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ENDO NETWORKS INC
Form 10QSB
August 16, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2006

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(D) OF THE EXCHANGE ACT OF
1934

From the transition period from _____ to _____.

Commission File Number 333-42640

ENDO NETWORKS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

75-2882833
(IRS Employer
Identification No.)

2624 DUNWIN DRIVE, UNIT #3, MISSISSAUGA, ONTARIO, CANADA L5L 3T5
(Address of principal executive offices)

(905) 820-8800
(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last
report)

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: X NO:

As of July 31, 2006, there were 13,557,366 shares of common stock of the issuer
outstanding.

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PART I - FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

ENDO NETWORKS, INC.
CONSOLIDATED BALANCE SHEET
June 30, 2006
(Unaudited)

ASSETS

CURRENT ASSETS:

| | | |
|--|----|---------|
| Cash | \$ | 331 |
| Accounts receivable, net of allowance for doubtful accounts of \$0 | | 134,030 |
| Prepaid expenses | | 63,019 |
| | | ----- |
| Total current assets | | 197,379 |

PROPERTY AND EQUIPMENT, net of accumulated depreciation
of \$1,107,727

333,961

TOTAL ASSETS

\$ 531,340
=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

LIABILITIES

Current Liabilities:

| | | |
|--|----|---------|
| Current maturities of capital leases payable | \$ | 178,365 |
| Accounts payable - related party | | 3,794 |
| Accounts payable - other | | 210,884 |
| Accrued expenses - related party | | 352,085 |
| Accrued expenses - other | | 335,740 |
| | | ----- |

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| | |
|---|-------------|
| Total current liabilities | 1,080,868 |
| | ----- |
| Total liabilities | 1,080,868 |
| COMMITMENTS | |
| STOCKHOLDERS' DEFICIT | |
| Common stock, \$0.001 par value, 50,000,000 authorized, 13,577,366 shares issued and outstanding | 13,557 |
| Additional paid-in-capital | 429,263 |
| Accumulated deficit | (1,108,828) |
| Accumulated other comprehensive income | 116,480 |
| | ----- |
| Total Stockholders' Deficit | (549,528) |
| | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 531,340 |
| | ===== |

See accompanying summary of accounting policies and notes to financial statements.

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ENDO NETWORKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE AND NINE MONTHS ENDED JUNE 30, 2006 AND 2005
(UNAUDITED)

| | Three Months Ended June 30, 2006 ---- | Three Months Ended June 30, 2005 ---- | Nine Months Ended June 30, 2006 ---- | Nine En June 200 ---- |
|----------------------------------|---|---|--|-----------------------------------|
| Revenue | \$ 213,634 | \$ 377,068 | \$ 746,736 | \$ 814 |
| Cost of sales | 121,940 | 165,724 | 314,975 | 260 |
| | ----- | ----- | ----- | ----- |
| Gross profit | 91,694 | 211,344 | 431,761 | 553 |
| Operating expenses: | | | | |
| Depreciation | 42,097 | 52,150 | 125,975 | 157 |
| Other general and administrative | 335,798 | 119,520 | 745,837 | 482 |
| | ----- | ----- | ----- | ----- |
| Total operating expense | 377,895 | 171,670 | 871,812 | 639 |
| | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ (286,201) | \$ 39,674 | \$ (440,051) | \$ (86 |
| | ===== | ===== | ===== | ===== |

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| | | | | |
|--------------------------------------|------------|------------|------------|------------|
| Net loss per share: | | | | |
| Basic and diluted | \$ (0.02) | \$ (0.00) | \$ (0.03) | \$ (0.03) |
| | ===== | ===== | ===== | ===== |
| Weighted average shares outstanding: | | | | |
| Basic | 13,263,036 | 12,665,366 | 12,901,256 | 12,665,366 |
| | ===== | ===== | ===== | ===== |
| Diluted | 13,263,036 | 13,299,366 | 12,901,256 | 12,665,366 |
| | ===== | ===== | ===== | ===== |

See accompanying summary of accounting policies and notes to consolidated financial statements

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ENDO NETWORKS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
Year Ended September 30, 2005, and
Nine Months Ended June 30, 2006
(unaudited)

| | Common Stock Shares | Common Stock Amount | Additional Paid In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income |
|---|------------------------|------------------------|----------------------------------|------------------------|---|
| Balance, September 30, 2004 | 12,665,366 | \$ 12,665 | \$ 299,105 | \$ (454,556) | \$ 4 |
| Common stock issued for services | 55,000 | 55 | 5,445 | | |
| Net loss | | | | (214,221) | |
| Foreign currency translation adjustment | | | | | 9 |
| Total comprehensive loss | | | | | |
| Balance, September 30, 2005 | 12,720,366 | 12,720 | 304,550 | (668,777) | 13 |

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| | | | | | |
|---|------------|-----------|------------|---------------|-------|
| Issuance of common stock for services | 837,000 | 837 | 124,713 | | |
| Net loss | | | | (440,051) | |
| Foreign currency translation adjustment | | | | | (2) |
| Total comprehensive loss | | | | | |
| Balance, June 30, 2006 | 13,557,366 | \$ 13,557 | \$ 429,263 | \$(1,108,828) | \$ 11 |

See accompanying summary of accounting policies and notes to consolidated financial statements.

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ENDO NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
Nine Months Ended June 30, 2006 and 2005
(Unaudited)

| | 2006 | 2005 |
|---|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (440,051) | \$ (86,395) |
| Adjustments to reconcile net loss to net cash provided by operations: | | |
| Items not requiring cash: | | |
| Depreciation and amortization | 125,975 | 157,052 |
| Common stock issued for services | 125,550 | -- |
| Changes in assets and liabilities: | | |
| Accounts receivable | (50,821) | (137,306) |
| Prepaid expenses | (3,291) | 8,556 |
| Accounts payable and accrued expenses | 302,047 | 155,113 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 59,409 | 97,020 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (3,759) | (194,161) |
| NET CASH USED BY INVESTING ACTIVITIES | (3,759) | (194,161) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on (proceeds from) lease financing | (33,942) | 6,255 |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | (33,942) | 6,255 |
| Effect of foreign exchange rate changes on cash | (21,377) | 93,036 |

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| | | |
|---------------------------|-----------|-----------|
| | ----- | ----- |
| NET CHANGE IN CASH | 331 | 2,150 |
| Cash, beginning of period | -- | 11,612 |
| | ----- | ----- |
| Cash, end of period | \$ 331 | \$ 13,762 |
| | ===== | ===== |
| Supplemental information: | | |
| Income taxes paid | \$ -0- | \$ -0- |
| Interest paid | \$ 17,108 | \$ 22,278 |

See accompanying summary of accounting policies and notes to consolidated financial statements.

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ENDO NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: MANAGEMENT REPRESENTATION AND PRESENTATION

The consolidated balance sheet of ENDO Networks, Inc. ("ENDO" or the "Company") as of June 30, 2006, the related consolidated statements of operations for the three and nine months ended June 30, 2006 and 2005, consolidated statements of stockholders' deficit for the year ended December 31, 2005 and six months ended June 30, 2006 and consolidated statements of cash flows for the nine months ended June 30, 2006 and 2005 included in the financial statements have been prepared by ENDO without audit. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the ENDO'S financial position and results of operations. The results of operations for the three and nine months ended June 30, 2006 are not necessarily indicative of the results of operations for the full year or any other interim period. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year ended September 30, 2005 to be reported in Form 10-KSB, have been omitted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

ENDO is a company that uses technology and proven marketing tactics to engage consumers and compel specific behaviors in high traffic public locations such as events, retail and restaurant locations across North America, and online. ENDO also develops application software and client controlled media.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash Equivalents

ENDO considers all highly liquid investment instruments purchased with original maturities of three months or less when acquired to be cash equivalents.

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Revenue Recognition

ENDO recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. ENDO recognizes revenue from the sale of advertising related products and services like interactive advertising, studio promotion, and event management as the services are performed.

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Revenue derived from professional services provided on a time and materials basis is recognized as services are performed.

For time and material contracts, revenue is recognized and billed by multiplying the number of hours expended by our professionals in the performance of the contract by the established billing rates. For fixed fee projects, revenue is generally recognized using the proportionate performance method. Provisions for estimated losses on uncompleted contracts are made on a contract-by-contract basis and are recognized in the period in which such losses are determined.

ENDO maintains allowances for doubtful accounts on all its accounts receivable for estimated losses resulting from the inability of its customers and others to make required payments. If the financial condition of ENDO's customers and others were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Intangible assets

Intangible assets are recorded at cost. Cost is amortized over the estimated useful life of the asset unless that life is determined to be indefinite.

Intangible assets not subject to amortization are tested for impairment on at least an annual basis. If the fair value of the intangible asset is determined to be less than the carrying amount, an impairment loss is recognized in the amount of that difference.

Intangible assets subject to amortization are reviewed for impairment in accordance with the provisions applying to long-live assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on straight-line method over the estimated useful lives of the assets. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment losses have been recorded since inception.

Impairment of long-lived assets

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The Company monitors the recoverability of long-lived assets, including property and equipment and intangible assets, based upon estimates using factors such as expected future asset utilization, business climate, and undiscounted cash flows

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resulting from the use of the related assets or to be realized on sale. The Company's policy is to write down assets to the estimated net recoverable amount, in the period in which it is determined likely that the carrying amount of the asset will not be recoverable.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Income (Loss) per Share

The basic net income (loss) per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net income (loss) per common share is computed by dividing the net income (loss) applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the three and nine months ended June 30, 2006 and the nine months ended June 30, 2005 potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share. These securities consisted of 634,000 of stock options at June 30, 2006 and 2005.

Stock-Based Compensation

During the first quarter of 2006 ENDO adopted FASB issued Statement No. 123(R) (revised 2004) ("FAS 123(R)"). FAS 123(R) revises FASB Statement No. 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25. FAS 123(R) and requires the Company to measure the cost of employee services received in exchange for stock option awards based on the grant-date fair value of such awards. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. The Company will report such costs as part of our general and administrative expenses.

Prior to the adoption of FAS 123(R), ENDO accounted for its stock-based compensation plans under Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees.

Foreign Currency Translation

As nearly all operations are conducted in Canada, the Canadian dollar is the functional currency. All balance sheet accounts have been translated at the current exchange rate as of June 30, 2006. Statement of operations items have been translated at average currency exchange rates during the periods ended June 30, 2006 and 2005. The resulting translation adjustment is recorded as a separate component of comprehensive loss within stockholders' deficit.

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NOTE 3 - GOING CONCERN

For the nine months ended June 30, 2006 and the year ended September 30, 2005, ENDO incurred losses totaling \$440,051 and \$214,221, respectively, and at June 30, 2006 had a working capital deficit of \$883,489.

There are no assurances that ENDO will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support ENDO's working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, ENDO will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to ENDO. If adequate working capital is not available ENDO may not continue its operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4 - LEASE FINANCING OBLIGATIONS

In September 2005 the ENDO restructured its lease payable obligation. As of June 30, 2006, ENDO is in technical default on its current lease obligations since it has missed payments totaling approximately \$26,497. As a result the entire lease payable has been classified as a current liability, and is included with current maturities of capital leases payable in the accompanying financial statements.

NOTE 5 - PAYROLL TAXES

ENDO is required to remit employer payroll and employee payroll and income tax withholding payments in the month following the payroll period. As of June 30, 2006 payroll tax and income tax withholding payments in the amount of \$65,328 are in arrears. ENDO may be required to pay interest and penalties as a result of its taxes not being paid on a timely basis.

NOTE 6 - RELATED PARTY TRANSACTIONS

On June 26, 2006, the Company signed an Asset Purchase Agreement with its President, Peter B. Day, to sell all of our assets and 100% of the stock of Endo Networks, Inc., a Canadian corporation ("Endo Canada"), a wholly owned subsidiary of the Company. All of the Company's assets and virtually all of its liabilities are held in Endo Canada. As consideration for the sale Mr. Day agreed to assume substantially all of the Company's liabilities.

On August 1, 2006, the Company sent a proxy to its shareholders to approve the transaction outlined above. The shareholder meeting is scheduled to be held on September 5, 2006.

NOTE 7 - COMMON STOCK

In May 2006 the Company issued a total of 837,000 shares of common stock in return for consulting services provided by two consultants. Based on the last trading price prior to the issuance of the stock a non-cash consulting expense of \$125,550 was recorded for the issuance of these shares.

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Form 10-QSB and in our Form 10-KSB. This report contains forward-looking statements including, without limitation, statements regarding trends, cyclicity, seasonality, volatility and growth in the markets we sell into, our strategic direction, new product introductions, our liquidity position, our ability to generate cash from continuing operations, our expected order and revenue growth, the potential impact of our adopting new accounting pronouncements, our financial results, the impact and timing of our enterprise resource planning and customer relationship management systems implementation, our obligations under our retirement and post-retirement benefit plans, timing of, costs related to, and savings from our restructuring programs, the existence or length of an economic recovery and our ability to take advantage of a recovery that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to various factors, including those discussed below in "Factors That May Affect Future Results" and elsewhere in this Form 10-QSB.

OVERVIEW

Endo Networks Inc. helps businesses acquire new customers and build sales and loyalty with existing customers. We use interactive technology such as touch screen kiosks, handheld computers, and websites, combined with promotional marketing tactics to filter large numbers of consumers, to find qualified prospects, and even precondition them for a sale. Our services can be deployed within a business' own retail environment, to increase sales with their own customer base by increasing frequency of visit and/or average spend with individual customers, or they can be deployed within a partner location such as an office tower or a consumer show, to find and acquire qualified new customers.

Our solutions are:

- Permission based
- Integratable with legacy systems
- Scalable
- Measurable
- Conducive to brand partnerships

Our areas of expertise include: Web, Kiosk, Handheld, Wireless, Loyalty, Promotional Marketing, Direct Marketing, Integration with Point of Sale, Survey, Incentive, Sampling, and Field and Event Marketing.

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Our client base includes specialty retail, general retail, food service, automotive, alcohol, energy, consumer packaged goods, entertainment, amateur sports, and telecommunications companies.

The corporate head office is located at 2624 Dunwin Drive, Unit 3, Mississauga, Ontario, Canada, 20 minutes from Toronto and 60 minutes from Buffalo. Endo Networks was incorporated in Texas as Discount Mortgage Services, Inc. on July 11, 2000 and in September 2001 purchased Endo Networks, a company incorporated in Ontario, Canada on January 30, 2001, in which conceptual and software

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development was ongoing prior to this date for approximately two years by company founders. Endo Networks Inc. (Canada) was acquired by Discount Mortgage Services Inc. (Texas) in September, 2001. Discount Mortgage Services Inc. (Texas) underwent a name change to Endo Networks, Inc. (US) in November, 2001 and was re-domiciled to Nevada in December, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Total assets decreased by \$52,767 during the nine months ended June 30, 2006 from \$584,107 at December 31, 2005 to \$531,340 at June 30, 2006. We do not expect to incur material capital expenditures during the next 12 months for equipment relating to new client deployments. We are continuing to generate operating losses and there is no assurance we will be able to generate sufficient revenues or obtain sufficient funds when needed, or whether such funds, if available, will be obtained on terms satisfactory to us. We do not have any long term or contingent obligations that must be satisfied.

CRITICAL ACCOUNTING POLICIES

Our unaudited Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our 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 values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our financial statements.

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ALLOWANCE FOR DOUBTFUL ACCOUNTS

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is based on specific identification of customer accounts and our best estimate of the likelihood of potential loss, taking into account such factors as the financial condition and payment history of major customers. We evaluate the collectability of our receivables at least quarterly. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The differences could be material and could significantly impact cash flows from operating activities.

VALUATION OF INTANGIBLES

From time to time, we acquire intangible assets that are beneficial to our product development processes. We periodically evaluate the carrying value of intangibles, including the related amortization periods. In evaluating acquired intangible assets, we determine whether there has been impairment by comparing the anticipated undiscounted cash flows from the operation and eventual disposition of the product line with its carrying value. If the undiscounted cash flows are less than the carrying value, the amount of the impairment, if

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any, will be determined by comparing the carrying value of each intangible asset with its fair value. Fair value is generally based on either a discounted cash flows analysis or market analysis. Future operating income is based on various assumptions, including regulatory approvals, patents being granted, and the type and nature of competing products. If regulatory approvals or patents are not obtained or are substantially delayed, or other competing technologies are developed and obtain general market acceptance or market conditions otherwise change, our intangibles may have a substantially reduced value, which could be material.

DEFERRED TAXES

We record a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. We have considered estimated future taxable income and ongoing tax planning strategies in assessing the amount needed for the valuation allowance. Based on these estimates, all of our deferred tax assets have been reserved. If actual results differ favorably from those estimates used, we may be able to realize all or part of our net deferred tax assets. Such realization could positively impact our operating results and cash flows from operating activities.

RESULTS OF OPERATIONS

COMPARISON OF RESULTS FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2006 TO THE THREE AND NINE MONTHS ENDED JUNE 30, 2005

REVENUE. During the three months ended June 30, 2006, the company generated revenues of \$213,634 from sales compared to revenues from sales for the three

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months ended June 30, 2005 of \$377,068, which represents a decrease of \$163,434 over the same period of the prior year. In the nine months ended June 30, 2006 the company had revenues of \$746,736 compared with sales of \$814,295 for the same period the prior year. This decrease for the three months and increase for the nine months is because the company had strong sales in the first three months and softer sales in the six months ended June 30, 2006. In the last few years the Company had sales of approximately \$120,000 per quarter to a client that had very low gross margins and in the quarter ended June 30, 2006, the Company ceased that work.

COST OF SALES. Cost of goods sold increased from \$165,724 or 44% of sales for the three months ended June 30, 2005 to \$121,940 or 57% of sales for the three months ended June 30, 2006, an increase of 13%. For the nine months ended June 30, 2006 our cost of sales increased to \$314,975 or 42% from \$260,831 or 32% for the nine months ended June 30, 2005, due to having higher ongoing contract labor costs for the projects we are planning for the coming quarters.

GROSS PROFIT. Gross profit decreased to \$91,694 for the three months ended June 30, 2006 from \$211,344 for the three months ended June 30, 2005. For the nine months ended June 30, 2006, our gross profit was \$431,761 compared to \$553,464 for the nine months ended June 30, 2005. Gross profit decreased from 68% for the nine months ended June 30, 2005 to 58% for the nine months ended June 30, 2006 due to a higher number of contract laborers and higher labor rates.

GENERAL, ADMINISTRATIVE AND SELLING EXPENSES. General, administrative and selling expenses were \$335,798 for the three months ended June 30, 2006, compared to \$119,520 for the three months ended June 30, 2005, representing an increase of \$216,278. General, administrative and selling expenses were \$745,837 for the nine months ended June 30, 2006, compared to \$482,807 for the nine

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months ended June 30, 2005. The decrease is due to our decreased sales activity and one time consulting costs of approximately \$125,000 charged to expense in June 2006.

Amortization and depreciation expense are not included in our general and administrative expenses. These expenses were \$42,097 and \$52,150 for the three months ended June 30, 2006 and 2005 respectively. Also, depreciation and amortization expense was \$125,975 and \$157,052 for the nine months ended June 30, 2006 and 2005 respectively.

NET INCOME (LOSS) AND INCOME (LOSS) PER SHARE.

As a result of the above, in the three months ended June 30, 2006, our net loss was \$286,201 or \$0.02 per share, compared to a net income of \$39,674 or \$0.00 per share for the three months ended June 30, 2005. Similarly, in the nine months ended June 30, 2006, our net loss was \$440,051 or \$0.03 per share, compared to a net loss of \$86,395 or \$0.01 per share for the nine months ended June 30, 2005.

FORWARD LOOKING STATEMENTS. This Form 10-QSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements made by Endo Networks involve known and unknown

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risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from the forward looking statements include, but are not limited to, risks associated with lack of significant operating history, demand for the Endo Networks' products, international business operations, dependence on licensees, governmental regulations, technological changes, intense competition and dependence on management. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company's management disclaims any obligation to forward-looking statements contained herein to reflect any change in the Endo Networks' expectation with regard thereto or any change in events, conditions, circumstances or assumptions underlying such statements.

ITEM 3. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of the Endo Networks' management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) as of March 31, 2006. As a result of their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Endo Networks' disclosure controls and procedures are effective to ensure that information required to be disclosed by Endo Networks in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. There were no changes in Endo Networks' internal control over financial reporting that occurred during the quarter ended March 31, 2006, that has materially affected and is reasonably likely to materially affect, the Endo Networks' internal control over financial reporting.

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PART III

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. EMPLOYMENT AGREEMENTS

None

ITEM 3. RECENT SALES OF UNREGISTERED SECURITIES

None

ITEM 4. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed as part of this report.

| Exhibit No. | Document |
|-------------|--|
| 31.1 | Certification of Chief Executive Officer required by Rule 13a-14a/15d-14(a) under the Exchange Act. |
| 31.2 | Certification of Chief Financial Officer required by Rule 13a-14a/15d-14(a) under the Exchange Act. |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 8 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(b) Reports of Form 8-K

None

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SIGNATURES.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

/s/ Peter B. Day

Peter B. Day
Chief Executive Officer
August 3, 2006

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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I, Peter B. Day, certify that:

1. I have reviewed this annual 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 annual report;
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 annual report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the small business issuer and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 3, 2006

/s/ Peter B. Day

Peter B. Day
Chief Executive Officer

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Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Peter B. Day, certify that:

1. I have reviewed this annual 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 annual report;

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 annual report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the small business issuer and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 3, 2006

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/s/ Peter B. Day

Peter B. Day,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Endo Networks, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter B. Day, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 at the dates and for the periods indicated.

/s/ Peter B. Day

Peter B. Day,
Chief Executive Officer

August 3, 2006

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Endo Networks, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2006, as filed with the Securities and

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Exchange Commission on the date hereof (the "Report"), I, Peter B. Day, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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 at the dates and for the periods indicated.

/s/ Peter B. Day

Peter B. Day,
Chief Financial Officer
August 3, 2006