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INNOFONE COM INC
Form 10QSB
May 08, 2003

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)

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

For the quarterly period ended March 30, 2003

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-31949

INNOFONE.COM, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

3470 Olney-Laytonsville Rd., Suite 118, Olney, MD

(Address of principal executive office)

98-0202313

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

20832

(Zip Code)

(301) 774-8294

(Registrant's telephone number, including area code)

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 ☐

The number of shares outstanding of each of Issuer's classes of common equity as
of December 31, 2002.

Common Stock at Par Value \$0.001

Title of Class

6,002,892

Number of Shares

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Transitional Small Business Disclosure Format yes no X
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This document is made up of 14 pages.

INNOFONE.COM, INC.

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(Stated in United States dollars)

I N N O F O N E . C O M ,
I N C O R P O R A T E D

For the quarter ended March 30, 2003
(Unaudited)

INNOFONE.COM, INCORPORATED

(Stated in United States dollars)

March 30, 2003 with comparative figures as at June 30, 2002

	March 30, 2003	June 30, 2002
	(unaudited)	(audited)
Assets		

Current assets:		
Prepaid expenses and deposits	\$ 0	\$ -
	0	
Investment in 908651 Alberta Ltd.	210,000	210,000
	\$ 210,000	\$ 210,000
=====		
Liabilities and Shareholders' Deficiency		

Current liabilities:		
Accounts payable and accrued liabilities	\$ 0	\$ 212,572
Due to officers and directors	300,000	104,000
Convertible debt	0	500,000
Note payable	0	150,000
	300,000	966,572
Shareholders' deficiency:		
Share capital (note 2):		
Common shares	4,854,522	4,841,522

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Preferred shares	1,250	1,250
Additional paid-in capital	7,841,593	7,719,593
<hr/>		
	12,697,365	12,562,365
Deficit	(13,436,637)	(13,318,937)
<hr/>		
	(90,000)	(756,572)
Future operations (note 1(a))		
Subsequent event (note 5)		
<hr/>		
	\$ 210,000	\$ 210,000
<hr/>		

See accompanying notes to financial statements.

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INNOFONE.COM, INCORPORATED

(Stated in United States dollars)

For the three months ended March 30, 2003 with comparative figures for the three months ended December 31, 2001 and the year ended June 30, 2002

	Three months ended		Year
	March 30, 2003	December 31, 2001	June 30, 2002
	(unaudited)	(unaudited)	(unaudited)
Sales	\$ -	\$ -	\$ -
Cost of sales	-	-	-
<hr/>			
Gross profit	-	-	-
Forgiveness of debt		-	(29,000)
Selling, general and administrative expenses	800,000	-	10,000

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Net gain on sale of Digital Micro Distribution Canada Incorporated	0	-	(14
	800,000	-	33
Net income (loss)	0	-	33
Basic net loss per share	\$ nil	\$ nil	\$
Weighted average number of common shares outstanding	6,002,892	31,689,000	79,73

See accompanying notes to financial statements.

INNOFONE.COM, INCORPORATED

Statements of Shareholders' Deficiency and Comprehensive Loss
(Stated in United States dollars)

Three months ended March 30, 2003 with comparative figures for the year ended
June 30, 2002

Common shares	Preferred shares	Additional paid-in capital	Common share purchase warrants	De
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Balance June 30, 2001	4,772,715	1,250	7,098,052	-	(13,65
Convertible notes converted to stock	520		415,480	-	
Stock options exercised	475	-	(427)	-	
Issuance of stock for equipment	146	-	7,154	-	
Issuance of stock for Digital Micro Distribution Canada Inc.	67,000	-	-	-	
Convertible notes converted to stock	666		199,334		
Net earnings					33
Balance, June 30, 2002	4,841,522	1,250	7,719,593	-	(13,31
Net loss for the three months ended March 30, 2003					(11
Stock issued for debt conversations	2,300,000		100,000		
Stock issued for legal services	95,000		5,000		
Stock issued for salary	3,000,000				
Balance, March 30, 2003	6,002,892	\$	0	\$	7,841,593 \$ - \$ (13,43

See accompanying notes to financial statements.

INNOFONE.COM, INCORPORATED

Statement of Changes in Financial Position
(Stated in United States dollars)

For the quarter ended March 30, 2003 with comparative figures for the year
ended June 30, 2002

	March 30, 2003	June 30, 2002
	(unaudited)	(audited)

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Cash flows provided by (used in):

Operations:

Net earnings (loss)	\$	0	\$	335,940
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Change in non-cash operating working capital

Prepaid expenses and deposits		0		225
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Accounts payable and accrued liabilities		0		(19,938)
--	--	---	--	----------

		0		316,227
--	--	---	--	---------

Financing:

Increase(decrease) in bank indebtedness		-		(546)
---	--	---	--	-------

Due to officers and directors	300,000			(180,470)
-------------------------------	---------	--	--	-----------

Issuance of capital stock		-		690,348
---------------------------	--	---	--	---------

Convertible debt				(616,000)
------------------	--	--	--	-----------

	300,000			(106,668)
--	---------	--	--	-----------

Investments:

Investment in 908651 Alberta Ltd.		-		(210,000)
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Capital assets		-		441
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		-		(209,559)
--	--	---	--	-----------

Effect of exchange rate changes on cash		-		-
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Increase (decrease) in cash and cash equivalents		nil		nil
--	--	-----	--	-----

Cash and cash equivalents, beginning of period		nil		nil
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Cash and cash equivalents, end of period	\$	nil	\$	nil
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See accompanying notes to financial statements

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INNOFONE.COM, INCORPORATED

Notes to Financial Statements
(Stated in United States dollars)
(Unaudited)
For the quarter ended March 30, 2003

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Innofone.com, Incorporated (the "Company") is incorporated under the laws of the State of Nevada. Effective October 15, 2001, the Company acquired Digital Micro Distribution Canada Inc. ("DMD Canada") which operated in Canada as a reseller of used computer related products. DMD Canada, the Company's legal subsidiary was sold pursuant to an agreement of purchase and sale dated June 11, 2002. The Company is currently working on a strategy to raise capital.

1. Basis of presentation:

(a) Going concern Issue:

The Company currently has a going concern issue as there are insufficient assets or prospective cash flows to fund its liabilities. The effect of this on the Company being able to meet its current or future obligations cannot be determined.

(b) Bulletin Board Listing:

In January 2001, the Company completed a Registration Statement that has been filed with the United States Securities and Exchange Commission in order for the Company's shares to be eligible for trading in the United States on the NASD over-the-counter Bulletin Board.

(c) Acquisition and Disposition of Digital Micro Distribution Canada Inc.:

On October 15, 2001, the directors of the Company approved a share exchange takeover bid whereby, all of the common shares of Digital Micro Distribution Canada Inc. ("DMD Canada") were acquired in exchange for 67,000,000 shares of its common stock. The exchanged shares would be "restricted securities" as defined under Rule 144(A) under the Securities Act of 1993, as amended. The result of this transaction is that the former shareholders of DMD Canada would hold 67% of the outstanding common shares of the Company.

Pursuant to an agreement dated June 11, 2002 between the Company and 908651 Alberta Ltd. operating as Qvest Management Group ("Qvest"), the Company disposed of its interest in DMD Canada in exchange for 1,750,000 shares of Qvest. This investment represents approximately a 13.5% interest in Qvest. Qvest has undertaken to amalgamate with another public company by reverse takeover within 6 months upon meeting the criteria for a qualifying transaction for a company with approval from the TSX Venture Exchange. The value of the Company's investment in Qvest has been recorded at the approximate book value of DMD Canada as at the date of the transaction.

INNOFONE.COM, INCORPORATED

Notes to Financial Statements
(Stated in United States dollars)
(Unaudited)
For the quarter ended March 30, 2003

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1. Basis of Presentation (continued):

(d) Interim financial statements:

These unaudited financial statements should be read in conjunction with the Company's annual audited financial statements which were completed as of June 30, 2002. In the opinion of management, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the results of such periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year.

2. Share Capital:

The number of outstanding common shares of the Company as at March 30, 2003 is computed as follows:

	Common Shares	Preferred Shares
Existing outstanding shares as at June 30, 2002	106,381,105	0
Reversed to @175 to 1	607,892	
Shares issued for debt conversation	2,300,000	
Shares issued for salaries	3,000,000	
Shares issued for legal services	95,000	
Outstanding shares as at March 30, 2003	6,002,892	0

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INNOFONE.COM, INCORPORATED

Notes to Financial Statements (continued)
 (Stated in United States dollars)
 (unaudited)
 For the quarter ended March 30, 2003

3. Stock options:

The following table summarizes the stock option activity:

	Number of options	Weighted- average exercise price
Outstanding at March 30, 2003	3,000,000	\$ 0.04
Exercised	3,000,000	0.03
Expired or forfeited	0	0
Outstanding (held by 1 optionee) at MARCH 30 2003	0	\$ 0.03

4. Comparative figures:

The 2001 quarterly statements of operation and cash flows have not been presented in these financial statements as the 2001 figures represented the consolidated operations and cash flows of the Company and its subsidiary. As the subsidiary was sold as described in Note 1(c), the comparative figures would not be meaningful to the readers of these financial statements.

5. Subsequent event:

Effective quarter ending March 30, 2003 the Company entered into a non-binding letter of intent to pay off former various employment agreements in stock the deal has not been executed. The company has paid off old note holders pursuant to the terms of a 2001 agreement, 2,300,000 restricted shares were issued. The company has paid current board members

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and offices in stock as salaries and expense reimbursement, 3,000,000 shares were issued.

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Management's Discussion and Analysis For the Quarter ended March 30, 2003

Forward-Looking Statements

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto for the year ended June 30, 2002 filed with the SEC on October 15, 2002. This quarterly report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as "may," "plans," "expects," "anticipates," "approximates," "believes," "estimates," "intends," "hopes," "potential," or "continue", and variations of such words and similar expressions, are intended to identify such forward-looking statements. The Company intends such forward-looking statements, all of which are qualified by this statement, to be covered by the safe harbor provisions for forward-looking statements contained in the Private Litigation Securities Reform Act of 1995, and is including this statement for purposes of complying with these safe harbor provisions. The Company has based these statements on its current expectations and projections about future events. These forward-looking statements are not guarantees of future performance, and are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Forward-looking statements include, but are not limited to:

Our expectations regarding collectable receivables from Innofone Canada is low.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's views only as of the date hereof. The Company is not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-QSB might not occur. Readers should carefully review the risk factors described in the previously filed Form 10-KSB and in any other documents the Company files from time to time with the Securities and Exchange Commission, including any future Annual Reports on Form 10-KSB and Quarterly Reports on Form 10-QSB.

Overview

Innofone.com Inc. currently operates out of Maryland with mailing address of 3470 Olney-Laytonsville Rd., Suite 118, Olney, MD 20832.

The Company currently does not have sufficient funds with which to sustain its operations. The company plans to issue restricted 144 stock to try and raise operating capital for the company. There is no assurance that this can be done. There is little chance that the company will receive a dividend from the bankruptcy of its previously owned subsidiary, Innohone Canada.

The Company is currently reviewing and implementing new disclosure controls and procedures to ensure that they fully comply with the new Securities Exchange Act Rules 13a-15 and 15d-15.

- (a) Plan of Operations
- (b) Acquisitions
- (c) Future

The company plans to look for new acquisitions and will not invest or operate any current or previously owned subsidiaries.

The company has relocated to Maryland and may change it's offices again if the company is successful in finding a new acquisition.

The Company currently has a going concern issue, as there are insufficient assets or prospective cash flows to fund its liabilities. While the Company is hopeful that it can raise money through the sale of stock, there are no assurances that this can be achieved, it cannot be determined if the company will be able to meet its current or future obligations.

Due to the going concern issues and lack of sufficient operating funds, Mr Richardson is currently funding operations.

(b) Results of Operations

As reflected in the company's statement of operations the company has recorded no sales for the year and the comparative information has been deleted due to the disposition of DMD Canada. The company does not currently conduct any operations.

The company has paid off old debt holders with stock pursuant to the terms of a 2001 agreement. The current officers and directors are covering all expenses of the company via short-term loans and advances which have been and will continue to be paid off in stock until the company has the cash flow to cover these expenses. These services include the preparation of company filings, the search of acquisition targets and legal expenses.

Liquidity and Capital Resources

As previously mentioned, the company has a going concern issue, as there are insufficient assets or prospective cash flows to fund its liabilities. The

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effect of this on the company is grave and the future of the company is in great peril.

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PART II- OTHER INFORMATION.

Item 1. Legal Proceedings.

There are currently no legal proceedings against the company at this time.

Item 2. Change in Securities.

The company issued an additional Two Million Three Hundred Thousand as debt conversion per a 2001 agreement. 3,000,000 shares were issued for salaries and expenses.

Item 3. Defaults Upon Senior Securities.

There was no material default in payments of any Senior Securities it has all been paid in full with stock.

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

There were no matters requiring a vote of security holders during this period.

Item 5. Other Information.

The company has paid off old debt pursuant to the terms of 2001 agreement. The company continues to pay officers and directors in stock. The company is looking for a viable acquisition and is in discussions with several candidates.

The Company authorize the sale of a controlling interest in it's newly formed subsidiary, Compubec, in order to for Compubec to raise the required investment capital it needed to survive, and as set by the government of Quebec and its agencies. Resignation of a former officer and director occurred in the quarter ending March 30, 2003 without dispute. Mr. Jamie Lobo is no longer a Board Member or CFO, Mr. Richardson has filed this vacancy.

SIGNATURES

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

INNOFONE.COM, INC.

Date: April 30, 2003

By: /s/ Frederic Richardson

Frederic Richardson, President

