can be no assurance that we can retain our key sales employees, or that we will be able to attract or retain highly qualified sales and managerial personnel in the future. The loss of the services of any of our key employees or the inability to attract and retain the necessary personnel could have a material adverse effect upon our business, financial condition, operating results, and cash flows.

WWA Group depends on the growth of our customer base and increased business from our current customers.

WWA Group's success is substantially dependent on the continued growth of our customer base. If we fail to increase our customer base, our business and operating results will be seriously harmed. Our ability to attract new customers will depend on a variety of factors, including the reliability, security, scalability and cost-effectiveness of our services, as well as our ability to effectively market our services. If we fail to generate repeat and expanded business from our current customers, our business and operating results will be seriously harmed.

Risks Related to WWA Group's Stock

The market for our stock is limited and our stock price may be volatile.

The market for our common stock has been limited due to low trading volume and the small number of brokerage firms acting as market makers. Because of the limitations of our market and volatility of the market price of our stock, investors may face difficulties in selling shares at attractive prices when they want to. The average daily trading volume for our stock has varied significantly from week to week and from month to month, and the trading volume often varies widely from day to day.

We incur significant expenses as a result of the Sarbanes-Oxley Act of 2002, which expenses may continue to negatively impact our financial performance.

We incur significant legal, accounting and other expenses as a result of the Sarbanes-Oxley Act of 2002, as well as related rules implemented by the Commission, which control the corporate governance practices of public companies. Compliance with these laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002, as discussed in the following risk factor, has substantially increased our expenses, including legal and accounting costs, and made some activities more time-consuming and costly. Further, expenses related to our compliance may increase in the future, as legislation affecting smaller reporting companies comes into effect that may negatively impact our financial performance to the point of having a material adverse effect on our results of operations and financial condition.

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Our internal controls over financial reporting may not be considered effective in the future, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 we are required to furnish a report by our management on our internal controls over financial reporting. Such report must contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. If we are unable to continue to assert that our internal controls are effective, our investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

WWA Group does not pay dividends.

WWA Group does not pay dividends. We have not paid any dividends since inception and have no intention of paying any dividends in the foreseeable future. Any future dividends would be at the discretion of our board of directors and would depend on, among other things, future earnings, our operating and financial condition, our capital requirements, and general business conditions. Therefore, shareholders should not expect any type of cash flow from their investment.

WWA Group may require additional capital funding.

There can be no guarantee that we will not require additional funds, either through additional equity offerings or debt placements, in order to expand our operations. Such additional capital may result in dilution to our current shareholders. Further, our ability to meet short-term and long-term financial commitments will depend on future cash. There can be no assurance that future income will generate sufficient funds to enable us to meet our financial commitments.

If the market price of our common stock declines as the selling security holders sell their stock, selling security holders or others may be encouraged to engage in short selling, depressing the market price.

The significant downward pressure on the price of the common stock as the selling security holders sell material amounts of common stock could encourage short sales by the selling security holders or others. Short selling is the selling of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller. Short sellers assume that they will be able to buy the stock at a lower amount than the price at which they sold it short. Significant short selling of a company’s stock creates an incentive for market participants to reduce the value of that company’s common stock. If a significant market for short selling our common stock develops, the market price of our common stock could be significantly depressed.

WWA Group’s shareholders may face significant restrictions on their stock.

WWA Group’s stock differs from many stocks in that it is a “penny stock.” The Commission has adopted a number of rules to regulate “penny stocks” including, but not limited to, those rules from the Securities Act as follows:

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3a51-1 which defines penny stock as, generally speaking, those securities which are not listed on either NASDAQ or a national securities exchange and are priced under $5, excluding securities of issuers that have net tangible assets greater than $2 million if they have been in operation at least three years, greater than $5 million if in operation less than three years, or average revenue of at least $6 million for the last three years;

15g-1 which outlines transactions by broker/dealers which are exempt from 15g-2 through 15g-6 as those whose commissions from traders are lower than 5% total commissions;

15g-2 which details that brokers must disclose risks of penny stock on Schedule 15G;

15g-3 which details that broker/dealers must disclose quotes and other information relating to the penny stock market;

15g-4 which explains that compensation of broker/dealers must be disclosed;

15g-5 which explains that compensation of persons associated in connection with penny stock sales must be disclosed;

15g-6 which outlines that broker/dealers must send out monthly account statements; and

15g-9 which defines sales practice requirements.

Since WWA Group's securities constitute a "penny stock" within the meaning of the rules, the rules would apply to us and our securities. Because these rules provide regulatory burdens upon broker-dealers, they may affect the ability of shareholders to sell their securities in any market that may develop; the rules themselves may limit the market for penny stocks. Additionally, the market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

Shareholders should be aware that, according to Commission Release No. 34-29093 dated April 17, 1991, the market for penny stocks has suffered from patterns of fraud and abuse. These patterns include:

- control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;

- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;

- "boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;

- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

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the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We currently maintain our offices at 600 E. Baseline Rd., Suite B3, Tempe, Arizona 85283. The office space is comprised of 1,500 square feet for which WWA Group pays $300 on a month to month basis. We also maintain a permanent auction site in the Jebel Ali Free Zone, Dubai, United Arab Emirates, on a 23-acre lot for which we paid $619,500 in 2008 rent expense. We have been granted a 20-year lease expiring in 2027 for the use of this property by the Jebel Ali Free Zone Authority. We have allocated one quarter of the lot for permanent office premises.

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ITEM 3. LEGAL PROCEEDINGS

WWA Group. vs. Frederic Polliart

On July 8, 2008 WWA Group, represented by Kronenberger Burgoyne, LLP, commenced proceedings in the United States District Court Southern District of California with the filing of a complaint against

Frederic Polliart that seeks punitive and exemplary damages for cyber squatting, trademark infringement, civil extortion, defamation, intentional interference with contractual relations, intentional interference with prospective economic advantage, and unfair competition in connection with Polliart’s use of an internet domain name “ *wwauctions.biz* ” to disseminate false information about WWA Group and its management. WWA Group believes that it will be successful in pursuing its claims against Polliart. WWA Group awaits a response to the complaint as of the date of this report.

OFAC Tolling Agreement

On March 20, 2008 WWA Group, represented by the Law Offices of Robert N. Wilkinson, executed a Tolling Agreement at the request of The Office of Foreign Asset Control (“OFAC”) of the U.S. Treasury Department intended to toll the time frame permitted under the relevant statute of limitations until April 9, 2009 in order for OFAC to continue its investigation into our business operations. On March 23, 2009 WWA Group signed a four month extension of this tolling agreement as requested by OFAC. WWA Group is unaware of any allegations of wrongdoing asserted or contemplated by OFAC.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the security holders, through the solicitation of proxies or otherwise, during the year ended December 31, 2008.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

WWA Group's common stock is traded on Over the Counter Bulletin Board under the symbol “WWAG”. The table below sets forth the high and low prices for WWA Group's common stock for each quarter of 2008 and 2007. The quotations below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions:

Market Prices

Year	*Quarter Ended*	*High*	*Low*
2008	December 31	$ 0.59	$ 0.12
	September 30	$ 0.65	$ 0.41
	June 30	$ 0.72	$ 0.45
	March 31	$ 0.73	$ 0.40
2007	December 31	$ 0.89	$ 0.56
	September 30	$ 0.95	$ 0.60
	June 30	$ 1.00	$ 0.70

March 31	$ 1.12	$ 0.65

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Capital Stock

The following is a summary of the material terms of WWA Group's capital stock. This summary is subject to and qualified by our articles of incorporation and bylaws.

Common Stock

As of March 27, 2009, there were 896 shareholders of record holding a total of 22,591,922 shares of fully paid and non-assessable common stock of the 50,000,000 shares of common stock, par value $0.001, authorized. The board of directors believes that the number of beneficial owners is substantially greater than the number of record holders because 6,186,373 shares of our outstanding common stock is held in broker "street names" for the benefit of individual investors. The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

WWA Group has not authorized shares of preferred stock.

Warrants

As of March 27, 2009, WWA Group had issued 576,973 common share purchase warrants exercisable at $1.00 per share at any time until September 28, 2009.

Stock Options

As of March 27, 2009, there are 100,000 options outstanding that were granted pursuant to the WWA Group 2006 Benefit Plan, to purchase shares of our common stock at an exercise price of $0.36 exercisable on or before October 15, 2009.

Transfer Agent and Registrar

WWA Group's transfer agent and registrar is Interwest Transfer Company, 1981 E. Murray-Holladay Road, Holladay, Utah, 84117–5164. Interwest's phone number is (801) 272-9294.

Purchases of Equity Securities made by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this current report contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include but are not limited to those discussed in the subsection entitled *Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition* below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this current report. Our fiscal year end is December 31.

Discussion and Analysis

WWA Group's business strategy is to (i) increase cash flow from operations to generate net income to reduce payables, (ii) expand operations to new auction sites, and (iii) acquire or develop other related businesses in the region and internationally. We intend to focus on formalizing new joint venture relationships, management arrangements, new wholly owned facilities, and expanded auctions as the means by which to increase net cash flow.

Implementation of our growth model will include expanding our lower cost auction methods, such as on-line auctions, video auctions, and transportation equipment only auctions, all of which can be held on a more frequent basis than the larger equipment auctions. While smaller in size, these auctions will not interfere with or detract from WWA Group's major equipment auctions, and the economies of scale at the Dubai facility are efficient for this purpose. We have also expanded high margin buyer and seller services, such as shipping and transport. Our ownership of a shipping company and access to owners of a large volume of equipment being moved around the world provide vertical integration opportunities that could combine auction services with the ability to meet shipping needs.

As part of our expansion plan we have invested in an unconsolidated subsidiary, Intelspec, which is engaged in project management. We are confident that our competitive advantages in this business will result in a profit from this investment. However, should our investment into Intelspec be unable to attract a return in the next two years, this may affect the profitability of our overall business.

WWA Group's business development strategy is prone to significant risks and uncertainties some of which can have an immediate impact on our efforts to increase positive net cash flow and deter future prospects for the expansion of our business. Our financial condition and results of operations depend primarily on the volume of industrial equipment auctioned, the prices we obtain at auction for such equipment, and the commission rates we can attract from the consignor. Industrial equipment prices historically have been volatile and are likely to continue to be volatile in the future, and the commission rates in our primary market are subject to competition. This price volatility and commission rate pressure can immediately affect our available cash flow which can in turn impact the availability of net cash flow for future capital expenditures. Our future success will depend on our ability to increase the size of our auctions and to optimize commissions and prices realized at auction. Should we be unable to increase gross auction sales and obtain competitive pricing at auction then we can expect a reduction in revenue which will affect our results of operations.

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Results of Operations

During the period from January 1, 2008 through December 31, 2008, WWA Group conducted six un-reserved auctions for industrial equipment from our auction site located in Dubai, generated fixed charter revenue from our owned shipping vessel, bought and sold equipment for our own account, converted debt to shares of our common stock, and purchased equipment with our common stock. We expect that over the next twelve months we will continue to expand our business through larger auctions at established sites, open new jointly managed auction locations, and further develop or sell our investment in Intelspec depending on market conditions.

WWA Group realized a decrease in net income for the year ended December 31, 2008 over the comparative period in 2007 due to lower gross profit margins on the sale of owned equipment, reduced net income from the ship charter business, and a loss from our Intelspec subsidiary. WWA Group believes that the immediate key to our ability to operate more profitably is to maintain and increase the size of our auctions and the related commission revenue, maintain the new dry charter on the vessel, and increase the gross margins from equipment trading activity.

Gross Revenue

Revenue for the year ended December 31, 2008 increased to $29,375,917 from $26,841,630 for the year ended December 31, 2007, an increase of 9%. The increase in revenue was primarily the result of the increased sales of owned equipment at auction and in private sales, which grew to $20,124,710 for the year ended December 31, 2008 compared to $17,505,466 for the year ended December 31, 2007. This increase was augmented by an increase in commission and service revenue to $7,721,878 for the year ended December 31, 2008 from $7,652,622 for the year ended December 31, 2007. Ship chartering revenue was reduced to $1,529,329 for the year ended December 31, 2008 from $1,683,542 for the year ended December 31, 2007 due to down time for a five year special maintenance in November 2008.

We expect continued growth in the marketplace and increased gross auction revenue in 2009 over 2008. The last two auctions in December 2008 and February 2009 are indicative of an ongoing trend towards larger auctions.

We have also been able to increase our lines of credit and other facilities needed to increase the volume of trading for our own account. The market prices for equipment have now stabilized at lower levels than 2008 and we can now expect better gross margins on increased volume of new trading activity.

Gross revenue from ship charter will be reduced to about $600,000 for 2009, due to new charter that requires the charter party to pay all expenses associated with the vessel operations and maintenance, in addition to the charter fee.

Gross Profit

Gross profit for the year ended December 31, 2008 decreased to $6,766,741 from $7,595,338 for the year ended December 31, 2007, a decrease of 11%. This decrease is primarily due to slightly lower ship charter revenue of in 2008 compared to 2007, from which we deduct no direct costs of sales or operations. Gross margins from commissions and services decreased slightly to $4,297,323 for the year ended December 31, 2008 from $4,357,128 for the year ended December 31, 2007. The primary factor for reduced gross margins in 2008 over 2007 was the lower gross profit on equipment trading, which decreased to $550,154 for the year ended December 31, 2008 from $1,554,668 for the year ended December 31, 2007. As a percentage of revenues, gross profit declined to 23% for the year ended December 31, 2008 from 28.3% for the year ended December 31, 2007.

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WWA Group expects gross profit margins to remain around 25% to 30% in the future, but this percentage figure will decline with any significant increase in owned equipment trading volume.

The decrease in gross profit from sales of equipment is a direct result of the drop in market value of owned inventory at the end of 2008. As a percentage of revenues from sales of owned equipment, our gross profit was 4.7% for the year ended December 31, 2008 as compared to 8.88% for the year ended December 31, 2007.

We do not seek to be a significant seller in the auctions we conduct, and we do not expect the percentage of owned equipment for sale at our auctions to exceed 10% of the gross auction volume. However, total auction sale volumes are expected to increase in 2009 and beyond, and we also will increase sales of owned equipment in on-line auctions and in private treaty sales. We also plan to purchase equipment in the form of guaranteed net proceeds to assist customers and increase auction volume.

The gross profit percentage may vary greatly from period to period depending on the equipment WWA Group determines to purchase. We will continue to seek to purchase equipment that we believe will sell for a gross profit, without compromising the integrity of the consignment auction business.

Net Income

Net income for the year ended December 31, 2008 decreased to $301,275 from $1,329,973 for the year ended December 31, 2007, a decrease of 77%. The decrease over the comparable periods can be attributable to:

- A reduction in market prices of owned inventory sold in late 2008;
- Down time during the special maintenance of the shipping vessel in November 2008;
- Increase in finance costs; and
- A net operating loss of $254,336 from our investment into Intelspec, accounted for using the equity method.

Operating expenses decreased by about 6% over the comparable periods. However, an increase in total other expenses more than eliminated this decrease. Total other expense was $938,583 for the year ended December 31, 2008 from $363,835 for the year ending December 31, 2007. This increase over the comparable periods is attributable to an increase in interest expense and the net loss from our equity investment in Intelspec.

WWA Group projects an increase in net income for 2009 based on our expectations of:

- Increasing gross sales volume at our physical auction sales and on-line auctions;

- Increasing commissions and service revenue as a percentage of gross auction sales;
- Elimination of all expenses associated with operating and maintain the shipping vessel;
- Increasing gross profit margins on owned equipment trading;
- Decreasing interest expense; and
- Addition of other income from our investment in Intelspec.

Some of the above expectations are being experienced already in 2009, and are controllable by management. Others are more speculative and subject to market conditions. There can be no assurance that we will be successful in achieving any of the additional sources of revenues or achieve higher profits in 2009.

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Expenses

Operating expenses for the twelve month period ended December 31, 2008 decreased to $5,526,883 from $5,901,530 for the comparable period ended December 31, 2007, a decrease of 6%. WWA Group anticipates that operating expenses will decrease significantly in 2009 due to the elimination of vessel related expenses from the outsourcing of vessel management as well as other cost cutting measures implemented in early 2009. However, there can be no assurance that our general and administrative and other operating expense will not increase in future periods.

Major components of general and administrative expenses by year are:

Major Components of General and Administrative Expenses

	2008		*2007*	
Professional fees	$	132,329	$	113,678
Rent or lease expense	$	885,158	$	817,296
Travel and entertainment	$	185,923	$	309,751
Representation expense	$	100,473	$	96,000
Insurance expense	$	172,238	$	167,626
Bank charges	$	155,865	$	160,599
Maintenance expense	$	250,510	$	167,140
Option expense	$	17,195	$	325,760

General and administrative expenses for the twelve month period ended December 31, 2008 decreased to $2,650,798 from $3,075,110 for the twelve month period ended December 31, 2007. This decreased is primarily due to a decrease in professional expenses and a decrease in option expense.

Salaries and wages for the annual periods ended December 31, 2008 and 2007 were $1,967,182 and $1,809,483 respectively. Wages for vessel crew were included in 2008 salaries and wages expense, and wages in general have increased in Dubai. The vessel crew wage expense will be eliminated for 2009 due to the outsourcing of vessel management and we expect to keep other employment at present levels for 2009.
Selling expenses for the annual periods ended December 31, 2008 and 2007 were $122,032 and $296,854 respectively.

Depreciation and amortization expenses for the annual periods ended December 31, 2008 and 2007 were $786,872 and $720,083, respectively.

Income Tax Expense (Benefit)

The Jebel Ali Free Zone is an income tax free zone. Therefore, the profits of WWA Group are not taxable in Dubai. WWA Group has determined that undistributed earnings from Dubai will be reinvested in the business indefinitely and that such earnings will not be distributed to the U.S. parent. Therefore, in accordance with APB Opinion No. 23, *Accounting for Income Taxes - Special Areas*, no income tax provision has been recorded for the undistributed earnings. If, in the future, WWA Group distributes such earnings to our U.S. parent, the earnings will be taxable at the applicable U.S. tax rates.

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Impact of Inflation

We have been subject to a substantial increase in yard and staff housing rent expense in the last two years, which is a result of tremendous demand for housing and land within the UAE's Free Zone. However, the general market is settling down, and we have agreements in place to stabilize these costs in the future. We believe that we can offset inflationary increases in operating costs by increasing revenue and improving operating efficiencies.

Liquidity and Capital Resources

We had a working capital surplus of $2,024,948 as of December 31, 2008. Our current assets totaled $33,118,852, which included $7,476,689 in cash, $13,823,321 in receivables, and $7,288,303 in inventories. Our total assets were $40,226,521, which included $5,562,050 in property and equipment. Our current liabilities totaled $31,093,904, which included $21,014,096 in auction proceeds payable and $7,084,052 on our line of credit. Our total liabilities were $31,436,813. Our total stockholders equity at December 31, 2008 was $8,789,707.

Cash provided by operating activities for the year ended December 31, 2008 was $145,756 as compared to $1,082,129 for year ended December 31, 2007. The decrease over the comparable periods is primarily due to a decrease in net income. The cost of our investments in inventory of $3,228,608 and our accounts receivable growth of $10,613,529 in the current period were offset by an increase in auction proceeds payable. We expect to generate greater amounts of cash from operations in 2009.

Cash used in investing activities for the year ended December 31, 2008 was $908,461 as compared to $2,834,111 for the year ended December 31, 2007. The investment activities in 2008 were primarily comprised of $1,230,874 in property and equipment purchases.

Cash provided by financing activities for the year ended December 31, 2008 was $2,955,995 as compared to $4,409,811 for the year ended December 31, 2007. The cash flow provided by financing activities relates to bank lines of credit from which $3,571,165 was borrowed in the current period. We repaid $615,170 in long-term debt in the current period.

The board of directors, at its own discretion, may issue stock or grant options under the 2006 Benefit Plan to employees and other individuals, including consultants or advisors, who render services to WWA Group or our subsidiaries, provided that the services rendered are not in connection with the offer or sale of securities in a capital-raising transaction. From April 2006 through December 31, 2007, a total of 1,250,000 share options were granted to various consultants at an average price per share of $0.50, of which all options have been exercised. In October of 2008 WWA Group granted 100,000 share options to a consultant at $0.36 per share, none of which options have been exercised.

WWA Group believes that it has sufficient current assets and operational cash flow to meet its obligations. WWA Group has funded its cash needs from inception through operations, increasing its payables, and a series of debt transactions. WWA Group can provide no assurance that it will be able to obtain additional financing, if needed, to meet its current obligations. If WWA Group is unable to increase its cash flows from operating activities or obtain additional financing, it may be required to delay payment of accounts payable or auction proceeds payable, which could negatively impact WWA Group's ability to attract and retain consignors for future auctions.

WWA Group has no current plans to make any significant changes in the number of employees.
Since earnings will be reinvested in operations, WWA Group does not expect to pay cash dividends in the foreseeable future.

WWA Group has no defined benefit plan or contractual commitment with any of its officers or directors.

Critical Accounting Policies

In Note 2 to the audited consolidated financial statements for the years ended December 31, 2008 and 2007 included in this Form 10-K, we discuss those accounting policies that are considered to be significant in determining the results of operations and our financial position. We believe that the accounting principles utilized by us conform to accounting principles generally accepted in the United States of America.
The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. We base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions. With respect to revenue recognition, we apply the following critical accounting policies in the preparation of its financial statements

Revenue Recognition

Auction Revenues earned in WWA Group's capacity as agent for consignors of equipment are comprised mainly of auction commissions in the form of flat selling fees or fixed or sliding percentages of the gross auction sale price of any consigned equipment. The majority of auction commissions are earned as a fixed rate of the gross selling price. *Auction Revenues* also include any preparation, shipping, clearing, transport and handling charges and fees applicable to certain items of consigned equipment; incidental interest income; buyers' commission applicable on certain sales of items. All revenue is recognized when the auction sale is complete and we have determined that the auction proceeds are collectible.

Trading Revenues are defined as gross proceeds on sales of our owned or underwritten inventory sold at auction or privately. All costs of goods sold are accounted for under direct costs. Trading Revenues can be earned and direct costs can be incurred when we guarantee a certain net level of proceeds to a consignor. This type of revenue includes a percentage of proceeds in excess of the guaranteed amount. If actual auction proceeds are less than the guaranteed amount, we can incur a net loss on the sale. Therefore, sales of equipment on guaranteed contracts are to be treated the same as inventory for accounting purposes. Our exposure from these guaranteed contracts can vary over each guarantee contract. Losses, if any, resulting from guaranteed contracts are recorded in the period in which the relevant auction is held.

Ship Chartering Revenues are contractual in nature and similar to a lease. WWA Group chartered our cargo vessel to a freight forwarding company on a flat daily fee until the end of 2008. The shipping company is responsible for all of the fuel costs and cargo related costs, and the risks of receipt and delivery of the cargo. We recognize our ship charter revenues ratably over the term of the charter contract.

Forward Looking Statements and Factors That May Affect Future Results and Financial Condition

The statements contained in the section titled *Results of Operations* and *Description of Business*, with the exception of historical facts, are forward looking statements. A safe-harbor provision may not be applicable to the forward looking statements made in this current report. Forward looking statements reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These statements include, but are not limited to, statements concerning:

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- our anticipated financial performance;
-