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ENDO NETWORKS INC  
Form 10QSB  
May 19, 2003

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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

For the quarter ended: March 31, 2003

Commission file number: 333-42640

ENDO NETWORKS, INC.

-----  
(exact name of registrant as specified in its charter)

Nevada

75-2882833

-----  
(State of Incorporation)

-----  
(IRS ID No.)

2624 Dunwin Drive, Unit #3, Mississauga, Ontario, Canada

L5L 3T5

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's telephone number, including area code: 905-820-8800

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past twelve 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 .

Shares of common stock outstanding at March 31, 2003:

12,568,866

TABLE OF CONTENTS

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Item 1. Financial Statements	1 - 4
Item 2. Managements's Discussion and Analysis of Financial Condition and Results of Operations	5 - 7
PART II _ OTHER INFORMATION	
Item 1. Legal Proceedings	8
Item 2. Changes in Securities	8
Item 3. Defaults Upon Senior Securities	8
Item 4. Submission of Matters to a Vote of Security Holders	8
Item 5. Exhibits and Reports on Form 8-K	8
Signatures	9
Certifications Pursuant to 18 U.S.C. Section 1350	10

ENDO NETWORKS, INC.

BALANCE SHEETS  
March 31, 2003 and September 30, 2002

ASSETS  
-----

CURRENT ASSETS:

Cash  
Accounts receivable  
Inventory parts  
Prepaid expenses

Unaudited  
March 31, 2003  
-----

\$8,69  
145,90  
15,38  
9,75  
-----

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Total current assets	179,74
PROPERTY AND EQUIPMENT, net of accumulated deprecaition	386,00
OTHER ASSETS	
Deposits	44,98
	-----
TOTAL ASSETS	\$610,72 =====
LIABILITIES AND STOCKHOLDERS' EQUITY -----	
LIABILITIES	
Accounts payable	\$109,69
Accrued expenses	134,70
Capitalized leases - current	151,84
	-----
Total current liabilities	396,24
Capitalized leases - non current	128,35
	-----
TOTAL LIABILITIES	524,60
STOCKHOLDERS' EQUITY	
Common stock, \$0.001 par value, 50,000,000 authorized, 12,568,866 shares issued and outstanding	12,56
Subscriptions receivable	
Additional paid-in-capital	292,44
Accumulated deficit	(218,89)
	-----
Total Stockholders' Equity	86,12
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$610,72 =====

See accompanying notes to interim condensed financial statements

F-1

ENDO NETWORKS, INC.

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STATEMENT OF OPERATIONS  
 Three and Six Months Ended March 31, 2003 and 2002  
 (Unaudited)

	Three Months Ended Mar 31, 2003	Three Months Ended Mar 31, 2002	Six Months Ended Mar 31, 2003
Revenue	\$187,019	\$53,973	\$298,690
Cost of Goods Sold	113,866		194,471
Gross Profit	73,153	53,973	104,219
Operating Expense:			
Depreciation and amortization	9,735	16,370	17,083
General and administrative	66,785	144,824	142,473
Total Operating Expense	76,520	161,194	159,556
NET LOSS	(\$3,367)	(\$107,221)	(\$55,337)
Weighted average shares outstanding	12,565,866	12,070,966	12,565,866
Loss per share - basic and diluted	(\$0.00)	(\$0.01)	(\$0.00)

See accompanying notes to interim condensed financial statements

F-2

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ENDO NETWORKS, INC.

STATEMENT OF CASH FLOWS  
Six Months Ended March 31, 2003 and 2002  
(Unaudited)

	Six Months Ended Mar 31, 2003 -----
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	(\$55,33
Adjustments to reconcile net loss to net cash (used) by operating activities:	
Items not requiring cash - depreciation and amortization	17,08
(Increase) decrease in accounts receivable	(76,13
(Increase) decrease in deposits	(3,20
(Increase) decrease in parts inventory	(2,68
(Increase) decrease in prepaid expenses	(82
Increase (decrease) in accounts payable & accrued expenses	113,63
	-----
NET CASH (USED) IN OPERATING ACTIVITIES:	(7,47
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Purchase) disposal of assets	19,58
CASH FLOWS FROM FINANCING ACTIVITIES:	
Sale of common stock	
Subscriptions receivable	25,30
Proceeds from (payments on) lease financing	(47,62
	-----
Total cash flows from financing activities	(22,31
	-----
NET INCREASE IN CASH	(\$10,20
CASH, BEGINNING OF PERIOD	18,90
	-----
CASH, END OF PERIOD	\$8,69
	=====

See accompanying notes to interim condensed financial statements

F-3

ENDO NETWORKS, INC.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS  
March 31, 2003

Note A - Presentation

The condensed balance sheet of the Company as of March 31, 2003, the related condensed statements of operations for the three and six months ended March 31, 2003 and 2002, and the statement of cash flows for the six months ended March 31, 2003 and 2002 included in the condensed financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the three and six months ended March 31, 2003 are not necessarily indicative of the results of operations for the full year or any other interim period. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and Financial Statements and notes thereto included in the Company's September 30, 2002 Form 10-KSB.

F-4

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

Plan of Operation & Managements Discussion and Analysis of Financial Condition  
and Results of Operations

INTRODUCTION

The following discussion is the quarterly management's discussion and analysis for the three and six month periods ending March 31, 2003. Endo Networks, Inc., incorporated in Nevada and its wholly owned subsidiary, Endo Networks, Inc.,

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incorporated in Ontario are collectively referred to as "Endo Networks" or the "Corporation". In this discussion, all amounts are expressed in US funds. We wish to caution readers that this report includes certain forward-looking information and statements within the meaning of US federal securities laws. These forward-looking statements contain information that is generally stated to be anticipated, expected or projected by Endo Networks, and involves known and unknown risks, uncertainties and other factors which may cause the actual results and performance of Endo Networks to be materially different from any future results and performance expressed or implied by such forward-looking information.

### OVERVIEW

Endo Networks effectively commenced operations as an aggregator of public network applications September 30, 2001, making this the sixth operating quarter for the Corporation. In addition to continually fine-tuning its application offering and strengthening its operational foundation, the company continues to be engaged in aggressively securing new paid pilot projects the retail, event and food service markets, primarily in Canada but with limited initiatives into the United States, as well as expanding our existing deployments. The company has changed its brief description to "Providing marketing and human resources technology solutions to measurably increase sales and improve margins" which is considered to be more understandable by target audiences than "aggregator of public network applications". Technically, "aggregator of public network applications" is an accurate description of our business.

### RECENT EVENTS

None.

### DEPLOYMENTS

Generally, the fall and winter is a slower season for new deployments, where we focus more on managing our existing deployments and refining our applications and solutions. This year is not unusual in this respect. Progress of note include:

\* two potentially substantial projects in the Automotive industry with international companies, both for deployment in the US market

\* an in-store Duty Free retail project, with an established partner in the category and a plan for expansion

\* the design phase of a total integrated food service solution for a division of a Canadian food service company with more than 1000 locations

We continued to manage our existing retail deployments and field marketing deployments with our current customers.

We are involved in the proposal stage of several significant projects for 2003 in all three categories of retail, food service and events.

5

There have been no deployments in the Government category this quarter; however, negotiations with our partners in this space hold promise for 2003.

### SPONSORSHIPS

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We have promising results in securing third party corporate sponsorships to mine the leads generated by our deployments. In the next quarter we will have several pilot projects running with potential sponsors, with expansion to be based on results.

### PARTNERSHIPS

Several key application partnerships are anticipated in the near future. Further, the company is in the process of formalizing several business development partnerships.

### REVENUES

Revenue are on-track with expectations for this period, and as usual were a mix of hardware sale, hardware rental and professional services. Professional services includes content creation, interactive design (on-premise touchscreens and websites), marketing consulting and hardware support service contracts. Hardware rental includes both hardware rented to clients short-term for use in events and field marketing, and long-term rental equipment permanently deployed in client retail locations.

Revenues for the three months ended March 31, 2003 were \$187,019 compared with \$53,973 for the same three month period in 2002, with a gross profit of \$73,153 compared with \$53,973 a year earlier. The decrease in the percentage of gross profit to revenue was due to more service being conducted in the same period last year when there were more hardware deployments in the three months ended March 31, 2003. The increase in deployments should increase our revenue stream in future periods.

Revenues for the six months ended March 31, 2003 were \$298,690 compared with \$112,423 for the same six month period in 2002, with a gross profit of \$102,219 compared with \$112,423 a year earlier. The decrease in the actual gross profit and the percentage of gross profit to revenue was due to more service being conducted in the same period last year when there were more hardware deployments in the six months ended March 31, 2003. The increase in deployments should increase our revenue stream in future periods.

### OPERATING EXPENSE

For the three months ended March 31, 2003, operating expenses exclusive of depreciation and amortization decreased \$78,040 to \$66,784 from \$144,824 for the same three months in 2002. Again, this was due to less salaries paid for service work and more hardware deployments. Depreciation and amortization also decreased from \$16,370 to \$9,736 for the same three month periods.

For the six months ended March 31, 2003, operating expenses exclusive of depreciation and amortization decreased \$96,292 to \$142,473 from \$238,765 for the same three months in 2002. Again, this was due to less salaries paid for service work and more hardware deployments. Depreciation and amortization also decreased from \$53,437 to \$17,083 for the same six month periods.

Operating expenses include depreciation and amortization ("d&a") on both rental equipment and fixed assets, and current operating expenses comprising chiefly salary, facility rental, interest on leases and professional fees.

The d&a of rental equipment will increase in future quarters as deployments increase, while the d&a on fixed equipment is expected to increase as the requirement for additional network monitoring equipment increases.



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Significant investments in growth continue to be made by the Corporation in the following areas: business development, application development, business partnership negotiation and network management. Operational expenses in this category are expected to remain relatively static for the near future.

Net loss decreased from a loss of \$107,221 in the three months ended March 31, 2002 to a loss of \$3,367 for the same three months in 2003. Net loss decreased from a loss of \$179,779 in the six months ended March 31, 2002 to a loss of \$55,337 for the same six months ended March 31, 2003.

### RESEARCH AND DEVELOPMENT

The Corporation continues to receive substantial positive response from existing clients with receipt of some contracts and the potential to consume more of the Corporation's products and services, and potential new clients in similar and new market categories. In order to meet the demand for Endo Networks' offering, it continues to be necessary to invest substantially in research and development. Clients and potential clients have been involved in meetings and discourse to determine software requirements, and identify areas for further development. Skilled software developers are involved in utilizing the results of this research to for the improvement of existing applications as well as the development of select new applications. New application development is tied to a set time line based on expected development resources.

### LIQUIDITY & CAPITAL RESOURCES

Based on cash on hand, contracts and accounts receivable, Endo Networks expects current capital resources to be sufficient to fund existing operations going forward.

### OUTLOOK

Endo Networks expects the next quarter to be greater than this quarter, in that the Company has received new contracts as well as continuing new business development which generally translates to strong revenue growth in later quarters. Expenses are expected to remain static, with future expansion subsequent to revenue growth. However, there can be no assurance that unforeseen revenue shortfalls or unanticipated expenses will not occur. Profitability will be determined by management's decision on how much revenue to re-invest in growth.

### Item 3: CONTROLS AND PROCEDURES

Based on the evaluation by Messr. Peter Day, President and Chief Financial Officer of the Company, of the effectiveness of the Company's disclosure controls and procedures conducted as of a date within 90 days of the filing date of this quarterly report, Messr. Day concluded that, as of the evaluation date, (i) there were no significant deficiencies or material weaknesses of the Company's disclosure controls and procedures, (ii) there were no significant changes in the internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation date, and (iii) no corrective actions were required to be taken.

PRT II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon 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.

None

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

Endo Networks, Inc.  
-----  
(Registrant)

BY: /s/ Peter B. Day  
-----  
Peter B. Day  
Its: President

DATE: May 19, 2003  
Mississauga, Ontario, Canada

CERTIFICATIONS

I, Peter B. Day, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Endo Networks, Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: May 19, 2003

By: /s/ Peter B. Day

-----  
Name: Peter B. Day

Title: Chairman, Chief Executive Officer and Chief Financial Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned, Peter B. Day, the Chief Financial Officer of Endo Networks, Inc., a Nevada Corporation, (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that:

1. the Company's Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter B. Day

-----  
Peter B. Day  
Chief Financial Officer

Dated: May 19, 2003

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This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

10