

E-SMART TECHNOLOGIES INC
Form 10QSB
April 03, 2008
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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

(Mark One)

Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended: September 30, 2007

Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _____ to _____.

Commission File No: 0-30717

e-SMART TECHNOLOGIES, INC.

(Name of small business in its charter)

Nevada

88-0409261

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(State or other jurisdiction of incorporation)

(IRS Employer Id. No.)

526 West 26th Street, Suite 710, New York, NY 10001

(Address of Principal Office including Zip Code)

Issuer's telephone Number: (212) 727-3790

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, \$.001 par value, 703,918,509 shares at September 30, 2007.

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

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e-SMART TECHNOLOGIES, INC. & SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed consolidated balance sheet of the Registrant at September 30, 2007, the audited balance sheet at December 31, 2006, and the unaudited condensed consolidated statements of operations, shareholders' equity (deficiency), and cash flows for the nine months and three months ended September 30, 2007 and September 30, 2006 follow. The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the periods presented.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	<i>[Unaudited]</i> September 30, 2007	<i>[Audited]</i> December 31, 2006
Assets		
Current assets -		
Cash	\$ 92,795	\$ 49,845
Prepaid expenses	22,797	7,558
Total current assets	115,592	57,403
Equipment, net	67,948	41,446
License of smart card technology, net of amortization	88,038	92,860
Officers' advances		11,549
Due from IVI Smart Technologies, Inc.	170,112	
Lease deposit	147,405	79,713
Total assets	\$ 589,095	\$ 282,971
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities -		
Current portion of notes payable	\$ 59,927	\$ 509,927
Accounts payable	1,904,717	1,286,904
Accrued officers' compensation	47,500	544,285
Accrued expenses	194,057	76,660
Total current liabilities	2,206,201	2,417,776
Note payable - long-term	222,545	1,946,394
Total liabilities	2,428,746	4,364,170
Shareholders' Equity (Deficiency) -		
Preferred Stock, \$0.001 par value, 20 million shares authorized; 17.5 million and -0- shares issued and outstanding in 2007 and 2006, respectively	17,500	
Common shares, \$0.001 par, 730 million shares authorized; 703,918,509 and 242,540,441 shares issued and outstanding in 2007 and 2006, respectively	703,918	242,540
Additional paid in capital	94,748,131	70,954,225
Deficit accumulated during development stage	(97,309,200)	(75,277,964)
Total shareholders' equity (deficiency)	(1,839,651)	(4,081,199)
Total liabilities and shareholders' equity (deficiency)	\$ 589,095	\$ 282,971

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

[Unaudited]

	Nine Months Ended September 30,		Three Months Ended September 30,		January 1, 2001 (inception of development period) to September 30, 2007
	2007	2006	2007	2006	2007
Revenue	\$	\$	\$	\$	\$
Operating expenses:					
Research and development	3,135,909	447,575	469,039	120,001	18,286,218
Marketing, general and administrative	18,780,813	2,773,878	4,062,622	1,075,417	78,548,651
Interest	112,864	163,996	953	62,988	463,881
Total operating expenses	22,029,586	3,385,449	4,532,614	1,258,406	97,298,750
Loss before provision for Income taxes	(22,029,586)	(3,385,449)	(4,532,614)	(1,258,406)	(97,298,750)
Provision for income taxes	1,650	2,000	350	500	10,450
Net Loss	\$ (22,031,236)	\$ (3,387,449)	\$ (4,532,964)	\$ (1,258,906)	\$ (97,309,200)
Loss per share	\$ (0.05)	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ (0.48)
Weighted average number of common shares outstanding	451,178,569	200,000,000	657,668,509	200,000,000	202,391,260

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF

SHAREHOLDERS EQUITY (DEFICIENCY)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
<i>[Audited]</i>							
Balance January 1, 2006		\$	200,000,000	\$ 200,000	\$ 63,777,497	\$ (67,507,910)	\$ (3,530,413)
Issuance of shares in relation to related party borrowings			20,990,441	20,990	4,150,278		4,171,268
Issuance of shares for services			21,550,000	21,550	3,026,450		3,048,000
Net loss						(7,770,054)	(7,770,054)
Balance, December 31, 2006			242,540,441	242,540	70,954,225	(75,277,964)	(4,081,199)
<i>[Unaudited]</i>							
Balance, January 1, 2007			242,540,441	242,540	70,954,225	(75,277,964)	(4,081,199)
Issuance of shares for services			155,313,844	155,314	13,441,928		13,597,242
Issuance of shares in relation to related party borrowings			177,564,224	177,564	5,497,978		5,675,542
Issuance of shares pursuant to Plan of Reorganization	17,500,000	17,500			(17,500)		
Issuance of shares in payment of license fee			128,500,000	128,500	4,871,500		5,000,000
Net loss						(22,031,236)	(22,031,236)
Balance, September 30, 2007	17,500,000	\$ 17,500	703,918,509	\$ 703,918	\$ 94,748,131	\$ (97,309,200)	\$ (1,839,651)

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

	Nine Months Ended September 30,		January 1, 2001
	2007	2006	(inception of development) period to September 30, 2007
Cash flows from Operating Activities -			
Net loss	\$ (22,031,236)	\$ (3,387,449)	\$ (97,309,200)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock and common stock options for services	13,597,242		72,593,742
Issuance of preferred and common stock in payment of license fee	5,000,000		5,000,000
Depreciation and amortization	26,827	17,170	104,263
Bad debt expense			312,505
Changes in assets and liabilities -			
Increase in prepaid expenses	(15,239)	(7,747)	(22,797)
Decrease in officers' advances	11,549	32,844	
Increase in accounts payable	617,813	463,832	1,904,717
Increase (decrease) in accrued expenses	(379,388)	290,118	513,797
Net Cash Used in Operating Activities	(3,172,432)	(2,591,232)	(16,902,973)
Cash Flows from Investing Activities -			
Acquisition of equipment	(48,507)	(11,728)	(131,649)
Purchase of technology licenses			(128,600)
Advances to IVI Smart Technologies, Inc.	(170,112)		(170,112)
Advances to Biosensor, LLC			(312,505)
(Addition) reduction of lease deposit	(67,692)	(4,999)	(147,405)
Net Cash Used in Investing Activities	(286,311)		