

EYI INDUSTRIES INC
Form 10KSB/A
December 20, 2004

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

FORM 10-KSB/A

(Mark One)

Annual Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For the fiscal year ended **December 31, 2003**

Transition Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 000-29803

EYI INDUSTRIES, INC.

(Name of small business issuer in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

88-0407078

(I.R.S. Employer Identification No.)

3960 Howard Hughes Parkway, Suite 500

Las Vegas, Nevada

(Address of principal executive offices)

89109

(Zip Code)

(604) 502-5131

Issuer's telephone number

Securities registered under Section 12(b) of the Exchange Act: **NONE.**

Securities registered under Section 12(g) of the Exchange Act: **COMMON STOCK, PAR VALUE \$0.001 PER SHARE.**

Check whether the issuer (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 "

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. **x**

Edgar Filing: EYI INDUSTRIES INC - Form 10KSB/A

The issuer's revenues for the short year ended December 31, 2003 were: **\$4,313,579**

The aggregate value of the voting stock held by non-affiliates of the registrant as of April 12, 2004, computed by reference to the average bid and asked price of the registrant's voting stock on the OTC Bulletin Board on such date was approximately **\$1,821,261**.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **As of April 12, 2004 the issuer had outstanding 149,224,447 shares of Common Stock.**

Transitional Small Business Disclosure Format (check one): Yes No

Explanatory Note

This amended annual report on 10-QSB/A dated December 14, 2004 is being filed to:

1. Correct a typographical error in the reporting of authorized shares on the Balance Sheet and related note disclosure from 537,278,000 shares to 300,000,000 shares.
2. To correct an understatement of 916,667 warrants from the reverse acquisition and share exchange with Safe ID. The effect of this understatement was an overstatement of additional paid in capital of \$45,833 and the understatement of warrants of \$45,833.
3. To include December 31, 2002 information as required for a transitional filing.

EYI INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

| | December 31, 2003 Restated | June 30, 2003 | December 31, 2002 Unaudited |
|--|----------------------------------|---------------|-----------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 52,075 | \$ 16,184 | \$ 517,487 |
| Restricted cash | 223,682 | 223,682 | 222,725 |
| Accounts receivable | 52,323 | 26,596 | 22,458 |
| Related party receivables | 5,465 | 6,162 | 6,470 |
| Prepaid expenses | 28,600 | 36,484 | 27,617 |
| Inventory | 254,367 | 302,604 | 219,360 |
| TOTAL CURRENT ASSETS | 616,512 | 611,712 | 1,016,117 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 143,439 | 160,611 | 591,719 |
| OTHER ASSETS | | | |
| Deposit | - | 10,407 | - |
| INTANGIBLE ASSETS | 19,801 | 19,801 | 1 |
| TOTAL ASSETS | \$ 779,752 | \$ 802,531 | \$ 1,607,837 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Bank indebtedness | \$ 259,977 | \$ 274,880 | \$ 223,176 |
| Accounts payable and accrued liabilities | 836,751 | 554,830 | 427,966 |
| Accounts payable - related parties | 779,367 | 545,075 | 726,670 |
| Customer deposits | 6,250 | 46,292 | 50,832 |
| Note payable | - | - | 15,000 |
| TOTAL CURRENT LIABILITIES | 1,882,345 | 1,421,077 | 1,443,644 |
| COMMITMENTS AND CONTINGENCIES | - | - | - |
| MINORITY INTEREST IN SUBSIDIARY | 468,877 | 485,148 | 496,090 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | | |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding | - | - | - |
| Common stock, \$0.001 par value; 300,000,000 shares authorized, 148,180,670, 118,045,603 and | 148,181 | 118,046 | 118,046 |

Edgar Filing: EYI INDUSTRIES INC - Form 10KSB/A

118,045,603 shares issued and outstanding,
respectively

| | | | |
|--|--------------------|--------------------|---------------------|
| Discount on common stock | (53,598) | (53,598) | (53,598) |
| Additional paid-in capital | 827,972 | 484,281 | 484,281 |
| Stock warrants | 128,385 | - | - |
| Accumulated deficit | (2,622,410) | (1,652,423) | (880,626) |
| TOTAL STOCKHOLDERS' EQUITY |) |) |) |
| (DEFICIT) | (1,571,470) | (1,103,694) | (331,897) |
| TOTAL LIABILITIES AND STOCKHOLDERS' | | | |
| EQUITY (DEFICIT) | \$ 779,752 | \$ 802,531 | \$ 1,607,837 |

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

2

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Six Months Ended December 31, 2003 | Year Ended June 30, 2003 | Six Months Ended December 31, 2002 | From June 21, 2002 (Inception) to June 30, 2002 |
|--|---|--------------------------------|---|---|
| REVENUE | \$ 4,313,579 | \$ 14,390,049 | \$ 7,472,349 | \$ - |
| COST OF GOODS SOLD | 2,845,800 | 10,511,706 | 5,676,878 | - |
| GROSS PROFIT | 1,467,779 | 3,878,343 | 1,795,471 | - |
| OPERATING EXPENSES | | | | |
| Consulting fees | 394,200 | 765,580 | 385,500 | - |
| Legal and professional | 145,001 | 354,356 | - | - |
| Customer service | 488,944 | 1,270,297 | 663,727 | - |
| Finance and administration | 324,853 | 835,008 | 769,926 | - |
| Sales and marketing | 92,834 | 506,276 | 481,167 | - |
| Telecommunications | 231,318 | 550,480 | - | - |
| Wages and benefits | 547,076 | 959,526 | - | - |
| Warehouse expense | 221,882 | 282,252 | 381,816 | 7,967 |
| TOTAL OPERATING | | | | |
| EXPENSES | 2,446,108 | 5,523,775 | 2,682,136 | 7,967 |
| OPERATING LOSS | (978,329) | (1,645,432) | (886,665) | (7,967) |
| OTHER INCOME (EXPENSES) | | | | |
| Interest and other income | 4,746 | 1,713 | 1,610 | - |
| Interest expense | (21,879) | (12,792) | (1,396) | - |
| Foreign currency gain/(discount) | 9,205 | (16,697) | (4,017) | - |
| TOTAL OTHER INCOME | | | | |
| (EXPENSES) | (7,928) | (27,776) | (3,803) | - |
| NET LOSS BEFORE TAXES | (986,257) | (1,673,208) | (890,468) | (7,967) |
| PROVISION FOR TAXES | - | - | - | - |
| NET LOSS BEFORE ALLOCATION TO MINORITY INTEREST | (986,257) | (1,673,208) | (890,468) | |
| ALLOCATION OF LOSS TO MINORITY INTEREST | 16,270 | 28,752 | 17,809 | - |
| NET LOSS | \$ (969,987) | \$ (1,644,456) | \$ (872,659) | \$ (7,967) |

| | | | | | | | | |
|--|----|-----|----|-----|----|-----|----|-----|
| BASIC AND DILUTED NET LOSS PER COMMON SHARE | \$ | nil | \$ | nil | \$ | nil | \$ | nil |
|--|----|-----|----|-----|----|-----|----|-----|

| | | | | |
|---|-------------|-------------|-------------|------------|
| WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING | 128,090,625 | 118,045,603 | 118,045,603 | 15,000,000 |
|---|-------------|-------------|-------------|------------|

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

EYI INDUSTRIES, INC.**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**

| | Common Stock | | Additional | Discount | Option/ | Retained | Total |
|--|---------------------|-----------|--------------------|-----------------------|----------|-------------|-------------|
| | Number of Shares | Amount | Paid-in Capital | on Common Stock | Warrants | Earnings | |
| Stock issued for cash on June 21, 2002 | 23,026,200 | \$ 23,026 | \$ 6,974 | \$ - | \$ - | \$ - | \$ 30,000 |
| Contribution of assets, liabilities and subsidiaries acquired at June 30, 2002 | 92,104,800 | 92,105 | - | (53,598) | - | - | 38,507 |
| Net loss for period ended June 30, 2002 | - | - | - | - | - | (7,967) | (7,967) |
| Balance, June 30, 2002 | 115,131,000 | 115,131 | 6,974 | (53,598) | - | (7,967) | 60,540 |
| Shares issued for cash in private placement for \$1.50/share, net of prorata share of private placement fees of \$61,206 | 2,914,603 | 2,915 | 477,307 | - | - | - | 480,222 |
| Net loss for fiscal year ended June 30, 2003 | - | - | - | - | - | (1,644,456) | (1,644,456) |
| Balance, June 30, 2003 | 118,045,603 | 118,046 | 484,281 | (53,598) | - | (1,652,423) | (1,103,694) |
| Recapitalization and share exchange | 30,135,067 | 30,135 | 343,691 | - | 128,385 | - | 502,211 |

Edgar Filing: EYI INDUSTRIES INC - Form 10KSB/A

Net loss for
fiscal year
ended

| | | | | | | | |
|----------------------|---|---|---|---|---|-----------|-----------|
| December 31, 2003 | - | - | - | - | - | (969,987) | (969,987) |
|----------------------|---|---|---|---|---|-----------|-----------|

Balance,
December 31,

| | | | | | | | | | | | | | |
|-----------------|-------------|----|---------|----|---------|----|----------|----|---------|----|-------------|----|-------------|
| 2003 (Restated) | 148,180,670 | \$ | 148,181 | \$ | 827,972 | \$ | (53,598) | \$ | 128,385 | \$ | (2,622,410) | \$ | (1,571,470) |
|-----------------|-------------|----|---------|----|---------|----|----------|----|---------|----|-------------|----|-------------|

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

| | Common Stock | | Additional | Discount on Common Stock | Option/ Warrants | Retained Earnings | Total |
|--|---------------------|------------|--------------------|-----------------------------------|---------------------|----------------------|--------------|
| | Number of Shares | Amount | Paid-in Capital | | | | |
| Stock issued for cash on June 21, 2002 | 23,026,200 | \$ 23,026 | \$ 6,974 | \$ - | \$ - | \$ - | \$ 30,000 |
| Contribution of assets, liabilities and subsidiaries acquired at June 30, 2002 | 92,104,800 | 92,105 | - | (53,598) | - | - | 38,507 |
| Net loss for period ended June 30, 2002 | - | - | - | - | - | (7,967) | (7,967) |
| Balance, June 30, 2002 | 115,131,000 | 115,131 | 6,974 | (53,598) | - | (7,967) | 60,540 |
| Shares issued for cash in private placement for \$1.50/share, net of prorata share of private placement fees of \$61,206 | 2,914,603 | 2,915 | 477,307 | - | - | - | 480,222 |
| Net loss for the period ended December 31, 2002 | - | - | - | - | - | (872,659) | (872,659) |
| Balance, December 31, 2002 | 118,045,603 | \$ 118,046 | \$ 484,281 | \$ (53,598) | \$ - | \$ (880,626) | \$ (331,897) |

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

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended December 31, 2003 | Year Ended June 30, 2003 | Six Months Ended December31, 2002 (unaudited) | From June 21, 2002 (Inception) to June 30, 2002 |
|---|---|--------------------------------|---|---|
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Net loss | \$ (969,987) | \$ (1,644,456) | \$ (872,659) | \$ (7,967) |
| Loss allocated to minority interest | (16,270) | (28,752) | (17,809) | - |
| | (986,257) | (1,673,208) | (890,468) | (7,967) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | | |
| Depreciation and amortization | 36,756 | 52,688 | 21,263 | - |
| Decrease (increase) in: | | | | |
| Related party receivables | 697 | 66,565 | 66,257 | - |
| Accounts receivable | (25,727) | (14,275) | (10,137) | - |
| Prepaid expenses | 7,884 | 9,480 | 18,347 | (21,500) |
| Inventory | 48,237 | (302,605) | (219,360) | - |
| Increase (decrease) in: | | | | |
| Accounts payable | 273,549 | 342,864 | 216,000 | 11,467 |
| Accounts payable - related parties | 194,292 | 545,075 | 726,670 | - |
| Customer deposits | (40,042) | 46,292 | 50,830 | - |
| Net cash used by operating activities | (490,611) | (927,124) | (20,598) | (18,000) |
| CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES | | | | |
| Increase in restricted cash | - | (223,682) | (222,725) | - |
| Purchase of property, plant and equipment | (19,584) | (82,440) | (483,923) | - |
| Purchase of trademarks and formulas | - | (21,600) | - | - |
| Increase in security deposit | 10,407 | (10,406) | - | - |
| Net cash used by investing activities | (9,177) | (338,128) | (706,648) | 434 |
| CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES | | | | |
| Decrease in bank indebtedness | (14,904) | - | 223,176 | - |
| Cash received through recapitalization | 550,583 | - | 15,000 | - |
| Issuance of stock, net of private placement costs & warrants | - | 994,122 | 994,123 | 30,000 |
| Net cash provided by financing activities | 535,679 | 1,269,002 | 1,232,299 | 30,000 |
| Net increase in cash and cash equivalents | 35,891 | 3,750 | \$ 505,053 | 12,434 |
| CASH - Beginning of Year | 16,184 | 12,434 | 12,434 | - |
| CASH - End of Period | \$ 52,075 | \$ 16,184 | \$ 517,487 | \$ 12,434 |

SUPPLEMENTAL CASH FLOW

DISCLOSURES:

| | | | | | | | | |
|------------------------------|----|---|----|---|----|---|----|---|
| Interest expense paid | \$ | - | \$ | - | \$ | - | \$ | - |
| Income taxes paid | \$ | - | \$ | - | \$ | - | \$ | - |

**NON-CASH INVESTING AND
FINANCING TRANSACTIONS:**

| | | | | | | | | |
|--|----|---|----|---|----|---|----|--------|
| Contribution of assets, liabilities and subsidiaries for stock | \$ | - | \$ | - | \$ | - | \$ | 38,507 |
|--|----|---|----|---|----|---|----|--------|

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

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

NOTE 1 – DESCRIPTION OF BUSINESS

Essentially Yours Industries, Inc., was incorporated on June 21, 2002 in the State of Nevada. The main business activities of Essentially Yours Industries, Inc. were acquired through a merger with the former entity, Burrard Capital, Inc., and other entities described in Note 4 concerning the reorganization of Essentially Yours Industries, Inc. On December 31, 2003, Essentially Yours Industries, Inc. entered into a share exchange agreement of its stock with Safe ID Corporation (“Safe ID”). This transaction is being accounted for as a share exchange and recapitalization. See Note 3. As a result of this transaction, Safe ID has changed its name to EYI Industries, Inc. (“the Company”), and is acting as the parent holding company for the operating subsidiaries.

The principal business of the Company is the marketing of health and wellness care products. The Company sells its products through network marketing distributors, which in turn, sell the products to the end customers. The Company maintains its principal business office in Surrey, British Columbia. The Company has elected to change its year-end from June 30 to December 31.

The Company has four wholly owned subsidiaries. The first subsidiary is Halo Distributions LLC (hereinafter Halo), which was organized on January 15, 1999, in the State of Kentucky. Halo is the distribution center for the Company’s product in addition to other products. The second subsidiary is RGM International Inc., which was incorporated on July 3, 1997, in the State of Nevada. RGM International Inc. is a dormant investment company, which owns one percent of Halo. The third subsidiary is Essentially Yours Industries (Canada) Inc. (hereinafter “EYI Canada”), which was organized on September 13, 2002, in the province of British Columbia, Canada. EYI Canada markets health and wellness care products for use in Canada. The fourth subsidiary is 642706 B.C. Ltd., doing business as EYI Management, which was organized on February 22, 2002, in the province of British Columbia, Canada. EYI Management provides accounting and marketing services to the consolidated entity.

In addition, the Company owns approximately 98% of Essentially Yours Industries, Inc. (“EYII”), incorporated on June 21, 2002 in the state of Nevada. EYII markets health and wellness care products for use in USA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

This summary of significant accounting policies of EYI Industries, Inc., is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted

EYI INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

in the United States of America, and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Accounting Standards no. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not yet determined the impact of the adoption of the statement.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities: (hereinafter "SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after December 31, 2003 and for hedging relationships designated after December 31, 2003. The adoption of SFAS No. 149 is not expected to have an impact on the financial position or results of operations of the Company.

In December 2002, the Financial Accounting Standards Board issued Statement No. 148 (hereinafter "SFAS No. 148") on "Accounting for Stock-Based Compensation—Transition and Disclosure." This statement provides alternative methods of transition for companies that choose to switch to the fair value method of accounting for stock options. SFAS No. 148 also makes changes in the disclosure requirements for stock-based compensation, regardless of which method of accounting is chosen. Under the new standard, companies must report certain types of information more prominently and in a more understandable format in the footnotes to the financial statements, and this information must be included in interim as well as annual financial statements. Historically, the Company has not had any stock based compensation and therefore there are no disclosure requirements of SFAS No. 148 in these financial statements.

In October 2002, the Financial Accounting Standards Board issued Statement No. 147 (hereinafter "SFAS No. 147") on "Acquisitions of Certain Financial Institutions." This statement provides guidance on the accounting for the acquisition of a financial institution. The Company's adoption of this standard does not have an effect on its financial statements.

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. There is no impact on the Company's financial position or results of operations from adopting SFAS No. 146.

Accounts Receivable and Bad Debts

The Company estimates bad debts utilizing the allowance method, based upon past experience and current market conditions. At December 31, 2003, June 30, 2003, and December 31, 2002, the Company determined that no allowance was required, as most sales are transacted via credit card or electronic transfer and therefore are considered immediately collectible.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes deposits held in a reserve account in the amount of \$223,682, \$223,682 and \$222,725 at December 31, 2003, June 30, 2003, and December 31, 2002, respectively. Such deposits are required by the bank as protection against unfunded charge backs and returns of credit card transactions.

Compensated Absences

Employees of the Company are entitled to paid vacation, and sick days, depending on job classification, length of service, and other factors. The Company accrued vacation pay in the amounts of \$38,000, \$39,000 and \$0 at December 31, 2003, June 30, 2003, and December 31, 2002 respectively.

Cost of Sales

Cost of sales consist of the purchase price of products sold, commissions, inbound shipping charges, net of freight recovered from customers, and packaging supplies.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133”, and SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities”, and SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

At December 31, 2003, June 30, 2003 and December 31, 2002, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Basic and diluted loss per share were the same, at the reporting dates, as there were no common stock equivalents outstanding.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts receivable, and accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2003, June 30, 2003, and December 31, 2002.

Foreign Currency Translation and Other Comprehensive Income

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

As the Company's functional currency is the U.S. dollar, and all translation gains and losses are transactional, the Company has no assets with value recorded in Canadian dollar and there is no recognition of other comprehensive income in the financial statements.

Foreign Currency Valuation and Risk Exposure

While the Company's functional currency is the U.S. dollar and the majority of its operations are in the United States, the Company maintains its main office in Surrey, British Columbia. The assets and liabilities relating to the Canadian operations are exposed to exchange rate fluctuations. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at the year-end exchange rates, and revenue and expenses are translated at the average exchange rate during the period. The net effect of exchange difference arising from currency translation is disclosed as a separate component of stockholders' equity. Realized gains and losses from foreign currency transactions are reflected in the results of operations.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This statement requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in the Company's consolidated financial statement or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities results in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such an asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized. See Note 12.

Inventories

The Company records inventories at the lower of cost or market on a first-in, first-out basis.

Long-lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. Accordingly, the Company reviews the carrying amount of long-lived assets for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of any impairment would include a comparison of estimated future cash flows anticipated to be generated during the remaining life of the assets to the net carrying value of the assets. For the years ended December 31, 2003, June 30, 2003, and December 31, 2002 no impairments have been identified.

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. See Note 6.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant transactions and balances among the companies included in the consolidated financial statements have been eliminated.

Revenue Recognition

The Company recognizes revenue from product sales upon shipment to independent distributors, the Company's customers. Revenue from administration fees is recognized upon collection from independent distributors.

Advertising Expenses

Advertising expenses consist primarily of costs incurred in the design, development, and printing of Company literature and marketing materials. The Company expenses all advertising expenditures as incurred. The Company's advertising expenses were \$29,073, \$75,135 and \$11,662 for the periods ended December 31, 2003, June 30, 2003, and December 31, 2002, respectively.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Segment Information

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (hereafter "SFAS No. 131") which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position. See Note 17.

Going Concern

As shown in the accompanying financial statements, the Company had negative working capital of approximately \$1,266,000 and an accumulated deficit incurred through December 31, 2003. The Company is currently putting technology in place which will, if successful, mitigate these factors which raise substantial doubt about the Company's ability to continue

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management has established plans designed to increase the sales of the Company's products, and decrease debt. The Company plans on continuing to reduce expenses, and with small gains in any combination of network sales, direct sales, international sales, and warehouse sales, believe that they will eventually be able to reverse the present deficit. Management intends to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan. Management plans include negotiations to convert significant portions of existing debt into equity.

The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships.

NOTE 3 – SHARE EXCHANGE AGREEMENT

On December 31, 2003, Essentially Yours Industries, Inc. completed a share exchange agreement with Safe ID Corporation ("Safe ID") and changed its name to EYI Industries, Inc. Under the terms of the agreement, the Company issued 30,153,067 shares of its common stock to the shareholders of Safe ID. In relation to this agreement and plan of recapitalization, the Company authorized a 1 for 7.6754 exchange rate of the originally issued and outstanding Essentially Yours Industries, Inc. shares. All references in the accompanying financial statements and notes to the common shares and per share amounts have been restated to reflect the reverse stock split. The Company also approved an increase in the number of its authorized common stock shares to 300,000,000 when in the months prior to the finalization of this agreement, the registrant prior to the recapitalization sold approximately \$550,000 of common stock and warrants as part of private placement. These stock sales were in anticipation of this agreement and recapitalization, and as such, are reflected as financing cash flows.

As Safe ID was a non-operating public company with limited assets, the substance of the transaction with Safe ID is a capital transaction, rather than a business combination. The transaction is equivalent to the issuance of stock by the Company for the net assets of Safe ID, accompanied by a recapitalization. The accounting is identical to that resulting from a reverse acquisition, except that no goodwill or other intangibles are recorded. The substantial asset of Safe ID that was acquired was approximately \$32,500 in cash. The liabilities acquired by the Company under this agreement totaled approximately \$11,800.

EYI INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003
NOTE 4 – REORGANIZATION

On May 27, 2002, Mr. Jay Sargeant, a shareholder of Essentially Yours Industries, Corp. (“EYI Corp.”) agreed to acquire all of the shares of the Essentially Yours Industries, Inc. (“EYII”), along with the transfer agreement, license agreement, and agency appointment agreement as described below, in settlement of amounts owed to him. As part of this transaction, EYI Corp. agreed to provide to EYII the services outlined in a management agreement. These agreements became effective on June 30, 2002. EYII owns ninety-nine percent of Halo Distributions LLC (“HALO”). The other one percent of HALO is owned by RGM International, Inc. (“RGM”), another subsidiary of EYI Corp., which was transferred to Mr. Sargeant as additional consideration.

On June 30, 2002, the shareholder of EYII exchanged all of the outstanding shares of EYII for 12,000,000 common shares of Burrard Capital Inc (“Burrard”). Concurrent with this transaction, EYII was merged into Burrard with Burrard emerging as the surviving entity. The combined entity was renamed Essentially Yours Industries, Inc. For accounting purposes, the acquisition has been treated as a recapitalization of EYII with EYII as the acquirer. Prior to this merger, EYII and RGM were considered to be dormant companies, with the activities of HALO being consolidated directly with EYII Corp. although the legal ownership was vested in EYII and RGM. Therefore, the losses from HALO operations and the other economic impacts prior to June 30, 2002 are considered to be the separate activity of EYI Corp.

On June 30, 2002, EYII took over the sales and marketing activities of its former holding company and entered into various agreements with that Company as follows:

Transfer Agreement

As part of the aforementioned transaction and for consideration of \$1, EYI Corp. transferred and assigned to EYII all of its rights, title and interest in and to the contracts with its independent business associates and any other contracts that may be identified by the parties as being inherent or necessary to the sales and marketing activities to EYII.

License Agreement

EYI Corp. licensed to EYII all of the rights, title, and interest that it may have in various intellectual properties for \$1 per year for a term of 50 years. The Company has the option at any time to require EYI Corp. to transfer all of its rights, title, interest in and to the intellectual properties to the Company at the sum of \$1 or such greater sum as may be determined to be the fair market value of such intellectual property as determined by agreement between the parties, by arbitration or by the appropriate taxation authorities after all assessments and appeals have been concluded.

Agency Appointment Agreement

EYI Corp. appointed EYII as the sole and exclusive agent to sell its remaining inventory on hand as of June 30, 2002 at the prices previously established, and to continue to sell at such price unless and until any change is agreed upon with EYI Corp. In consideration for its

EYI INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003

efforts, the Company is entitled to a sales commission of fifteen percent on all sales of such inventory.

Management Agreement

EYI Corp. agreed to perform various services such as administration, computer support, and sales and customer support, on behalf of EYII for a term of one year commencing June 30, 2002. The services and duties to be provided and performed by EYI Corp. for EYII shall be determined and agreed upon by the parties, from time to time, as required, provided however, it is understood and agreed that such services will primarily consist of assisting EYII in the sales and marketing business. At the date of these financial statements, the agreement had expired, and EYII was operating on a month-to-month basis for management services with EYI Corp.

The remuneration to be paid by EYII to EYI Corp. for the aforementioned services is to be negotiated by the parties from time to time, provided however, the parties agree that the remuneration to be paid shall be consistent with industry standards for the type and nature of the services or duties being provided. At the present time, EYII has agreed to pay EYI Corp. actual expenses plus a fee of 5% on these expenses.

NOTE 5 – ACCOUNTS RECEIVABLE AND CREDIT RISK

Accounts receivable at December 31, 2003, June 30, 2003 and December 31, 2002 consist primarily of amounts due from third parties for distribution services provided by Halo.

NOTE 6 – PROPERTY AND EQUIPMENT

Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over three to seven years. The following is a summary of property, equipment and accumulated depreciation at December 31, 2003, June 30, 2003, and December 31, 2002:

| | December 31, 2003 | | June 30, 2003 | | December 31, 2002 | |
|-------------------------------|-------------------|-----------------------------|---------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Warehouse equipment | \$ 223,927 | \$ 175,353 | \$ 223,927 | \$ 159,359 | \$ 223,927 | \$ 141,287 |
| Furniture and fixtures | 18,698 | 15,453 | 18,527 | 14,074 | 18,698 | 11,224 |
| Computer Equipment & Software | 115,392 | 40,265 | 95,527 | 22,756 | 497,133 | 11,313 |
| Office equipment | 3,510 | 2,909 | 3,510 | 2,616 | 3,215 | 1,998 |
| Leasehold improvements | 32,523 | 16,631 | 32,523 | 14,598 | 32,523 | 17,955 |
| Total | 394,050 | \$ 250,611 | 374,014 | \$ 213,403 | \$ 775,496 | \$ 183,777 |

Edgar Filing: EYI INDUSTRIES INC - Form 10KSB/A

| | | | |
|--|------------|------------|------------|
| Less: accumulated depreciation | 250,611 | 213,403 | 183,777 |
| Total property, plant and equipment, net | \$ 143,439 | \$ 160,611 | \$ 591,719 |

14

EYI INDUSTRIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2003**

Depreciation expense for the periods ended December 31, 2003, June 30, 2003 and December 31, 2002 was \$36,756 and \$50,888, and \$21,263, respectively.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets consist of rights, title, and interest in and to the contracts with the Company's independent business associates as well as the rights and licenses to trademarks and formula for the Company's primary products. These rights and licenses were obtained from its former holding Company pursuant to a transfer agreement, as well as from the Company's primary shareholder. See Notes 4 and 9.

Trademarks and Formulas

Costs relating to the purchase of trademarks and formulas were capitalized and amortized using the straight-line method over ten years, representing the estimated life of the assets.

The following is a summary of the intangible assets at December 31, 2003, June 30, 2003 and December 31, 2002:

| | Cost | Accumulated Depreciation | Net |
|-----------------------------|-----------|-----------------------------|-----------|
| Balance, December 31, 2002 | \$ 1 | \$ - | \$ 1 |
| Activity in next six months | 21,600 | (1,800) | 19,800 |
| Balance, June 30, 2003 | \$ 21,601 | \$ (1,800) | \$ 19,801 |
| Activity in next six months | - | - | - |
| Balance, December 31, 2003 | \$ 21,601 | \$ (1,800) | \$ 19,801 |

NOTE 8 – BANK INDEBTEDNESS

Bank indebtedness consists of checks written in excess of funds on deposit. The underlying bank is used as an imprest account with automatic transfers from the Company's general account as checks are presented.

NOTE 9 – CAPITAL STOCKPreferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001. As of December 31, 2003, June 30, 2003, and December 31, 2002, the Company has not issued any preferred stock.

Common Stock

The Company is authorized to issue 300,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

In its initial capitalization in June 2002, the Company issued 23,026,200 shares of common stock for a total of \$30,000 cash.

Pursuant to the merger agreement as discussed in Note 4, an additional 92,104,800 shares of common stock were issued to the shareholder of Essentially Yours Industries, Inc. The transaction was valued at \$38,507, representing the basis of Essentially Yours Industries, Inc. in the assets, liabilities and subsidiaries that it contributed to Burrard Capital, Inc. At the completion of the merger, the Company changed its name from Burrard Capital, Inc. to Essentially Yours Industries, Inc.

In August, 2002, the Company sold, under a private placement offering, 5,400,043 shares of common stock at approximately \$0.18 per share for a total of \$994,122 in cash, net of private placement costs of \$61,206. Of these 5,400,043 shares, 2,485,440 were purchased for \$513,900, and were determined to be shares related to a minority interest, and were subsequently reclassified on the balance sheet as minority interest in subsidiary. Minority shareholders hold approximately a 1.64% interest in the Company at December 31, 2003.

On December 31, 2003, the Company completed an acquisition agreement with Safe ID, and at the completion of the merger, the Company changed its name from Essentially Yours Industries, Inc. to EYI Industries, Inc. In connection with this reverse merger, the Company issued 30,153,067 shares of its common stock and warrants to the shareholders of Safe ID. This acquisition was valued at \$502,211. See Note 3 and 11. This transaction resulted in a discount on common stock of \$53,398. See Note 10.

NOTE 10 – DISCOUNT ON COMMON STOCK

On December 31, 2003, as a result of the share exchange agreement between Safe ID and Essentially Yours Industries, Inc., a discount on common stock was recorded in the amount of \$53,598 to reflect the partial deficit in the par value of the stock received in the share exchange. This is the result of the recorded par value of the stock exceeding the original value of the assets exchanged. At the point in time when the Company's board of directors authorizes a resolution to do so, the Company will close the discount on common stock account to the additional paid-in capital account.

NOTE 11 – COMMON STOCK WARRANTS

Warrant Adjustment

During the year ended December 31, 2003, the Company determined that an additional 916,667 warrants from the reverse acquisition and share exchange with Safe Id Corporation had not been properly determined and valued at the date of the change of control nor at

EYI INDUSTRIES, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2003**

December 31, 2003. A correction of an error was made and is reflected in the financial statements. The warrants were valued at \$45,833. The additional paid-in-capital was reduced by \$45,833 and warrants accounted for in the equity section was increased by the same. There was no effect on total stockholders equity or upon net income and accumulated deficits. (See Note 20)

During the period ended December 31, 2003, in connection with the recapitalization and reverse merger acquisition, the Company issued warrants to purchase 2,751,746 shares of common stock with an exercise price of \$0.20 and term of two years. In accordance with Statement of Financial Accounting Standard No. 123, the fair value of the warrants was estimated using the Black Scholes Option Price Calculation. The following assumptions were made to value the warrants: share price at \$0.11, risk free interest rate of 4%, expected life of 2 years, and expected volatility of 110% with no dividends expected to be paid. The Company recorded an expense for the value of the warrants based upon these Black Scholes assumptions of \$0.03 per warrant, or \$82,552.

| | Number of Warrants | Weighted Average Remaining Life | Average Exercise Price |
|--------------------------------|-----------------------|------------------------------------|---------------------------|
| Outstanding and exercisable | 2,751,746 | 2 | \$0.11 |

NOTE 12 – INCOME TAXES

The significant components of the deferred tax asset at December 31, 2003, June 30, 2003 and December 31, 2002 were as follows:

| | December 31, 2003 | June 30, 2003 | December 31, 2002 |
|---|----------------------|------------------|----------------------|
| Deferred tax asset: | | | |
| Net operating loss carryforward | \$ 871,590 | \$ 531,855 | \$ 302,940 |
| Less valuation allowance for tax asset | (871,590) | (531,855) | (302,940) |
| Net deferred tax asset | \$ - | \$ - | \$ - |

At December 31, 2003, June 30, 2003, and December 31, 2002, the Company has net operating loss carryforwards of approximately \$2,563,000, \$1,564,000, and \$891,000 respectively, which expire in the years 2022 through 2023. The change in the allowance account from December 31, 2002 to December 31, 2003 was \$568,650.

The Company's subsidiaries in Canada are required to file income tax returns in British Columbia, Canada. The losses from operations are allocated to both United States and Canadian operations.

EYI INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003
NOTE 13 – COMMITMENTS

Purchase Agreement

On June 30, 2002, the Company entered into a distribution and license agreement with a company in which one of the Company's directors has an ownership interest. The agreement gives the Company the exclusive right to market, sell and distribute certain products for a five-year renewable term. Management estimates that 90% of the Company's sale volume results from products supplied under this licensing agreement.

Pursuant to the agreement, the Company is required to purchase the following amounts of product during the term of the agreement:

| | | | | |
|--------------|---|--------------|----|------------|
| June 1, 2003 | – | May 31, 2004 | \$ | 5,399,152 |
| June 1, 2004 | – | May 31, 2005 | \$ | 15,426,147 |
| June 1, 2005 | – | May 31, 2006 | \$ | 38,565,368 |
| June 1, 2006 | – | May 31, 2007 | \$ | 38,565,368 |

In the event that the Company is unavailable to meet the minimum purchase requirements of the licensing agreement or the terms requiring it to pay 15% of the difference between the minimum purchase amount referred to above and actual purchases for that year in which there is a shortfall, then the licensor has various remedies available to it including, renegotiating the agreement, removing exclusivity rights, or terminating the agreement.

As of the date of these financial statements, the licensor has not made any additional demands of the Company.

Lease Payments

The Company has operating lease commitments for its premises, office equipment and an automobile. The minimum annual lease commitments are as follows:

| Year ended December 31, | <u>Minimum</u> |
|-------------------------|----------------|
| 2004 | \$ 264,634 |
| 2005 | 177,356 |
| 2006 | 151,739 |
| 2007 | 52,432 |

NOTE 14 – CONTINGENCIES

Agency Appointment Agreement

As described in Note 4, the Company effectively acquired from EYI Corp. the various rights needed to continue the sales and marketing activity of EYI Corp. Both the transfer agreement and intellectual property license agreement were not negotiated between parties on an arms length basis. The agreements contain clauses that call for fair market value price

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

adjustments payable to EYI Corp. should either of the parties by agreement, arbitration, tax assessment or through a third party action determine the consideration be less than fair market value. The value of the property transferred was based upon an outside professional valuation report and resulted in a reduction of accumulated dividends owed to Mr. Sargeant by EYI Corp. of \$360,000, which became his basis in his stock in Essentially Yours Industries, Inc.. The assets transferred by EYI Corp. to Essentially Yours Industries, Inc.. were transferred based upon their original cost less accumulated depreciation and amortization in accordance with generally accepted accounting principles.

Other Matters

The Company's predecessor organization, Essentially Yours Industries Corp. ("EYIC"), a British Columbia corporation, has outstanding claims from the Internal Revenue Service for penalties and interest of approximately \$2,000,000. Furthermore, one or more states may have claims against EYIC for unpaid state income taxes. Management believes that these claims are limited solely to EYIC and that any prospective unpaid tax claims against the Company are remote and unable to be estimated.

NOTE 15 - LOAN PAYABLE

The Company issued a promissory note, related to consulting fees, for a total of \$27,500 on December 15, 2003. The note bears interest at the rate of 10% per annum, calculated daily from January 30, 2004 should the note not be repaid by that date. The note is currently in default and interest continues to accrue.

NOTE 16 – CONCENTRATIONS

Bank Accounts

The Company maintains its cash accounts in a single commercial bank. During the year, the Company may maintain balances in excess of the federally insured amounts in the accounts that are maintained in the United States. The Company also maintains funds in commercial banks in Vancouver, British Columbia, in which funds in U.S. dollars are not insured. At December 31, 2003, June 30, 2003, and December 31, 2002 a total of \$1,675, \$5,000, and \$9,238, respectively, was not insured.

Foreign Operations

The accompanying balance sheet includes assets of approximately \$155,000, \$629,000 and \$822,000 at December 31, 2003, June 30, 2003, and December 31, 2002, respectively, relating to the Company's operations in Canada. Although the country is considered politically and economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

EYI INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

Economic Dependence

During the year, the Company purchased approximately 90% of its products for resale from one company, Nutri-Diem Inc., which is the sole supplier of the Company's flagship product Calorad. Pursuant to a purchase agreement, the Company is subject to minimum purchases per annum. See Note 13.

NOTE 17 – SEGMENT REPORTING

The Company is organized into two reportable segments – EYI Industries, Inc. and Halo. The two segments have different strategic goals and are managed separately. EYI Industries, Inc., the first reportable segment, is a selling and marketing company. The second reportable segment, Halo, operating as a distribution center, derives approximately 90% of its activities from distributing products for the Company and its subsidiaries.

The following tables present information about the two segments for December 31, 2003 and June 30, 2003:

| | Six Months Ended December 31, 2003 | | | |
|--------------------------|---|-------------|---------------------|---------------------|
| | EYI Ind., Inc. | Halo | Eliminations | Consolidated |
| External Revenue | \$ 4,218,961 | \$ 94,618 | \$ - | \$ 4,313,579 |
| Operating Loss | \$ (855,762) | \$ (85,656) | \$ - | \$ (941,418) |
| Loss Before Income Taxes | \$ (900,601) | \$ (85,656) | \$ - | \$ (986,257) |
| Depreciation | \$ 13,792 | \$ 22,964 | \$ - | \$ - |
| Interest Expense | \$ 21,879 | \$ - | \$ - | \$ - |
| Identifiable Assets | \$ 547,334 | \$ 160,542 | \$ - | \$ 707,876 |
| General corporate assets | | | | 19,801 |
| Total assets | | | | \$ 727,677 |

| | Year Ended June 30, 2003 | | | |
|------------------|---------------------------------|-------------|---------------------|---------------------|
| | EYI Ind., Inc. | Halo | Eliminations | Consolidated |
| External Revenue | \$ 14,306,684 | \$ 83,365 | \$ - | \$ 14,390,049 |

Edgar Filing: EYI INDUSTRIES INC - Form 10KSB/A

| | | | | | | | | |
|--------------------------|----|-------------|----|-----------|----|---|----|-------------|
| Operating Loss | \$ | (1,526,387) | \$ | (119,045) | \$ | - | \$ | (1,645,432) |
| Loss Before Income Taxes | \$ | (1,554,163) | \$ | (119,045) | \$ | - | \$ | (1,673,208) |
| Depreciation | \$ | 9,093 | \$ | 41,795 | \$ | - | \$ | 50,888 |
| Interest Expense | \$ | 11,272 | \$ | 1,520 | \$ | - | \$ | 12,792 |
| Identifiable Assets | \$ | 584,655 | \$ | 198,075 | \$ | - | \$ | 782,730 |
| General corporate assets | | | | | | | | 19,801 |
| Total assets | | | | | | | \$ | 802,531 |

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

The accounting policies for the two reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources to and evaluates performance of its operating segments based on operating income.

NOTE 18 – RELATED PARTY TRANSACTIONS

Information related to related party transactions regarding the reorganization can be found in Note 4. Related party information on intangibles is located in Note 7. Related party commitments are located in Note 13.

Accounts payable to related parties represents amounts due to the president and chief executive officer for services preformed during the last year. These payables are non-interest bearing and non-collateralized.

During the year, the Company purchased approximately 90% of its products for resale from one company, Nutri-Diem Inc., which is owned in part by a director of the Company. See Note 13 and 15.

From time to time, the Company receives funds from related parties in the form of loans. These are recorded as unsecured, non-interest bearing, short-term loans, payable upon demand. At December 31, 2003, there was one related party loan in the amount of \$50,000.

NOTE 19 - SUBSEQUENT EVENTS

On March 24, 2004, the Company entered into a promissory note for monies received in the amount of \$10,000. The note is due on demand and interest accrues at the rate of 5% per annum.

NOTE 20 – CORRECTION OF AN ERROR

Subsequent to the issuance of the original financial statements for the year ended December 31, 2003, management discovered that certain accounting positions and information were not correct.

During the year ended December 31, 2003, the Company determined that additional 916,667 warrants from the reverse acquisition and share exchange with Safe Id Corporation had not been properly determined and valued at the date of the change of control nor at December 31, 2003. Management determined that this transaction had not been properly stated and had the effect of the overstatement of additional paid in capital of \$45,833 and the understatement of warrants of \$45,833. This restatement had no effect on the net loss for the year.

EYI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003

This correction and restatement had the no cumulative effect on the net loss or accumulated deficit for the year, and had no effect on the losses per share for the year ending December 31, 2003.

| Financial Position: | December 31, 2003 | |
|----------------------------|---------------------|------------|
| | Originally Reported | Restated |
| Additional paid in capital | \$873,805 | \$ 827,972 |
| Stock warrants | \$82,552 | \$ 128,385 |
| Net Loss per Share | nil | nil |

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.**(a) Exhibits and Index of Exhibits**

| Exhibit Number | Description of Exhibit |
|-----------------------|--|
| 3.1 | Articles of Incorporation. ⁽¹⁾ |
| 3.2 | Certificate of Amendment to Articles of Incorporation dated December 29, 2003. |
| 3.3 | Certificate of Amendment to Articles of Incorporation dated December 31, 2003. |
| 3.4 | Bylaws. ⁽¹⁾ |
| 10.1 | Transfer/Assignment, dated as of May 27, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Essentially Yours Industries, Corp., a Canadian Federal Company. ⁽²⁾ |
| 10.2 | License of Intellectual Property, dated as of June 30, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Essentially Yours Industries, Corp., a Canadian Federal Company. ⁽²⁾ |
| 10.3 | Agency Appointment Agreement, dated as of June 30, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Essentially Yours Industries, Corp., a Canadian Federal Company. ⁽²⁾ |
| 10.4 | Management Agreement, dated as of June 30, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Essentially Yours Industries, Corp., a Canadian Federal Company. ⁽²⁾ |
| 10.5 | Distribution and License Agreement, dated as of June 30, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Nutri-Diem, Inc., a Canadian corporation incorporated pursuant to the laws of the Quebec Company Act. ⁽²⁾ |
| 10.6 | Declaration of Trust, dated as of May 27, 2002, between Jay Sargeant and twelve named trust beneficiaries. ⁽²⁾ |
| 10.7 | Notice to Transfer Intellectual Property Rights, dated as of August 28, 2002 from Essentially Yours Industries, Inc., a Nevada corporation, to Essentially Yours Industries, Corp., a Canadian Federal Company, and its directors. ⁽²⁾ |
| 10.8 | Assignment/Transfer of Intellectual Property Rights, dated as of August 28, 2002, from Essentially Yours Industries, Inc., a Nevada corporation, to Essentially Yours Industries, Corp., a Canadian Federal Company. ⁽²⁾ |
| 10.9 | Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and Flaming Gorge, Inc. ⁽²⁾ |
| 10.10 | Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and O'Neill Enterprises, Inc. ⁽²⁾ |
| 10.11 | Addendum to the Distribution and License Agreement dated as of November 7, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Nutri-Diem, Inc., a Canadian corporation incorporated pursuant to the laws of the Quebec Company Act. ⁽²⁾ |
| 10.12 | Form of Lock-up Agreement. ⁽²⁾ |
| 10.13 | Form of Subscription Documents. ⁽²⁾ |
| 10.14 | Form of IBA Application. ⁽²⁾ |
| 10.15 | Transfer/Assignment, dated as of May 27, 2002, between Essentially Yours Industries, Inc., a Nevada corporation and Essentially Yours Industries, Corp., a Canadian Federal Company. ⁽²⁾ |
| 10.16 | Merger Agreement and Plan of Reorganization, dated as of June 30, 2002, between and among Burrard Capital, Inc., a Nevada corporation, Essentially Yours Industries, Inc., a Nevada corporation, and Jay Sargeant. ⁽²⁾ |
| 10.17 | Share Exchange Agreement, dated November 4, 2002, by and among Safe ID Corporation, a Nevada corporation, Essentially Yours Industries, Inc., a Nevada corporation, the undersigned directors of Safe ID, and Jay Sargeant. ⁽³⁾ |
| 10.18 | First Amendment to Trust Agreement dated December 23, 2003, between Jay Sargeant and twelve named trust beneficiaries, revising the terms of the Declaration of Trust dated as of May 27, 2002, between Jay |

Edgar Filing: EYI INDUSTRIES INC - Form 10KSB/A

Sargeant and twelve named trust beneficiaries.⁽⁵⁾

10.19 Registration Rights Agreement, dated December 31, 2003, by and among Safe ID Corporation, and certain shareholders of EYI Industries, Inc.⁽³⁾

10.20 Stock Compensation Program⁽⁴⁾

10.21 Consulting Agreement dated December 27, 2003 between Rajesh Raniga Inc. and Safe ID Corporation.⁽⁶⁾

10.22 Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and O'Neill Enterprises Inc.⁽⁶⁾

10.23 Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and Flaming Gorge, Inc. ⁽⁶⁾

14.1 Code of Ethics⁽⁵⁾

21.1 List of Subsidiaries⁽⁵⁾

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

| Exhibit Number | Description of Exhibit |
|-----------------------|--|
| 32.1 | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 32.2 | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |

Notes:

- (1) Filed as an exhibit to the registration statement on Form 10-SB/A of Safe ID Corporation, filed with the SEC on September 21, 2000.
- (2) Filed as an exhibit to the registration statement on Form SB-2 of Essentially Yours Industries, Inc., filed with the SEC on November 12, 2002.
- (3) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 8, 2004.
- (4) Filed as an exhibit to our Registration Statement on Form S-8, filed with the SEC on March 30, 2004.
- (5) Filed as an exhibit to our annual report on Form 10-KSB for the year ended December 31, 2003, filed with the SEC on April 14, 2004.
- (6) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended March 31, 2004, filed with the SEC on May 24, 2004.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EYI INDUSTRIES, INC.

By:

/s/ Jay Sargeant
Jay Sargeant
President, Chief Executive Officer,
and Director
(Principal Executive Officer)
Date: December 15, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:

/s/ Jay Sargeant
Jay Sargeant
President, Chief Executive Officer,
and Director
(Principal Executive Officer)
Date: December 15, 2004

By:

/s/ Rajesh Raniga
Rajesh Raniga
Chief Financial Officer
(Principal Accounting Officer)
Date: December 15, 2004

By:

/s/ Dori O'Neill
Dori O'Neill
Chief Operating Officer, Treasurer,
Secretary and Director
Date: December 15, 2004