

INSTANET INC
Form 10QSB/A
November 06, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB/A

Amendment # 1

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

OR

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

Commission file No. 0-33259

INSTANET, INC.

(Exact name of registrant as specified in its charter)

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Nevada
(State of incorporation)

84-1575085
(I.R.S. Employer

Identification Number)

480 South Holly Street

Denver, CO 80246

(Address of Principal Executive Office) Zip Code

(303)-316-8577

(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 proceeding 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

As of August 15, 2003, the Company had 15,680,000 shares of its \$.001 par value common stock issued and outstanding.

INSTANET, INC.

CONSOLIDATED BALANCE SHEETS

	June 30 2003	December 31 2002
	(unaudited)	
ASSETS		
Current Assets		
Cash	\$ 120,194	\$ 28,673
Accounts receivable	16,689	79,892
Inventory	491,758	527,055
Other	18,678	27,550
	<u>647,319</u>	<u>663,170</u>
Total Current Assets	647,319	663,170
Intangible assets, net	60,370	56,038
Property and equipment, net	206,854	246,472
	<u>914,543</u>	<u>965,680</u>
	\$ 914,543	\$ 965,680
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current Liabilities		
Accounts payable and accrued expenses	\$ 938,906	\$ 511,020
Due to shareholder	90,313	13,442
Related party bridge loan	200,000	200,000
Bridge loan	135,000	300,000
	<u>1,364,219</u>	<u>1,024,462</u>
Total Current Liabilities	1,364,219	1,024,462
Long term subordinated loans	1,635,861	1,635,861
	<u>1,635,861</u>	<u>1,635,861</u>
	<u>2,999,080</u>	<u>2,660,323</u>
SHAREHOLDERS DEFICIT		
Preferred stock, authorized 5,000,000 shares, \$.001 par value, none issued or outstanding		
Common stock, authorized 50,000,000 shares, \$.001 par, 15,470,000 and 13,310,087 issued and outstanding respectively	15,470	13,310
Additional paid in capital	1,559,311	1,075,470
Deficit	(3,660,318)	(2,783,423)
	<u>(2,085,537)</u>	<u>(1,694,643)</u>
	<u>914,543</u>	<u>965,680</u>
	\$ 914,543	\$ 965,680

INSTANET, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ending June 30,		Six months ending June 30,	
	2003	2002	2003	2002
REVENUE:				
Sales	\$ 332,506	\$ 236,134	\$ 753,084	\$ 381,096
Less : sales discounts	6,313	11,271	14,030	12,825
Net sales	326,193	224,863	739,054	368,271
COST OF GOODS SOLD	115,772	52,335	272,331	86,492
Gross Profit	210,421	172,528	466,723	281,779
Selling and marketing expenses	293,114	313,073	684,180	599,788
General and administrative expenses	215,761	172,926	525,850	329,860
Research and development expenses		23,698		64,663
Depreciation and amortization	20,869	20,281	41,659	40,776
Total operating expenses	529,744	529,978	1,251,689	1,035,087
Net loss from operations	(319,323)	(357,450)	(784,966)	(753,308)
Interest Expense	46,909	45,113	91,929	84,550
NET LOSS	\$ (366,232)	\$ (402,563)	\$ (876,895)	\$ (837,858)
NET LOSS PER SHARE	\$ (.027)	\$ (.016)	\$ (.064)	\$ (.034)
WEIGHTED AVERAGE SHARES OUTSTANDING	13,782,888	24,554,479	13,677,444	24,554,479

INSTANET, INC.

**CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2003
AND THE YEAR ENDED DECEMBER 31, 2002**

	<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
Balances, December 31, 2001 (as restated)	24,554,479	\$ 24,554	\$ 575,446	\$ (1,177,566)
Common stock converted to subordinated loan	(10,659,762)	(10,660)	(289,340)	
Cancellation of shares	(584,630)	(584)	584	
Conversion of shareholder advances to capital (Note 2)			788,780	
Net loss				(1,605,857)
Balances, December 31, 2002	13,310,087	\$ 13,310	\$ 1,075,470	\$ (2,783,423)
Issuance of common stock for services	261,913	262	66,939	
Common stock issued in private placement	275,000	275	274,725	
Shares issued in connection with reverse acquisition	1,508,000	1,508	27,292	
Bridge loans converted to common stock	115,000	115	114,885	
Net loss				(876,895)
Balances, June 30, 2003 (unaudited)	15,470,000	\$ 15,470	\$ 1,559,311	\$ (3,660,318)

INSTANET, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six months ending June 30	
	2003	2002
OPERATIONS:		
Net Loss	\$ (876,895)	\$ (837,858)
Add: Depreciation and amortization	41,659	40,776
Stock issued for services	67,201	
Accrued interest forgiven	(7,240)	
Decrease (increase) in accounts receivable	63,203	(4,383)
Decrease (increase) in inventory	35,297	16,057
Decrease in other assets	8,872	8,832
Increase in accounts payable & accrued expenses	343,197	210,106
Increase in accrued interest	91,929	84,550
Net cash used in operating activities	(232,777)	(481,920)
FINANCING:		
Increase advance from shareholder	76,871	523,130
Payments of bridge loans	(70,000)	
Proceeds from bridge loans	25,000	
Issuance of common stock	275,000	
Acquisition of VitaCube Systems, Inc net of cash received	28,800	
Net cash provided by financing activities	335,671	523,130
INVESTING:		
Purchase of intangible assets	(6,373)	(31,301)
Purchase of Equipment		(2,845)
Net cash used in investing activities	(6,373)	(34,146)
INCREASE IN CASH	91,521	7,064
CASH, BEGINNING OF PERIOD	28,673	9,236
CASH, END OF PERIOD	\$ 120,194	\$ 16,300
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Shareholder advances converted to subordinated note	\$	\$ 1,468,988