ICEWEB INC
Form 10QSB/A
November 10, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A
AMENDMENT NO. 2

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2005

[ ] 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 0-27865

ICEWEB, INC.
(Exact name of small business issuer as specified in its charter)

DELAWARE	13-2640971
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

205 VAN BUREN STREET, SUITE 420, HERNDON, VA 20170
(Address of principal executive offices)

703) 964-8000
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 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 [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 5,825,620 issued and outstanding at

April 30, 2005.

Transitional Small Business Disclosure Format: Yes [ ]   No [X]

EXPLANATORY NOTE

We are amending the Form 10-QSB/A for the period ended March 31, 2005 to restate our Consolidated Balance Sheet (unaudited) at March 31, 2005, Consolidated Statements of Operations (unaudited) for the three and six months ended March 31, 2005 and Consolidated Statements of Cash Flows (unaudited) for the six months ended March 31, 2005 to reflect a change in classification of assets relating to the acquisition of The Seven Corporation, Iplicity, Inc. and DevElements, Inc. per SFAS 141. Amounts previously recorded as goodwill have been reclassified as intangible assets. See Note 7 - Software Development Costs to the Notes to Consolidated Financial Statements (unaudited) for a more detailed explanation relating to intangibles and the associated amortization expense.

The Items of this Form 10-QSB/A for the period ended March 31, 2005 which are amended and restated are as follows: Part I, Item 1. Financial Statements including the Consolidated Balance Sheet (unaudited) at March 31, 2005, Consolidated Statements of Operations (unaudited) for the three and six months ended March 31, 2005, Consolidated Statement of Cash Flows (unaudited) for the six months ended March 31, 2005 and Notes to Consolidated Financial Statements (unaudited), Item 2. Management's Discussion and Analysis or Plan or Operation and Item 3. Controls and Procedures. Further, Part II, Item 6. Exhibits and Reports on Form 8-K, includes currently dated certificates from the Company's Chief Executive Officer and principal accounting and financial officer in Exhibits 31.1, 31.2 and 32.1.

The remaining Items contained in this Form 10-QSB/A consist of all other Items originally contained in our Form 10-QSB for the period ended March 31, 2005 as filed on May 16, 2005 and amended on August 4, 2005. This Form 10-QSB/A does not reflect events occurring after the filing of the original Form 10-QSB, nor modify or update those disclosures in any way other than as required to reflect the effects of the restatement.

ICEWEB, INC.

FORM 10-QSB/A

FOR THE QUARTER ENDED MARCH 31, 2005

INDEX

FORWARD-LOOKING STATEMENTS

This Quarterly Report and related documents include "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Forward-looking statements involve known and unknown risks, uncertainties, and other factors which could cause the Company's actual results, performance (financial or operating) or achievements expressed or implied by such forward looking statements not to occur or be realized. Such forward looking statements generally are based upon the Company's best estimates of future results, performance or achievement, based upon current conditions and the most recent results of operations. Forward-looking statements may be identified by the use of forward-looking terminology such as "may," "will," "expect," "believe," "estimate," "anticipate," "continue," or similar terms, variations of those terms or the negative of those terms. Potential risks and uncertainties include, among other things, such factors as: our high level of indebtedness and ability to satisfy the same, our history of unprofitable operations, the continued availability of financing in the amounts, at the times and on the terms required, to support our future business and capital projects, the extent to which we are successful in developing, acquiring, licensing or securing patents for proprietary products, changes in economic conditions specific to any one or more of our markets, changes in general economic conditions, our ability to produce and install product that conforms to contract specifications and in a time frame that meets the contract requirements, and the other factors and information disclosed and discussed in other sections of this report. Investors and shareholders should carefully consider such risks, uncertainties and other information, disclosures and discussions which contain cautionary statements identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

When used in this prospectus, the terms the "Company," "Iceweb," " we," "our," and "us" refers to Iceweb, Inc., a Delaware corporation, and its subsidiaries. All per share information contained in this Quarterly Report gives effect to the One for eighty (1:80) reverse split of the company's common stock effected on April 27th, 2005.

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

IceWEB, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET
March 31, 2005
(Unaudited)

Current assets:	
Cash	1,025,112
Accounts receivable, net of allowance of $20,946	1,026,626
Prepaid expense	34,752
Total current assets	2,086,490
Property and equipment, net of accumulated depreciation of 333,562	144,260
Goodwill	41,800
Intangible, net	441,382
Deposits	16,170
Deferred financing costs	190,000
Total assets	$ 2,920,102
Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable	1,087,582
Accrued expenses	177,288
Line of credit	461,269
Deferred revenue	7,450
Total Current liabilities	1,733,589
Notes payable - related parties	416,639
Total liabilities	$ 2,150,228
Stockholders' equity:	
Preferred stock (par value $.001; 10,000,000 shares authorized; Series A Convertible Preferred Stock, par value .001, 1,666,667 shares issued and 1,666,667 shares outstanding)	1,667
Common stock (par value $.001 1,000,000,000 shares authorized 5,988,120 issued, and 5,825,620 outstanding)	5,826
Treasury Stock, at cost, (162,500 shares)	(13,000)
Subscription receivable	(14,300)
Additional paid in capital	7,098,617
Accumulated deficit	(6,308,936)
Total stockholders' equity	769,874
Total liabilities and stockholders' equity	$ 2,920,102

See accompanying notes to unaudited consolidated financial statements

IceWEB, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2005 (Unaudited)	Three Months Ended March 31, 2004 (Unaudited)
Revenue	$ 1,514,920	$ 1,623,358
Cost of Sales	985,111	1,294,952
Gross Profit	529,809	328,406
Operating Expenses:		
Marketing & Selling	3,199	59,349
General and Administrative	443,157	424,875
Depreciation Expense	11,598	13,474
Amortization Expense	195,691	-
Total Operating Expenses	653,645	497,698
Operating (Loss)/Income	(123,836)	(169,292)
Interest Expense	(10,636)	(10,976)
Net (Loss)Income	$ (134,472)	$ (180,268)
Less: Preferred stock dividend	(1,000,000)	-
Loss available to common shareholders	$(1,134,472)	$ -
Basic Income (Loss) per common share	$ (0.20)	$ (0.04)
Diluted Income (Loss) per common share	$ (0.20)	$ -
Weighted average common shares outstanding basic	5,623,435	4,846,944
Weighted average common shares outstanding diluted	5,741,004	-

See accompanying notes to unaudited consolidated financial statements

5

IceWEB, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended March 31, 2005 (Unaudited)	Six Months Ended March 31, 2004 (Unaudited)

Revenue	$ 2,957,577	$ 3,148,716
Cost of Sales	2,258,595	2,353,734
Gross Profit	698,982	794,982
Operating Expenses:		
Marketing & Selling	15,902	96,209
General and Administrative	944,589	800,133
Depreciation Expense	27,960	27,025
Amortization Expense	391,382	-
Total Operating Expenses	1,379,833	923,367
Operating (Loss)/Income	(680,851)	(128,385)
Interest Expense	(30,937)	(21,952)
Net (Loss)Income	$ (711,788)	$ (150,337)
Less: Preferred stock dividend	(1,000,000)	-
Loss available to common shareholders	$(1,711,788)	$ -
Basic & Diluted Loss per common share	$ (0.30)	$ (0.03)
Weighted average common shares outstanding basic and diluted	5,660,472	4,846,944

See accompanying notes to unaudited consolidated financial statements

6

IceWEB, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	March 31, 2005 (Unaudited)	March 31, 2004 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	$ (409,284)	$ (177,853)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(75,969)	(66,679)
NET CASH USED IN INVESTING ACTIVITIES	(75,969)	(66,679)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments from(to) related parties	(7,822)	52,382
Payment of subscription receivable	37,700	-
Common Stock issued for cash	393,775	255,000
Preferred Stock issued for cash	880,631	-
Proceeds from the exercise of common stock options	27,300	72,380
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,331,584	379,762
NET INCREASE IN CASH	846,331	135,230
CASH - beginning of year	178,781	104,314
CASH - end of period	1,025,112	239,544

See accompanying notes to the unaudited consolidated financial statements

ICEWEB, INC and Subsidiaries
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2005

Note 1 - Basis of Presentation

The financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim reporting and include all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation. These financial statements have not been audited.

Certain amounts in the 2004 consolidated financial statements have been reclassified to conform to the 2005 consolidated financial statement presentation. These reclassifications had no impact on previously reported net results of operations or stockholders' equity (deficit).

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended September 30, 2004, as amended. The financial data for the interim periods presented may not necessarily reflect the results to be anticipated for the complete year.

Note 2 - Related Parties

The Company has a note payable to John R. Signorello, the Chairman and CEO, for $93,177 plus accrued interest of approximately $41,600. This note bears interest at a rate of 12.5% per annum and is due on-demand. Other Stockholders/Employees have loans totaling $227,186 plus accrued interest of approximately $62,400. Of this amount, $150,000 bears interest at a rate of 12.5% per annum. The Company has issued the note holder 125,000 shares of common stock in exchange for the individual to extend the maturity date of the note by 10 years. The cost associated with these shares has been accounted for as deferred finance charges, and are being amortized over the life of the deferral period. The shares were valued at $200,000 the fair value at the date of issuance. Also included in this amount is $77,000 due to employees' payable on demand.

The Chairman and CEO of the Company, from time to time, provided advances to the Company for operating expenses. These advances are short-term in nature and non-interest bearing. The amount due to the Chairman and CEO at March 31, 2005 is included in Notes payable - related parties on the accompanying balance sheet.

Note 3 - Stockholder's Equity

On January 4th the Company issued a Private Placement Memorandum. The Company received $393,775 net of expenses. The pricing of the placement is $2.00 per unit. The units consist of one common share at par value .001 and two warrants priced at $4.00 and $8.00 expiring in 2009 and 2010 respectively.

On March 30th the Company entered into a preferred stock agreement with Barron Partners, LP a private investment company. Documents are incorporated by reference as an 8k. In March 2005, the Company sold 1,666,667 shares as Series A Convertible Preferred Stock. In connection with the preferred stock issuance, the Company also issued it's A common stock purchase warrants to purchase 2,000,000 shares of common stock at $2 per share. It's B common stock purchase warrants to purchase 1,250,000 shares of common stock at $4.80 per share, and it's C common stock purchase warrants to purchase 1,250,000 shares of common stock at $9.60 per share. All the warrants expire on March 30, 2010. Based on the guidance provided by APB No. 14 (accounting for convertible debt and debt issued with stock purchase warrants). The Company recorded a $1,000,000 preferred stock dividend as a result of this issuance.

During the period 7,500 common stock options were exercised by employees. The average exercise price of the options was $ .92. The Company realized proceeds of $6,900 from the exercise of the options.

Note 4 - Stock Options

Stock option activity during the period is indicated as follows:

	OPTIONS AVAILABLE FOR GRANT	OPTIONS GRANTED	EXERCISE PRICE
Balance, December 31, 2004	346,308	903,692	.80 - 3.80
Granted	(16,250)	16,250	
Forfeited	140,482	(140,482)	
Balance, March 31, 2005	470,540	779,460	.80 - 3.80

SFAS No. 123 "Accounting for Stock Based Compensation" ("SFAS 123") and SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148") requires the Company to disclose pro forma information regarding option grants made to its employees. SFAS 123 specifies certain valuation techniques that produce estimated compensation charges that are included in the pro forma results below. These amounts have not been reflected in the Company's Statement of Operations, because Accounting Principles Board Opinion 25, "Accounting for

Stock issued to Employees" specifies that no compensation charge arises when the price of the employees' stock options equal the market value of the underlying stock at the grant date, as in the case of options granted to the Company's employees.

Pro forma results are as follows for the three months ended March 31st, 2005:

Actual net income	(134,472)
SFAS 123 Compensation Cost	1,312
Pro forma net income	(135,784)
Pro forma basic and diluted net income per share	(.02)

Under SFAS 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used:

Risk free interest rate	4%
Expected dividends	0
Volatility factor	52%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options.

Note 5 - Accounts Receivable

Accounts receivable consist of normal trade receivables. The Company assesses the collectability of its accounts receivable regularly.

Note 6 - Subsequent Events

On April 19, 2005, Messrs. Signorello and Bond both agreed to convert the debt on the company's balance sheet to 541,667 shares of common stock based on the fair market value of the company's common stock as of that date.

On April 27th, 2005, the Company effected a 1 for 80 reverse split of its issued and outstanding common stock. All amounts have been retroactively adjusted to reflect this split.

NOTE 7 - Software Development Costs

Under the criteria set forth in SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," capitalization of software development costs begins upon the establishment of technological feasibility of the software. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenues, estimated economic life, and changes in software and hardware technology. Capitalized software development costs are amortized utilizing the straight-line method over the estimated economic life of the software not to exceed three years.

As of March 31, 2005, such capitalized software development costs were approximately $77,000. These costs will be amortized over a period of three years beginning April 1, 2005. The Company regularly reviews the carrying value of software development assets and a loss is recognized when the unamortized costs are deemed unrecoverable based on the estimated cash flows to be generated from the applicable software.

10

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The statements contained in this Quarterly Report on Form 10-QSB/A that are not purely historical statements are forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report on Form 10-QSB to conform these statements to actual results. Factors that might cause or contribute to such a difference include, but are not limited to, those discussed elsewhere in this Report in the section entitled "Risk Factors That May Affect Future Results" and the risks discussed in our other historical Securities and Exchange Commission filings.

THE FOLLOWING DISCUSSION SHOULD BE READ TOGETHER WITH THE INFORMATION CONTAINED IN THE FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED ELSEWHERE IN THIS REPORT.

OVERVIEW

IceWEB provides hosted web-based collaboration solutions that enable organizations to establish Internet, Intranet, and Email/Collaboration services immediately and with little or no up-front capital investment. IceWEB's Portal and IceMAIL Collaboration software services are available on a monthly or annual subscription basis to Small and Medium Business (SMB), Non-Profit, and Government organizations. No longer do organizations need to spend months getting their online Internet, Intranet, and Email/Collaboration systems operational--with IceWEB, organizations can be up and running in hours, not months.

IceWEB enables customers to quickly implement an important Internet, Intranet, and Email/Collaboration system through the following key products and services:

- The ICEPORTAL product is a complete framework for managing web content, rich-media content, discussion threads, customer/user management, and dynamic content that enables our customers to quickly deploy and manage a world-class Internet portal. Far more than "just a web site", IcePORTAL is designed to allow customers the flexibility to create, manage, and deploy some of the most technically advanced and scalable Internet and Intranet portals available today.

- ICEMAIL is a packaged service that provides a network-hosted groupware, email, calendaring, and collaboration solution utilizing the most widely used enterprise system available--Microsoft Exchange 2003. Customers can leverage the full capabilities of Microsoft Exchange 2003 and Outlook without the initial implementation and maintenance costs associated with such an advanced system--all for pennies a day. In addition to provided hosted Exchange services, IceMAIL will have a substantial focus on providing wireless PDA/SmartPhone synchronization services that enable our customers to have everything in Outlook/Exchange available while traveling away from their office. IceWEB will be a single-source provider of wireless PDA/SmartPhones, GoodLink or Blackberry software, and the cellular carrier services.

- CONSULTING SERVICES. IceWEB Consulting Services has a proven history of providing our larger enterprise and Government customers with superior Network Infrastructure, Enterprise Email/Collaboration, and Internet/Intranet Portal implementation and support services. IceWEB offers pre-packaged and custom services, using proven best practices to help organizations define their online business objectives and quickly deploy their Internet, Intranet, and Email/Collaboration systems. Although most of our SMB customers purchase and activate our solutions online, our professional services teams work closely with our Government, Non-Profit, and larger customers to deploy customized solutions--even our largest customers benefit from IceWEB's pre-built Portal and Email/Collaboration framework to minimize implementation costs and deployment timelines.

In addition to our focus on subscription-based "software as a service" offerings, IceWEB is engaged in a comprehensive Research and Development Plan to integrate our Portal and Email/Collaboration offerings into the next generation of online applications. This next generation of online hosted application services will focus on integrating "traditional email" and portal systems into an integrated Smart Enterprise Suite with both applications running on both Internet/Intranet as well as synchronized wireless/PDA systems.

RESULTS OF OPERATIONS

Revenues

We generate revenues from software, application development and network management services and integrated technology, infrastructure solutions and third party hardware sales. For the six months ended March 31st, 2005, we generated revenues of $1,514,920 compared to $1,623,358 in the comparative six months period in 2004, a decrease of approximately 7%.

Cost of Sales

For the six months ended March 31st, 2005, cost of sales was $985,110, or approximately 65% of revenues, compared to $1,294,952 or approximately 80% of revenues, for the six months ended March 31st, 2004. The Company attributes the decrease in the cost of sales to an increase in revenue from software sales, software services, IT infrastructure consulting and other technical human resources while sales of hardware decreased.

Total Operating Expenses

Our total operating expenses increased approximately 31% for the three months ended March 31st, 2005 as compared to the same period in fiscal 2004. These decreases are attributable to the following:

Marketing and Selling - our marketing and selling expense consists of personnel costs, including commissions, public relations, advertising, marketing programs, lead generation, travel and trade shows. For the three months ended March 31st, 2005, marketing and selling costs were $3,199 as compared to $59,349 for comparative period in 2004, a decrease of $56,150 or approximately 95%. These decreases were the result of a reduction in marketing personnel, trade show events, online web marketing, advertising and print advertising during fiscal 2004.

Research and development - our research and development expense consists primarily of personnel costs related to the development of the software products. We have capitalized during the six month period approximately $77,000 of Research and Development Costs relating to IceMail, IcePortal and, CMS software products.

General and administrative expense - our general and administrative expense consists primarily of personnel costs, rent, legal, accounting, human resources, telecommunications, office supplies and corporate governance and compliance. For the six months ended March 31st, 2005, general and administrative expenses were $443,158 as compared to $438,349 for the comparative period in 2004, an increase of $4,809 or approximately 2%. These minor increases in general and administrative expenses reflect increases in personnel costs and other operating expenses incurred in the period. We have stabilized general and administrative expenses and continue to decrease as a percentage of sales due to the process efficiencies we have been developing. At this time, we do not anticipate any significant changes in the number of employees through hiring or firing practices; however, any additional acquisitions could result in increased general and administrative expenses.

Interest Expense

Interest expense consists primarily of the amounts accrued on the notes payable to John R. Signorello and an unaffiliated third party as described in Note 2 of the notes to the unaudited consolidated Financial Statements appearing elsewhere herein. For the three months ended March 31, 2005 interest expense was $10,636 as compared to $10,976 the comparative period in 2004.

Amortization Expense

Amortization expense for intangibles is provided by use of the straight-line method for developed software and the expected cash flow method for custom relationship capitalized during acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

At March 31st, 2005, we had a cash balance of $1,025,112 and a working capital surplus of $352,901. Net cash used in operations was ($409,284) for the six months ended March 31st, 2005, as compared to net cash used in operations of ($177,853) for the six months ended March 31st, 2004. For the six months ended March 31st, 2005, we used cash to fund our net loss of ($330,406) offset by non-cash items such as depreciation and amortization expense of $37,960 reduce accounts payable. The report of our independent auditors on our financial statements for the year ended September 30, 2004 contains an explanatory paragraph regarding our ability to continue as a going concern.

Net cash used in investing activities for the six months ended March 31st, 2005 was $75,969 as compared to $66,679 for the comparative period in 2004. Net cash provided by financing activities for the six months ended March 31st, 2005 was $1,331,584 as compared to $379,762 for the comparative period in 2004. See Note

3.

Over the course of the past 4 months the company has raised net cash of $1.33 million. The proceeds will be used to continue our plan to increase software sales and develop additional upgrades to our existing products. The company does plan to raise additional capital to fund potential acquisitions and to provide working capital to fund strategic internal growth of the company.

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was released by the U.S. Securities and Exchange Commission, encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Our consolidated financial statements include a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Revenue Recognition - revenues are recognized at the time of shipment of the respective products and/or services. Our Company includes shipping and handling fees billed to customers as revenues. Costs of sales include outbound freight. Licenses and software are billed as services are rendered on a biweekly schedule.

13

Use of Estimates - Management's discussion and analysis of financial condition and results of operations is based upon our unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates, including those related to allowances for doubtful accounts receivable and the carrying value of inventories and long-lived assets. Management bases these estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Item 3. Controls and Procedures

Our Chief Executive Officer who also serves as our principal financial and accounting officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of a date (the "Evaluation Date") as of the end of the period covered by the report. As set forth below management determined that there was a material weakness in the Company's internal control over financial reporting as of March 31, 2005 as more fully described below. Based upon that evaluation, the Company's Chief Executive Officer has concluded that our disclosure controls and procedures were not effective because of the material weakness described below.

In this Quarterly Report on Form 10-QSB/A the Company is restating its Consolidated Balance Sheet (unaudited) at March 31, 2005 and its Consolidated Statement of Operations (unaudited) for the three and six months ended March 31, 2005 and Consolidated Statement of Cash Flows (unaudited) for the six months ended March 31, 2005 which appeared in its Quarterly Report on Form 10-QSB for the period ended March 31, 2005 as previously filed with the Securities and Exchange Commission. These restatements were made to reflect a change in classification of assets relating to the acquisition of The Seven Corporation, Iplicity, Inc. and DevElements, Inc. per SFAS 141. Amounts previously recorded as goodwill have been reclassified as intangible assets which resulted in recording amortization expense of these intangible assets in the period ended March 31, 2005. The restatements resulted from comments from the staff of the Securities and Exchange Commission.

As a result of these restatements and the amortization of these intangible assets, the amount of the Company's total assets was overstated, the amount of its additional paid-in capital and accumulated deficit was understated and the amount of its total stockholders' equity and total liabilities and stockholders' equity were overstated, all as which appear on its Consolidated Balance Sheet (unaudited) at March 31, 2005 from that as previously reported. In addition, these changes resulted in an increase of the Company's net loss for period ended and an increase in loss available to common stockholders both as reflected on the Company's Consolidated Statement of Operations (unaudited) appearing elsewhere herein. Finally, the Consolidated Statement of Cash Flows for the six months ended March 31, 2005 has been restated to incorporate the foregoing changes.

Because of these accounting errors, the Company has determined that a deficiency in internal controls existed related to the classification of goodwill and intangible assets. Accordingly, management determined that this control deficiency constituted a material weakness. Management has taken the remedial steps necessary to eliminate the material weakness relating to financial disclosure controls that resulted in the restatement discussed above. Other than the changes discussed above, there have been no changes made in the Company's internal controls or in other factors that could materially affect its internal controls subsequent to the end of the period covered by this report based on such evaluation.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any material legal proceedings.

Item 2. Changes in Securities and small business issuer purchases of equity securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Exhibit 31.1 Certification of Chief Executive Officer pursuant to

	Section 302
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Section 906

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICEWEB, Inc.

Dated: November 9, 2005

By: /s/ John R. Signorello
John R. Signorello, Chairman and CEO, principal executive officer and principal financial and accounting officer