INNOFONE COM INC
Form 10QSB
November 13, 2002

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

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	98-0202313
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
130 Centennial Parkway North, Hamilton, Ontario, Canada	L8E 1H9
(Address of principal executive office)	(Zip Code)

(905) 560-9547
(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 X No

The number of shares outstanding of each of Issuer's classes of common equity as of September 30, 2002.

Common Stock at Par Value $0.001	113,022,505
Title of Class	Number of Shares

Transitional Small Business Disclosure Format yes ___ no X

This document is made up of 15 pages.

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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 September 30, 2002
(Unaudited)

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

(Stated in United States dollars)

September 30, 2002 with comparative figures as at June 30, 2002

	September 30, 2002	June 30,2002
	(unaudited)	(audited)
Assets		
Current assets:		
Prepaid expenses and deposits	$ 25,000	$ -
	25,000	
Investment in 908651 Alberta Ltd.	210,000	210,000
	$ 235,000	$ 210,000
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 220,272	$ 212,572
Due to officers and directors	104,000	104,000
Convertible debt	500,000	500,000
Note payable	150,000	150,000
	974,272	966,572
Shareholders' deficiency:		
Share capital (note 2):		
Common shares	4,854,522	4,841,522
Preferred shares	1,250	1,250
Additional paid-in capital	7,841,593	7,719,593

	12,697,365	12,562,365
Deficit	(13,436,637)	(13,318,937)
	(739,272)	(756,572)
Future operations (note 1(a))		
Subsequent event (note 5)		
	$ 235,000	$ 210,000

See accompanying notes to financial statements.

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

(Stated in United States dollars)

For the three months ended September 30, 2002 with comparative figures for the three months ended September 30, 2001 and the year ended June 30, 2002

	Three months ended September 30, 2002	September 30, 2001	Yea June
	(unaudited)	(unaudited)	(au
Sales	$ -	$ (note 4)	$
Cost of sales	-	-	
Gross profit	-	-	
Forgiveness of debt		-	

Selling, general and administrative expenses	117,700	-	
Net gain on sale of Digital Micro Distribution Canada Incorporated	-	-	
	117,700	-	
Net income (loss)	(117,700)	-	
Basic net loss per share	$ nil	$ nil	$
Weighted average number of common shares outstanding	106,381,201	31,689,000	79

See accompanying notes to financial statements.

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

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

	Common shares	Preferred shares	Additional paid-in capital	Common share purchase warrants	De

Balance June 30, 2001	4,772,715	1,250	7,098,052	-	(13,654
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					335
Balance, June 30, 2002	4,841,522	1,250	7,719,593	_	(13,318
Net loss for the three months ended September 30, 2002					(117
Stock issued for consulting services	7,500		72,500		
Stock issued for legal services	500		4,500		
Stock issued for investor relation services	5,000		45,000		
Balance, September 30, 2002	$ 4,854,522	$ 1,250	$ 7,841,593	$ -	$(13,436

See accompanying notes to financial statements.

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

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

	September 30, 2002	June 30,2002
	(unaudited)	(audited)
Cash flows provided by (used in):		
Operations:		

Net earnings (loss)	$ (117,700)	$ 335,940
Change in non-cash operating working capital		
Prepaid expenses and deposits	(25,000)	225
Accounts payable and accrued liabilities	7,700	(19,938)
	(135,000)	316,227
Financing:		
Increase(decrease) in bank indebtedness	-	(546)
Due to officers and directors	-	(180,470)
Issuance of capital stock	135,000	690,348
Convertible debt		(616,000)
	135,000	(106,668)
Investments:		
Investment in 908651 Alberta Ltd.	-	(210,000)
Capital assets	-	441
	-	(209,559)
Effect of exchange rate changes on cash	-	-
Increase (decrease) in cash and cash equivalents	nil	nil
Cash and cash equivalents, beginning of period	nil	nil
Cash and cash equivalents, end of period	$ nil	$ nil

Cash interest paid for the quarter ended September 30, 2002 and the year ended June 30, 2002 was $0 and $0 respectively.

See accompanying notes to financial statements

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Notes to Financial Statements
(Stated in United States dollars)
(Unaudited)

For the quarter ended September 30, 2002

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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 in order to expand its business model of reselling used computer equipment internationally.

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.

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Notes to Financial Statements
(Stated in United States dollars)
(Unaudited)
For the quarter ended September 30, 2002

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 September 30, 2002 is computed as follows:

	Common Shares	Preferred Shares
Existing outstanding shares as at June 30, 2002	100,022,505	1,250,000
Shares issued for investor relations services	5,000,000	
Shares issued for consulting services	5,000,000	
Shares issued for consulting services but held in escrow	2,500,000	
Shares issued for legal services	500,000	
Outstanding shares as at September 30, 2002	113,022,505	1,250,000

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Notes to Financial Statements (continued)
(Stated in United States dollars)
(unaudited)
For the quarter ended September 30, 2002

3. Stock options:

The following table summarizes the stock option activity:

	Number of options	Weighted-average exercise price
Outstanding at June 30, 2001	3,667,000	$ 0.42
Exercised	(475,000)	0.0001
Expired or forfeited	(3,032,000)	0.47
Outstanding (held by 3 optionees) at June 30, 2002 and September 30, 2002	160,000	$ 0.40

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 October 24, 2002, the Company entered into a non-binding letter of intent to acquire a majority interest in Universal Life Holding

Corporation ("Universal") of Illinois. Completion of the transaction is subject to the negotiation of a stock purchase agreement whereby the Company will acquire approximately 90% of Universal in exchange for approximately 130,000,000 shares of the Company, and is conditional upon completion of due diligence, third party consents and regulatory body approval.

Management's Discussion and Analysis
For the Quarter ended September 30, 2002

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 the amount of our receivable from Innofone Canada that we expect to recover; and

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 the offices of 130 Centennial Parkway North, Hamilton, Ontario, Canada.

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The Company currently does not have sufficient funds with which to sustain its operations. It is still negotiating with ePhone and the note holder to convert their notes to common stock and the company is still waiting to see whether or not it will receive a dividend from the bankruptcy of its previously owned subsidiary, Innofone 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

The company is in discussions with an investor to raise $1,500,000 US in exchange for a convertible note and/or common shares. $1,000,000 CAD of these funds will be loaned to the Company's newly formed subsidiary Compubec. Compbec has been having negotiations with the government of the province of Quebec to obtain loans and grants totaling $5,000,000CDN. The portion of grants and loans is yet to be determined. The Company is also negotiating a wages subsidy and tax-free operations for a period of five and ten years respectively. The company would move its head office to Quebec and would build a 40,000 to 50,000 square foot warehouse from which it would run its operations.

The company projects that the building would cost $800,000 and will be operational within 3 months of relocating to Quebec. Assuming the company can raise the initial $1,500,000US and Compubec can successfully negotiate the Quebec government grants and loans, the Company expects to have approximately $6,000,000 CAD in Startup capital to launch its new operations.

Compubec expects to hire up to seventy-five employees during the first year of operations. The Company is currently negotiating training subsidies for up to fifty percent of the labour costs of employees hired from the local area.

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 the capital and loan requirements can be achieved, there can be no assurance that they will be and consequently, it cannot be determined if the company will be able to meet its current or future obligations.

The Company's CEO Janne Vilhunen is currently staying in Canada on a Work Visa that expires in October of 2002. Due to the going concern of not having sufficient operating funds, Mr. Vilhunen is planning to return to Finland at the end of October 2002. Mr. Jamie Lobo has already assumed most of his functions.

(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 been increasing its trade debts since year-end June 30th 2002 and is currently not paying any wages. The current officers and directors are covering all expenses of the company via short-term loans and advances. The company has paid for consulting and legal expenses with the issuance of common shares. The services include the preparation of company filings and the search of acquisition targets.

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 effect of this on the company being able to meet its current or future obligations cannot be determined at this time.

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 a total of 13,000,000 shares of its common stock during the three months ended September 30th 2002. Of the 13,000,000 shares issued, 5,000,000 common shares were not registered securities under the Securities Act of 1934. These shares were issued in exchange for professional services rendered to the company.

Item 3. Defaults Upon Senior Securities

There was no material default in payments of any Senior Securities.

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.

Subsequent event, the company entered into a non-binding letter of intent with Universal Life Holding Corporation (Universal) in October 2002. Under the terms of the agreement, the Company will acquire approximately 5,500,000 shares of

common stock of Universal in exchange for 130,000,000 common stock of Innofone.com Inc. If a definitive agreement is reached, this action would effectively change the control of the Company.

The company was not in a financial position to pay the prior years auditor's fees, and consequently, they refused to provide any further audit services. The company retained the services of Danziger and Hochman chartered accountants to perform the previous years audit. There were no changes in or disagreements with either the current or the prior years auditors relating to financial disclosure issues. The change of auditors was reported in the 8-K dated August 12, 2002.

The Company may authorize the sale of a controlling interest in it's newly formed subsidiary, Compubec, in order to raise the required investment capital, set by the government of Quebec and its agencies. Due to the current trading price of the companies' common stock, the sale of a convertible note, or the sale of securities is unfavorable to shareholders at this time.

The company's former CEO Janne Vilhunen resigned as an officer and director in October of 2002. Mr. Vilhunen has returned to his native Finland as required with the expiration of his working visa. The company's Chief Financial Officer has assumed all of his duties.

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: November 13, 2002

By: /s/ Sumit Majumdar

Sumit Majumdar, President