

Edgar Filing: ENDO NETWORKS INC - Form 10QSB

ENDO NETWORKS INC  
Form 10QSB  
August 14, 2003

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarter ended: June 30, 2003

Commission file number:

ENDO NETWORKS, INC.

-----  
(exact name of registrant as specified in its charter)

Nevada  
-----  
(State of Incorporation)

75-2882833  
-----  
(IRS ID No.)

2425 Dunwin Drive, Unit #3, Mississauga, Ontario, Canada L5L 3T5  
-----  
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: 905-820-8800

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past twelve 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  No .

Shares of common stock outstanding at June 30, 2003: 12,568,866

TABLE OF CONTENTS

PART I _ FINANCIAL INFORMATION	Page Number
Item 1. Financial Statements	1 - 4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	5 - 8
PART II _ OTHER INFORMATION	

## Edgar Filing: ENDO NETWORKS INC - Form 10QSB

Item 1. Legal Proceedings	9
Item 2. Changes in Securities	9
Item 3. Defaults Upon Senior Securities	9
Item 4. Submission of Matters to a Vote of Security Holders	9
Item 5. Exhibits and Reports on Form 8-K	9
Signatures	10
Certifications Pursuant to 18 U.S.C. Section 1350	11

### ENDO NETWORKS, INC.

#### BALANCE SHEETS June 30, 2003 and September 30, 2002

#### ASSETS

	Unaudited June 30, 2003	Sept 30, 2002
CURRENT ASSETS:		
Cash	\$10,353	
Accounts receivable	101,283	
Inventory parts	22,832	
Prepaid expenses	11,350	
Total current assets	145,818	
PROPERTY AND EQUIPMENT, net of accumulated depreciation	389,534	
OTHER ASSETS		
Deposits	48,049	
TOTAL ASSETS	\$583,401	\$389,534

#### LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Accounts payable	\$176,268	
Accrued expenses	144,129	
Capitalized leases - current	159,376	

Edgar Filing: ENDO NETWORKS INC - Form 10QSB

Total current liabilities	479,773	
Capitalized leases - non current	82,285	
	-----	
TOTAL LIABILITIES	562,058	
	-----	
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 50,000,000 authorized, 12,568,866 shares issued and outstanding	12,569	
Subscriptions receivable	0	
Additional paid-in-capital	292,446	
Accumulated deficit	(283,672)	(
	-----	
Total Stockholders' Equity	21,343	
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$583,401	\$
	=====	

See accompanying notes to interim condensed financial statements

F-1

ENDO NETWORKS, INC.

STATEMENTS OF OPERATIONS  
Three and Nine Months Ended June 30, 2003 and 2002  
(Unaudited)

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Nine Months Ended June 30, 2003
	-----	-----	-----
Revenue	\$202,125	\$532,066	\$500,814
Cost of Goods Sold	151,835	306,337	346,305
	-----	-----	-----
Gross Profit	50,290	225,729	154,509
Operating Expense:			
Depreciation and amortization	3,816	59,558	9,706
General and administrative	111,254	122,120	264,920

Edgar Filing: ENDO NETWORKS INC - Form 10QSB

Total Operating Expense	115,070	181,678	274,626
NET LOSS	(\$64,780)	\$44,051	(\$120,117)
Weighted average shares outstanding	12,568,866	12,380,923	12,568,866
Loss per share - basic and diluted	(\$0.01)	\$0.00	(\$0.00)

See accompanying notes to interim condensed financial statements

F-2

ENDO NETWORKS, INC.

STATEMENTS OF CASH FLOWS  
 Nine Months Ended June 30, 2003 and 2002  
 (Unaudited)

Nine Months  
 Ended  
 June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Edgar Filing: ENDO NETWORKS INC - Form 10QSB

Net loss	(\$120,11
Adjustments to reconcile net loss to net cash (used) by operating activities:	
Items not requiring cash - depreciation and amortization	9,70
Common stock issued for services	
(Increase) decrease in accounts receivable	(31,51
(Increase) decrease in deposits	(6,27
(Increase) decrease in parts inventory	(10,13
(Increase) decrease in prepaid expenses	(2,41
Increase (decrease) in accounts payable & accrued expenses	189,62
	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES:	28,87
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Purchase) disposal of assets	
Proceeds from sale of assets	23,43
	-----
Cash flows from investing activities	23,43
CASH FLOWS FROM FINANCING ACTIVITIES:	
Sale of common stock	
Subscriptions receivable	25,30
Proceeds from (payments on) lease financing	(86,16
	-----
Cash flows from financing activities	(60,85
	-----
NET INCREASE (DECREASE) IN CASH	(8,55
CASH, BEGINNING OF PERIOD	18,90
	-----
CASH, END OF PERIOD	\$10,35
	=====

See accompanying notes to interim condensed financial statements

F-3

ENDO NETWORKS, INC.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS  
June 30, 2003

Note A - Presentation

## Edgar Filing: ENDO NETWORKS INC - Form 10QSB

The condensed balance sheet of the Company as of June 30, 2003, the related condensed statements of operations for the three and nine months ended June 30, 2003 and 2002, and the statement of cash flows for the nine months ended June 30, 2003 and 2002 included in the condensed financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the three and nine months ended June 30, 2003 are not necessarily indicative of the results of operations for the full year or any other interim period. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and Financial Statements and notes thereto included in the Company's September 30, 2002 Form 10-KSB.

F-4

### ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### Plan of Operation & Management's Discussion and Analysis of Financial Condition and Results of Operations

##### INTRODUCTION

The following discussion is the quarterly management's discussion and analysis for the three month period ending June 30, 2003. Endo Networks, Inc., incorporated in Nevada and its wholly owned subsidiary, Endo Networks, Inc., incorporated in Ontario are collectively referred to as "Endo Networks" or the "Corporation". In this discussion, all amounts are expressed in US funds.

We wish to caution readers that this report includes certain forward-looking information and statements within the meaning of US federal securities laws. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by Endo Networks, and involves known and unknown risks, uncertainties and other factors which may cause the actual results and performance of Endo Networks to be materially different from any future results and performance expressed or implied by such forward-looking information.

##### OVERVIEW

Endo Networks effectively commenced operations as an aggregator of public network applications September 30, 2001, making this the Seventh operating quarter for the Corporation. The company is occupied primarily with a balance between securing revenue-generating business and investing in expanding its software platform and business development capabilities. The revenue-generating

## Edgar Filing: ENDO NETWORKS INC - Form 10QSB

business continues to be primarily pilot in nature, as the company operates existing pilots and begins new client pilots. The company offers solutions in the Food Service, Retail, Event and Government markets, primarily in Canada but

5

with limited initiatives into the United States. The positioning statement of the company has evolved into "Enabling Marketing's Last Mile", which refers to Endo's competencies at enabling aggregated marketing, human resources and technology solutions of both hardware and software at the point of interaction between employee and customer, i.e. the retail store or the restaurant.

### RECENT EVENT

The overall global political situation has negatively impacted our business development initiatives this quarter, with certain primarily US initiatives delayed pending a reduction in war-related concerns.

### DEPLOYMENTS

Generally, the spring season is busy with new deployments for our clients where the summer season is their strong selling period, i.e. brewers and food service. This year showed strong results with our existing clients, as well as expansion to include:

- interactive solutions at auto shows across the United States
- an interactive solution for a mobile movie theater used by a leading US chain of theatres as part of their marketing initiatives
- a pilot for the largest adult safe hockey league in North America, with potential expansion this fall
- our technology was also piloted in a marketing program for a leading sports apparel manufacturer

There have been no deployments in the Government category this quarter.

6

### SPONSORSHIPS

The focus for this quarter has been primarily on new deployments, and less on sponsorships. Sponsorship development initiatives will renew in later quarters.

### PARTNERSHIPS

No new partnerships in this period.

### REVENUES

Revenues are strong for this period, and several of the projects have recurring revenue components which will continue to benefit the company in future quarters. As usual, revenues are a mix of hardware sale, hardware rental and professional services. Professional services include content creation, interactive design (on-premise touchscreens and websites), marketing consulting

## Edgar Filing: ENDO NETWORKS INC - Form 10QSB

and hardware support service contracts. Hardware rental includes both hardware rented to clients short-term for use in events and field marketing, and long-term rental equipment permanently deployed in client retail locations.

Revenues for the three months ended June 30, 2003 were \$202,125 compared with \$532,066 for the same three month period in 2002, with a gross profit of \$50,290 compared with \$225,729 a year earlier. The decrease in gross profit was due to more service being conducted in the same period last year when there were more hardware deployments in the three months ended June 30, 2003 and there being a greater margin in the services versus the hardware sales. The increase in deployments should increase our revenue stream in future periods. We expect that our fourth quarter will show an increase in service oriented sales and increase our margin percentage in the final fiscal quarter.

### OPERATING EXPENSE

An increase in expense resulted from securing a large contract where the expense was incurred up front, but a large component of the revenue is spread over future quarters. Operating expenses exclusive of depreciation and amortization

7

decreased from \$122,120 for the three months ended June 30, 2002 to \$111,254 for the same three months in 2003. Although our gross margin was smaller, we were spending on salaries and contract work to develop certain products which we should realize the revenue from in the fourth fiscal quarter.

Operating expenses comprise depreciation and amortization ("d&a") on both rental equipment and fixed assets, and current operating expenses comprising chiefly salary, facility rental, interest on leases and professional fees. Significant investments in growth continue to be made by the Corporation in the following areas: business development, application development, business partnership negotiation and network management. Operational expenses in this category are expected to remain relatively static for the near future.

Net loss of \$64,780 in the three months ended June 30, 2003 compared with a net profit in the same three months in 2002 is again due to the fact that we continue to expend funds for business development and product development, some of which will benefit us in the next quarter and other developments will benefit us in future quarters.

### RESEARCH AND DEVELOPMENT

Endo Networks continues to invest heavily in research and development in both our application suite, integration software, operating platform and pilot projects. Actual resources invested in research and development depend on free development capability, accordingly, there is less research and development in busy deployment periods such as this quarter.

### LIQUIDITY & CAPITAL RESOURCES

Based on cash on hand, contracts and accounts receivable, Endo Networks expects current capital resources to be sufficient to fund existing operations going forward.

### OUTLOOK



## Edgar Filing: ENDO NETWORKS INC - Form 10QSB

Endo Networks expects the next quarter to show results that will offset most if not all of our operating loss from previous quarters. However, there can be no assurance that unforeseen revenue shortfalls or unanticipated expenses will not occur. Profitability will be determined by management's decision on how much revenue to re-invest in growth.

8

### PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN 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.

None

9

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

ENDO NETWORKS, INC.

(Registrant)

BY: /s/ Peter B. Day

-----  
Peter B. Day

Edgar Filing: ENDO NETWORKS INC - Form 10QSB

Its: President

DATE: August 14, 2003  
Mississauga, Ontario, Canada

10

CERTIFICATIONS

I, Peter B. Day, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Endo Networks, Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: August 14, 2003

By: /s/ Peter B. Day  
-----

Name: Peter B. Day

Title: Chairman, Chief Executive Officer and Chief Financial Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned, Peter B. Day, the Chief Financial Officer of Endo Networks, Inc., a Nevada Corporation, (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that:

1. The Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter B. Day  
-----

Peter B. Day  
Chief Financial Officer

Dated: August 14, 2003

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required

Edgar Filing: ENDO NETWORKS INC - Form 10QSB

by the Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.