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BANKENGINE TECHNOLOGIES INC  
Form 10QSB  
April 15, 2002

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

FORM 10-QSB

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

For the quarter ended February 28, 2002

or

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

Commission file number 000-27773

BANKENGINE TECHNOLOGIES, INC.  
(Exact name of registrant as specified in its charter)

Florida  
-----  
(State of incorporation)  
-

59-3134518  
-----  
(I.R.S. Employer Identification No.)

725 Port St. Lucie Blvd., Suite 201, Port St. Lucie, FL, 34984  
-----

(Address of principal executive offices, including zip code)

(888) 672-5935  
(Registrant's telephone number, including area code)

Check 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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

The number of shares outstanding of the registrant's Common Stock, \$.001 Par Value, on April 12, 2002, was 19,015,893 shares.

BANKENGINE TECHNOLOGIES, INC.

FEBRUARY 28, 2002 QUARTERLY REPORT ON FORM 10-QSB

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### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, which are other statements of historical facts. These statements are subject to uncertainties and risks including, but not limited to, product and service demand and acceptance, changes in technology, economic conditions, the impact of competition and pricing, government regulation, and other risks defined in this document and in statements filed from time to time with the Securities and Exchange Commission. All such forward-looking statements are expressly qualified by these cautionary statements and any other cautionary statements that may accompany the forward-looking statements. In addition, BankEngine Technologies, Inc. disclaims any obligations to update any forward-looking statements to reflect events of circumstances after the date hereof.

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES

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### Consolidated Balance Sheet

As of February 28, 2002

(Amounts Expressed in US Dollars)

(Unaudited)

#### ASSETS

##### Current

Cash and cash equivalents	\$210,124
Funds held on deposit	211,935
Accounts receivable	3,242
Prepaid expenses and sundry	5,200
	430,501

CAPITAL ASSETS, net of accumulated depreciation	22,090
---	--------

452,591

#### LIABILITIES

##### Current

Accounts payable	359,092
Income taxes payable	46,732
	405,824

LOANS FROM STOCKHOLDER	119,436
------------------------	---------

525,260

#### CONTINGENCIES AND COMMITMENTS

#### STOCKHOLDERS' EQUITY (DEFICIENCY)

Common stock authorized	
50,000,000 Class Common Stock with a par value of \$.001 each	17,216

Additional paid in capital	433,590
----------------------------	---------

Accumulated deficit	-511,999
---------------------	----------

Accumulated other comprehensive income (loss) net of tax	-11,476
--	---------

-72,669

452,591

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

#### BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES

Consolidated Statement of Operations

For the three and six month periods ended February 28, 2002 and 2001

(Amounts Expressed in US Dollars)

(Unaudited)

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	For the three month periods ended February 28,		For the six months ended February 28,
	2002 ----	2001 ----	2002 ----
Revenue	\$ 63	\$ 135,026	\$ 6,000
Cost of sales	-	26,940	7,900
Gross profit (loss)	63	108,086	(1,800)
Selling, general and administrative expenses	71,519	34,735	116,600
Depreciation	1,526		2,600
	73,045	34,735	119,200
Net income (loss) before other	(72,982)	73,351	(121,100)
Interest income	895	-	800
Net income (loss)	(72,087)	73,351	(120,300)
Net income (loss) per common share	(\$0.00)	\$0.00	(\$0.00)
Weighted average number of Common shares outstanding	17,164,208	15,069,536	17,139,700

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

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
 Consolidated statements of changes in Stockholders' Equity (Deficiency)  
 For the six month periods ended February 28, 2002 and 2001  
 (Amounts expressed in US Dollars)  
 (Unaudited)

	Common Shares -----	Stock Amount -----	Additional paid in capital -----	Accumulated deficit -----
Balance, August 31, 2000	12,000,000	\$ 12,000	\$ 200,849	\$-209,310
Shares issued on acquisition	5,115,893	5,116	230,341	
Net income for the period				87,750
Foreign currency translation Adjustment				

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Balance, February 28, 2001	17,115,893	17,116	431,190	-121,556
Balance, August 31, 2001	17,115,893	17,116	431,190	-391,755
Shares issued in exchange for services	100,000	100	2,400	
Net loss for the period				-120,244
Foreign currency translation Adjustment				
Balance, February 28, 2002	17,215,893	17,216	433,590	-511,999

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

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
Consolidated Statement of Cash Flows  
For the six month periods ended February 28, 2002 and 2001  
(Amounts Expressed in US Dollars)  
(Unaudited)

	2002	2001
	-----	-----
OPERATING ACTIVITIES		
Net income (loss)	\$-120,244	\$ 87,758
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	2,636	1,048
Decrease in accounts receivable	3,395	28,282
Shares issued for services rendered	2,500	0
Decrease in funds on deposit	68,677	0
Decrease in prepaid expenses and sundry assets	187	0
Increase in accounts payable	17,995	0
Increase in income taxes payable	0	50,000
Total adjustments	95,390	79,330
Net cash provided by (used in) operating activities	-24,854	167,088
Investing activities		
Acquisition of capital assets	-12,964	0
Net cash (used in) investing activities	-12,964	0
Financing activities		
Advances (repayments) of loans	2,071	-89,989

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Issuance of capital stock	0	106,946
Net cash provided by (used in) financing activities	2,071	16,957
Effects of changes in foreign currency rates	-10,499	0
Increase (decrease) in cash	-46,246	184,045
Cash and cash equivalents, beginning of year	256,370	51,785
Cash and cash equivalents, end of year	210,124	235,830
Interest paid	Nil	Nil
Income taxes paid	Nil	Nil

The accompanying notes are an integral part of these financial statements

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

1. BASIS OF PRESENTATION

On January 5, 2001, Callmate Telecom International, Inc. ("Callmate") acquired all of the issued and outstanding shares of common stock of WebEngine Technologies, Inc. ("WebEngine") in exchange for 12,000,000 common shares of Callmate in a reverse acquisition. 9,200,000 common shares of Callmate held by previous shareholders of Callmate were cancelled in exchange for all of the shares of its subsidiaries which carry on the UK operations of Callmate. The acquisition by the shareholders of WebEngine of a majority of the shares of Callmate has been accounted for as a reverse acquisition. As Callmate became substantially a shell after the removal of the UK operations, no goodwill has been reflected on this acquisition. Although Callmate is the legal acquirer, WebEngine is treated as having acquired Callmate for accounting purposes.

WebEngine was incorporated in November 2000 in order to hold the shares of Cyberstation Computers and Support Inc. ("Cyberstation"). The shareholders of Cyberstation became the shareholders of WebEngine and therefore WebEngine has been considered to be a successor to Cyberstation.

The historical financial statements of BankEngine (the "Company") are those of Cyberstation as the Company has been accounted for as the successor to Cyberstation.

The estimated income tax costs of the divestiture of the UK operations has been treated as a reduction of the assets acquired on the acquisition of the shell company and has been included in income taxes payable.

On March 5, 2001 the Callmate changed its name to BankEngine Technologies, Inc.

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WebEngine changed its name to Critical Commerce Inc. in November of 2001.

The acquisition of Callmate, as a reverse acquisition, was reflected as follows;

Funds on deposit	\$601,457
Accounts payable	(316,000)
Income taxes payable	(50,000)
	-----
Capital stock issued	\$235,457
	-----

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

### 2. MANAGEMENT INTENTIONS

The Company has sustained recurring operating losses and negative cash flows from operations. Management plans to mitigate these adverse conditions through the following activities;

- a) The Company has developed a new software product, the Critical Commerce Suite. The Critical Commerce Suite is a sophisticated online entertainment database and billing system that manages an entire online entertainment business. From the serving and management of video streaming, management of images for viewing, and sale, the Critical Commerce Suite provides cutting edge management tools for sophisticated management oversight. The Critical Commerce Suite can either be offered as a service, whereby the Company manages a series of sites and content for a monthly fee, or is licensed with fees corresponding to the number clients managed and services offered. The Company has finalized development and is currently concentrating its efforts on marketing this new product..
- b) The Company is disputing the amount of \$170,000 included in accounts payable. This figure represents an amount invoiced by the former auditors of the Company. As discussed in note 6, the Company does not believe that its former auditors, who have taken no action beyond sending invoices, will file a claim. The Company intends to resolve this dispute shortly.
- c) As discussed in note 7, the Company has acquired a subsidiary, Platinum Telecommunications Inc.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) Principal business activities

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The Company carries on the business of software development for its Critical Commerce Suite to provide video streaming analysis tools and computer consulting, through its wholly owned subsidiaries, Critical Commerce Inc., a Delaware corporation, and Cyberstation, a company operating in Canada.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### b) Basis of consolidated financial statement presentation

In the opinion of management of the Company (the "Management"), all adjustments consisting only of normal recurring adjustments necessary for a fair statement of (a) the results of operations for the six month periods ended February 28, 2002 and 2001, (b) the financial position at February 28, 2002, and (c) cash flows for the six-month periods ended February 28, 2002 and 2001, have been made. The results of operations for the six-month period ended February 28, 2002 are not necessarily indicative of those to be expected for the entire year. The unaudited consolidated financial statements and notes are presented as permitted by Form 10-QSB. Accordingly, certain information and note disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted.

The audited financial statements at August 31, 2001, which are included in the Company's Annual Report on Form 10-KSB, should be read in conjunction with these consolidated financial statements.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The earnings of the subsidiaries are included from the date of acquisition for acquisitions accounted for using the purchase method. All significant intercompany accounts and transactions have been eliminated.

#### c) Net Income (Loss) Per Weighted Average Common Stock

Net income (Loss) per share of common stock is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock outstanding during the period.

The Company has adopted Statement No.128, Earnings Per Share, which requires presentation, in the consolidated statement of



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income, of both basic and diluted earnings per share.

d) Foreign Currency

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date for the convenience of the reader. Translation adjustments resulting from this process are charged or credited to other comprehensive income. Revenue and expenses are translated at average rates of exchange prevailing during the year. Gains and losses on foreign currency transactions are included in financial expenses. No representation is made that the foreign currency amounts could have been, or could be, converted into United States dollars at the rates on the respective dates and or at any other certain rates.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

f) Computer software development

The Company accounts for the cost of developing computer software for sale as research and development expenses until the technological feasibility of the product has been established. To date all costs have been expensed. In the future, at the end of each year the Company will compare any unamortized capital costs to the net realizable value of the product to determine if a reduction in carrying value will be warranted.

4. INVESTMENT IN NON-CONTROLLED INVESTEE

The Company has a 50% interest in X-Tech International Solutions Limited ("X-Tech"), a company operating in the UK. The Company has no involvement with the management of X-Tech and it is intended that

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X-Tech be wound up in the near future. The Company has no obligation to fund any shortfalls and therefore no amount has been reflected for its investment in X-Tech. As at September 30, 2001, X-Tech had a total shareholders' deficiency of approximately \$6,000 and had realized net losses of approximately \$6,000 for the period February 2000 to September 30, 2001.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

### 5. CAPITAL STOCK

#### a) Authorized

50,000,000 Common stock with a \$.001 par value

#### b) Common stock

The Company had issued and outstanding shares of 14,315,893 common stock at the time of the reverse acquisition in January 2001. As detailed in note 1, the Company issued 12,000,000 shares of Common Stock to the shareholders of WebEngine. A total of 9,200,000 such shares were cancelled in exchange for the UK operations in January 2001. The current outstanding shares total 17,215,893, as follows:

Shares outstanding prior to the reverse acquisition	14,315,893
Issued to shareholders of WebEngine	12,000,000
Cancelled for UK operations	(9,200,000)
Shares issued in the current year end	100,000
	-----
Shares currently outstanding	17,215,893
	-----

The shares of the UK companies were estimated to have a very limited value and therefore the exchange of these shares for 9,200,000 shares of BankEngine was approved by the Board of Directors.

All other assets held by the Company continue to be held for its benefit and therefore the value attributable to the remaining shareholders is reflected by these other assets. The other assets were funds held on deposit by a bank in the UK to provide security for credit card transactions of the UK operations. As the UK operations have since ceased, the

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security deposits may be released to the Company in accordance with the credit card agreements. The capital stock reflects additions to paid in capital for the estimated value of these funds net of estimated liabilities payable to the credit card company, accounts payable to the previous auditors of the Company and net of the estimated income tax liability arising on the disposition of the UK companies for an addition to paid in capital totaling \$235,457.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

### 6. CONTINGENCIES AND COMMITMENTS

As discussed in the Capital Stock note, the Company is liable for shortfalls which may arise upon the settlement with the credit card company. The credit card company has agreed that the limit of the Company's liability is the amount of security held on hand which at the period end amounted to the equivalent of \$211,935. This amount has been reflected as Funds held on deposit. An amount of \$141,290 has been included in accounts payable which is the estimate of the liability. The settlement will be based on the transactions to December 31, 2001. Management anticipates that the liability will be settled by mid 2002.

Included in accounts payable is the amount of \$170,000 which represents the amount invoiced by the former auditors of the Company. The Company is disputing this amount. The Company does not believe that its former auditors, who have taken no action beyond sending invoices, will file a claim. If a claim were to be raised, the Company would vigorously dispute the action as well as consider its own options.

The Company has signed a lease commitment for its office space in Toronto, Canada which expires August 31, 2002. The annual rent payable therefor is \$46,500.

### 7. SUBSEQUENT EVENTS

On April 5, 2002, the Company, through its Canadian subsidiary, acquired 70% of the outstanding share capital of Platinum Telecommunications Inc. a company operating in Ontario in consideration for 1,800,000 shares of Common Stock of the Company.

### 8. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), which is effective for fiscal years beginning after December 15, 2001, except goodwill and intangible assets acquired after June 30, 2001 are subject immediately to the non-amortization and amortization provisions of this Statement. Under

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the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

In August 2001, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations", effective for fiscal years beginning after June 15, 2002. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FEBRUARY 28, 2002 and 2001  
(AMOUNTS EXPRESSED IN US DOLLARS)  
(UNAUDITED)

### 8. NEW ACCOUNTING PRONOUNCEMENTS (Cont'd)

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets", effective for fiscal years beginning after December 15, 2001. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets.

The Company has not yet determined what the effects of these Statements will be on its financial position and results of operations.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere in this Form 10-QSB.

This filing contains forward-looking statements. The words "anticipated," "believe," "expect," "plan," "intend," "seek," "estimate," "project," "will," "could," "may," and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect the Company's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, general economic and business conditions, changes in foreign, political, social, and economic conditions, regulatory initiatives and compliance with governmental regulations, the ability to achieve further market penetration and additional customers, and various other matters, many of which

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are beyond the Company's control. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those anticipated, believed, estimated, or otherwise indicated. Consequently, all of the forward-looking statements made in this filing are qualified by these cautionary statements and there can be no assurance of the actual results or developments.

Callmate Telecom International, Inc. ("Callmate") acquired WebEngine Technologies International, Inc. ("WebEngine") pursuant to a Share Purchase Agreement effective as of January 5, 2001. Callmate acquired all 12,000,000 shares of common stock of WebEngine in a share exchange, which exchange was effected on a one-for-one basis. The transaction was reported on a Form 8-K filed with the Securities and Exchange Commission (the "SEC") on January 16, 2001. Subsequent thereto, Callmate changed its name to BankEngine Technologies, Inc. (the "Company") as reported on Schedule 14C. The Company filed the Definitive 14C on March 5, 2001.

The Company decided to move away from the telecommunications business in the UK due to its growing indebtedness and the increased competitiveness in the international telecommunications industry. This trend was particularly strong in the UK. Management of the Company (the "Management") currently believes, however, that the telecommunications industry has recently displayed initial signs of recovery.

The strategic decision to shed the telecom business in the UK, while canceling 9.2 million shares of common stock (the "Common Stock") as part of the original payment for the telecom assets, both alleviated most of the debt burden of the Company and reduced its outstanding share capital. The Company has chosen to focus on the business of acting as a solution provider for the purposes of processing online transactions for online merchants as well as a solution provider for online content management systems. Management believes that the Company's acquisition of CyberStation Computers and Support Inc. ("Cyberstation") and its access to the BankEngine Suite of software (the "BankEngine Suite") will help the Company secure sufficient market share in both areas. Management believes that the BankEngine Suite is mature and adaptable while the new Critical Commerce Suite is innovative and novel. The Company has recently completed development of its Critical Commerce Suite and is concentrating its marketing efforts on this product.

### CRITICAL COMMERCE

The Critical Commerce suite (the "Critical Commerce Suite") is a sophisticated online entertainment database and billing system that manages an entire online entertainment business and represents, to an extent, an upgraded version of the BankEngine Suite (described below). From the serving and management of video streaming, management of images for viewing, and sale, the Critical Commerce Suite provides cutting edge management tools for sophisticated management oversight. The Critical Commerce Suite can either be offered as a service, whereby the Company manages a series of sites and content for a monthly fee, or is licensed with fees corresponding to the number of clients managed and services offered. The Company has finalized development and is currently implementing marketing.

### Connectivity management of online video streaming services

The Critical Commerce Suite offers complete management of statistical data derived from viewer access to a variety of popular online video streaming

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platforms at the choice of merchants. The Critical Commerce Suite's sophisticated databases can manage access to a full range of access data derived from customer viewing patterns and habits.

### Connectivity to video libraries

The Critical Commerce Suite offers complete management over libraries of video clips and larger, downloadable segments.

### Customer account management

The Critical Commerce Suite offers a wide range of customer consumption data so as to provide accurate billing information. In addition, the Critical Commerce Suite tracks referral activity for reselling purposes and more accurate billing.

### Bandwidth usage and tracking

The Critical Commerce Suite offers effective analysis of bandwidth usage and consumption. The control of this type of information is, in the opinion of Management, vital to the success of online content stores and content distribution providers.

## BANKENGINE

The Company continues to market its BankEngine suite (the "BankEngine Suite") of electronic commerce banking products for Internet merchants and financial institutions. Management believes that the Critical Commerce Suite and the BankEngine Suite (collectively, the "Technology") will allow merchants to process payments and screen against fraud and banks to manage their merchants and screen against fraud. The Technology is capable of supporting merchants and merchant banks worldwide, provided that these merchants and merchant banks have developed their own internal systems to a level where compatibility with the Technology is possible. While some merchants and merchant banks have elaborated sufficiently advanced systems, many have not and some may never do so, in which case they do not constitute plausible customers of the Company.

The Company has been providing online electronic transactions and fraud prevention since 1996. The BankEngine Suite consists of a complete, turnkey suite of secure electronic commerce banking solutions for Internet merchants and financial institutions. The BankEngine Suite includes CertEngine(TM), CardEngine(TM), CheqEngine(TM), ATMEngine(TM), BankEngine(TM), BankWeb(TM) and BankAdmin(TM).

Using the Internet to bridge the gap between merchants and banks, the Company has been supporting merchants and merchant banks worldwide. The Company can support member banks in Canada, the United States, Central America, the Caribbean, Western Europe, Australia and the Asia Pacific region. In addition, the BankEngine Suite can support 173 different currencies. Merchants are issued merchant accounts from their choice of BankEngine Suite-enabled member banks and can perform transactions with their accounts using the Internet, regardless of where in the world they are located. Merchants can easily integrate the BankEngine Suite into their automated Internet servers and use it for their manual & batch processing.

In addition, BankEngine client software works with any type of Internet connection, and runs on multiple operating systems including Win32 (95/98/2000/NT) and most flavors of Unix, under a variety of computer hardware. BankEngine Suite client software can be used with any programming language. The BankEngine Suite is, in the belief of Management, powerful enough and robust enough to allow each merchant to transact simultaneously from multiple Internet computers, multiple manual operators and multiple batches. The BankEngine Suite protects the secrecy of each and every transaction and report synchronization,

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using its high level of security, which includes PKI authentication and 2048 bit TLS cryptography.

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### PLATINUM TELECOMMUNICATIONS

After careful consideration and examination of the evolving international market trends in the telecommunications industry, which Management believes have recently become more favorable, the Company has determined to re-enter the telecommunications business with the acquisition of Platinum Telecommunications Inc. ("Platinum"). Platinum represents a new opportunity for the Company due to the relatively low cost of acquisition combined with existing expertise within the Company, which Management anticipates may lead to positive synergies. Internationally, many telecommunications companies have ceased operations, which has diminished competition in the industry and lowered the barriers to entry. Consequently, Management believes that the opportunity exists for small, cost-conscious, operators who can utilize the latest Internet Protocol ("IP") based technology to leap-frog some competitors and achieve a viable business. Platinum owns an IP-based switch for the purposes of buying and selling long distance telephone time. When combined with the substantial IP expertise possessed by the Company, Management believes that the opportunity exists to succeed in this niche-based market place and that risk can be mitigated to an acceptable degree.

Because of BankEngine's expertise in the area of online development and transaction processing research/development, the Company believes that the possible benefits derived from the acquisition will, if the expected synergies are realized to the extent Management anticipates, be in the best interests of both the Company and its shareholders.

Transmission Control Protocol ("TCP"), which is sometimes referred to as the "backbone language" of the Internet, serves as an apt illustration of Management's expectations. The advent of TCP/IP-based solutions for telephony over the last two years will, if properly designed and implemented, allow the Company to contribute substantially to the technological improvements required to further develop Platinum's business. Management believes that the Company possesses excellent resources in the area of programming of IP-telephony, which it sees as one of the most important components of IP-based telephony companies. Nonetheless, there can be no assurance that Management's beliefs and predictions will prove accurate or, even if they do, that their accuracy will lead to positive results for the Company.

### Results of Operations

THREE MONTHS ENDED FEBRUARY 28, 2002 COMPARED TO THREE MONTHS ENDED FEBRUARY 28, 2001

#### Revenues

Revenue for the three-month period ended February 28, 2002 totaled \$63, a decrease of 100% from the comparable period in 2001. This decrease is attributable to the temporary change in the Company's focus away from computer consulting and online transaction processing to software development of its Critical Commerce Suite, an investment Management believes was central to the Company's future prospects. In addition to its BankEngine Suite of tools, the Company has now developed its Critical Commerce Suite of tools for analyzing video streaming and is currently marketing it to potential corporate users.

#### Cost of Sales

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The cost of sales for the three-month period ended February 28, 2002 totaled nil, a decrease of 100% from the comparable period in 2001. The decrease is due to the temporary change in the Company's business activity from computer consulting and online transactions to software development, resulting in no current sales volume and no related cost of sales.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three-month period ended February 28, 2002 amounted to \$71,519 as compared to \$34,735 for the comparable period in 2001. The 106% increase in selling, general and administrative expenses is principally attributable to professional fees and travel expenses incurred.

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### Net Loss

Net loss for the three months ended February 28, 2002 amounted to \$72,087 as compared to a net income of \$73,351 for the comparable period in 2001. This increase in net loss is principally attributable to the reduction in sales volume.

SIX MONTHS ENDED FEBRUARY 28, 2002 COMPARED TO SIX MONTHS ENDED FEBRUARY 28, 2001

### Revenues

Revenue for the six-month period ended February 28, 2002 totaled \$6,075, a decrease of 98% from the comparable period in 2001. This decrease is attributable to the temporary change in the Company's focus away from computer consulting and online transaction processing to software development of its Critical Commerce Suite, an investment Management believes was central to the Company's future prospects.

### Cost of Sales

The cost of sales for the six-month period ended February 28, 2002 totaled \$7,940, a decrease of 84% from the comparable period in 2001. The decrease is due to the temporary change in the Company's business activity from computer consulting and online transactions to software development, as reflected by the reduced sales volume.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six-month period ended February 28, 2002 were \$116,638 as compared to \$156,237 for the comparable period in 2001. The 25% reduction in selling, general and administrative expenses is principally attributable to the reduced sales volume.

### Net Loss

Net loss for the six months ended February 28, 2002 amounted to \$120,244 as compared to a net income of \$87,758 for the comparable period in 2001. This increase in net loss is principally attributable to the reduction in sales volume.

### LIQUIDITY AND CAPITAL RESOURCES



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### Operating Activities

For the six-months ended February 28, 2002, net cash used by operating activities amounted to \$24,854, as compared to net cash provided by operating activities of \$167,088 for the comparable period in 2001. The decrease in cash provided by operating activities is primarily the result of the reduction in volume as a result of the change in the Company's emphasis in favor of software development and marketing initiatives.

### Financing Activities

At February 28, 2002, the Company does not have any material commitments for capital expenditures other than for those expenditures incurred in the ordinary course of business. The Company believes that its current operations and cash balances will be sufficient to satisfy its currently anticipated cash requirements for the next 12 months. However, additional capital could be required in excess of the Company's liquidity, requiring it to raise additional capital through an equity offering or secured or unsecured debt financing. The availability of additional capital resources will depend on prevailing market conditions, interest rates and the existing financial position and results of operations of the Company, among other factors.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Not applicable.

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS IN SENIOR SECURITIES

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) 19. Reports Furnished to Security Holders

None.

#### (b) Reports on Form 8-K.

None

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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.

BankEngine Technologies, Inc.

Dated: April 12, 2002

By: /s/ Joseph J. Alves

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Joseph Alves  
Chairman and Chief Executive Officer

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EXHIBIT INDEX

None.

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