

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

BANKENGINE TECHNOLOGIES INC
Form 10QSB
January 20, 2004

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 November 30, 2003

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)

DELAWARE

(State of incorporation)

59-3134518

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

425 BROADHOLLOW ROAD
MELVILLE, NEW YORK 11747
(Address of principal executive offices, including zip code)

(631) 396-3950
(Registrant's telephone number, including area code)

157 ADELAIDE STREET, SUITE 426
TORONTO, ONTARIO, ON M5H 4E7
(Former address)

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 January 20, 2004, was 19,775,753 shares.

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

BANKENGINE TECHNOLOGIES, INC.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	Page Number
Item 1.	Financial Statements.....	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Plan of Operation.....	19
Item 3.	Controls and Procedures.....	25
PART II OTHER INFORMATION		
Item 1.	Legal Proceedings.....	26
Item 2.	Changes in Securities and Use of Proceeds.....	26
Item 3.	Defaults Upon Senior Securities.....	26
Item 4.	Submission of Matters to a Vote of Security Holders.....	26
Item 5.	Other Information.....	26
Item 6.	Exhibits and Reports on Form 8-K.....	26
	Signatures.....	

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.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	November 30,	August 31,
	-----	-----
	2003	2003
	----	----
	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 763	\$ 850
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 55,000	\$ 55,000
	=====	=====
Commitments and Contingencies		
Stockholders' Deficiency		
Common stock \$0.001 par value - authorized 50,000,000 shares; 19,275,753 shares issued and outstanding	19,276	19,116
Additional paid-in-capital	489,156	484,556
Accumulated deficit	(496,892)	(489,544)
Accumulated other comprehensive loss	(65,777)	(65,778)
Treasury stock, 100,000 shares at cost	--	(2,500)
	-----	-----
Total Stockholders' Deficiency	(54,237)	(54,150)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 763	\$ 850
	=====	=====

See Notes to Consolidated Financial Statements

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended November 30,	
	2003	2002
	-----	-----
Income from continuing operations	\$ --	\$ --
	-----	-----
Discontinued operations		
Loss from telecommunications and software development segments	7,348	8,121
	-----	-----
Loss from discontinued operations	7,348	8,121
	-----	-----
Net loss	\$ 7,348	\$ 8,121
	=====	=====
Net loss per common share-		
basic and diluted	\$ 0.00	\$ 0.00
	=====	=====
Weighted average number of		
common shares outstanding-		
basic and diluted	19,075,753	18,915,753
	=====	=====

See Notes to Consolidated Financial Statements

F-2

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
(Unaudited)

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

	Compre- hensive Income (loss)	Common Stock Shares	Stock Amount	Treasury Stock		Additional Paid-In Capital
Balance, September 1, 2002		19,015,753	\$19,016	(100,000)	\$ (2,500)	\$ 454,790
Shares issued for reduction in accounts payable		100,000	100			22,400
Reduction in shareholder loan as a contribution of capital						7,366
Net income	\$201,458					
Foreign currency translation	(50,732)					
Comprehensive income	<u>\$150,726</u>					
Balance, August 31, 2003		19,115,753	19,116	(100,000)	(2,500)	484,556
Treasury stock cancelled		(100,000)	(100)	100,000	2,500	(2,400)
Shares issued for reduction in accounts payable		60,000	60			1,200
Shares issued as consideration to directors for services		200,000	200			5,800
Net loss for the period	\$ (7,348)					
Foreign currency translation	1					
Comprehensive loss	<u>\$ (7,347)</u>					
Balance, November 30, 2003		19,275,753	\$19,276	--	\$ --	\$489,156

See Notes to Consolidated Financial Statements

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three months ended November	
	2003	2002
Cash flows from operating activities:		
Net cash provided by operating activities of continuing operations	\$ --	\$ --
Net loss	(7,348)	(8,121)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	--	7,388
Reserve for bad debts	--	41,563
Shares issued to directors as compensation	6,000	
Loss on divestiture	1,260	
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	--	(137,662)
Decrease in funds held in escrow	--	24,418
(Increase) decrease in prepaid expenses and other assets	--	1,564
Decrease in accounts payable	--	95,621
Net cash used in operating activities of discontinued operations	(88)	24,771
Net Cash Used in Operating Activities	(88)	24,771
Cash flows from investing activities:		
Proceeds on disposition of property, plant and equipment	--	40,000
Acquisition of property, plant and equipment	--	(59,349)
Net Cash Used in Investing Activities	--	(19,349)
Cash flows from financing activities:		
Loan advances from stockholders	--	(1,339)
Repayment of loan payable	--	(4,876)
Net Cash Used in Provided by Financing Activities	--	(6,215)
Effect of change in foreign currency rate	1	(252)
Net decrease in cash	(87)	(1,045)
Cash - beginning of year	850	59,065
Cash - end of year	\$ 763	\$ 58,020
Supplementary Information:		
Cash paid during the year for:		
Income taxes	\$ --	\$ --
Interest	\$ --	\$3,659.00

See Note to Consolidated Financial Statements

F-4

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2002 and 2001

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Bankengine Technologies, Inc. (the "Company" or "BankEngine") was a long distance telecommunications service provider through its 70% owned subsidiary, Platinum Telecommunications, Inc. The Company also was in the business of software development for its new software product, 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 Computers and Support, Inc. ("Cyberstation"), a company operating in Canada. The operations of the Company were predominately in Canada, however, the financial statements are expressed in U.S. dollars.

The former principal shareholder has sold his common shares to an arms' length third party and has agreed to acquire the shares of the telecommunication and software development subsidiaries

BASIS OF PRESENTATION

The consolidated balance sheet as of November 30, 2003, and the consolidated statements of operations, stockholders' deficiency and cash flows for the periods presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations, stockholders' deficiency and cash flows for all periods presented have been made. The information for the consolidated balance sheet as of August 31, 2003 was derived from audited financial statements.

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.

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

Callmate has been accounted for as the successor to WebEngine. Callmate changed its name to BankEngine Technologies Inc. on March 5, 2001.

WebEngine was incorporated in November 2000 in order to hold the shares of Cyberstation. The shareholders of Cyberstation became the shareholders of WebEngine and therefore WebEngine has been considered to be a successor to Cyberstation. WebEngine has changed its name to Critical Commerce Inc.

The historical financial statements of BankEngine are those of Cyberstation as the company has been accounted for as the successor to Cyberstation.

F-5

The estimated income tax costs of the divestiture of the UK operations, in the amount of \$50,000, has been treated as a reduction of the assets acquired on the acquisition of the shell company;

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

Cash - escrow	\$601,457
Accounts payable	(316,000)
Income taxes payable	(50,000)

Capital stock issued	\$235,457
	=====

The accounts payable assumed on the acquisition of Callmate included \$146,000 for short falls which could have arisen on settlement with a credit card company. Callmate operated a retail and wholesale telecommunications operations and permitted payment by its retail customers through credit card facility. The credit card company held funds on deposit to be applied against refused credit card charges and agreed that the limit of the Company's liability is the amount of the security held on hand. The final settlement of the liability for chargebacks and the receipt of the balance of the funds on deposit occurred during 2003.

As discussed in Note 2, on April 5, 2002, the Company through its wholly-owned subsidiary, Cyberstation, acquired 70% of the issued and outstanding common stock of Platinum Telecommunications Inc. for the issuance of 1,800,000 common shares of BankEngine Technologies, Inc.

MANAGEMENT INTENTIONS

The Company also has a working capital deficit of approximately \$55,000 and a stockholders' deficiency of approximately \$54,000 at November 30, 2003. The former principal shareholder has sold his common shares to an arms' length third party and has agreed to acquire the shares of the telecommunication and software development subsidiaries for \$2. In addition, the former principal shareholder has agreed to fund any liability balances in excess of \$55,000.

As part of the agreement to fund \$55,000 of liabilities, subsequent to November 30, 2003, the new principle shareholder has advanced funds to pay liabilities totaling \$11,500 and has agreed to settle the balance of the legal

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

fees through the issuance of 500,000 shares and 100,000 options to acquire shares of the company at \$0.25 per share for a term of 3 years.

The Company's plan of operation for the coming year is to identify and acquire a favorable business opportunity. The Company does not plan to limit its options to any particular industry, but will evaluate each opportunity on its merits. Management does not believe that the Company has sufficient resources to sustain itself for the fiscal year ending August 31, 2004 and may have to raise additional funds through the sale of equity or the issuance of debt, as the Company has no revenues. The Company currently has no plans to raise additional capital through private placements or public registration of its securities until a merger or acquisition candidate is identified though it may rely on loans from shareholders for capital, as required, to maintain its continuous disclosure requirements.

F-6

On December 18, 2003, the Company entered into a non-binding letter of intent to acquire all of the issued and outstanding capital stock of Syscan, Inc., a California corporation, engaged in the design, marketing, and selling of optical imaging technology products that embody innovative technologies and maintain a strict adherence to the accepted industry standards. In connection with the acquisition of the capital stock of Syscan, Inc. the Company has agreed to issue that number of shares of its common stock to the shareholders of Syscan, Inc. that represents ninety percent (90%) of the Company's outstanding shares of common stock on a post-transaction basis. The Company currently has 19,775,753 shares of its common stock outstanding.

The acquisition of Syscan, Inc. is subject to approval of the Company's board of directors and continued due diligence and there can be no assurance that the Company's acquisition of Syscan, Inc. will be consummated in the near future, if at all.

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

REVENUE RECOGNITION

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

The Company's revenues from its telecommunications business is recognized when the earnings process is complete. This occurs when the services have been utilized, collection is probable and pricing is fixed or determinable.

The Company provides computer consulting services in a number of areas including database management, on-line transaction processing and e-mail capabilities. Revenue is recognized as pre-determined milestones are accomplished and consulting services delivered.

F-7

FOREIGN CURRENCY

The Company's functional currency is primarily the Canadian dollar. All assets and liabilities recorded in foreign currencies are translated at the current exchange rate. 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.

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, After the technological feasibility of the product has been established 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.

DEPRECIATION

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation is provided using the following annual rates:

Telecommunication switch	- 25% per year on a straight line basis
Furniture and Fixture	- 20% declining balance method
Computer Equipment	- 30% - declining balance method

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

SEGMENT REPORTING

The Company applies Financial Accounting Standards Boards ("FASB") statement No. 131, "Disclosure about Segments of an Enterprise and Related Information". The Company has considered its operations and has determined that it operates in two operating segments, software development and telecom, for purposes of presenting financial information and evaluating performance. As such, the accompanying financial statements present information in a format that is consistent with the financial information used by management for internal use.

F-8

INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per common share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net earnings by the weighted average number of common shares and potential common shares outstanding during the year. Potential common shares used in computing diluted earnings per share relate to stock options and warrants which, if exercised, would have a dilutive effect on earnings per share. Options previously outstanding have been cancelled and therefore the possible shares to be issued are 0 and 600,000 for the quarters ended November 30, 2003 and 2002, respectively. During the quarter ended November 30, 2002 potential common shares outstanding were omitted from the calculation of loss per share as the effect would be antidilutive.

GOODWILL AND OTHER INTANGIBLES

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" ("SFAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 changes the accounting for business combinations, requiring that all business combinations be accounted for using the purchase method and that intangible assets be recognized as assets apart from goodwill if they arise from contractual or other legal rights, or if they are separate or capable of being separated from the acquired entity and sold, transferred, licensed, rented or exchanged. SFAS 141 was effective for all business combinations initiated after June 30, 2001. SFAS 142 specifies the financial accounting and reporting for acquired goodwill and other intangible assets. Goodwill and intangible assets that have indefinite useful lives are not amortized but rather they are tested at least annually for impairment unless certain impairment indicators are identified. This standard was effective for fiscal years beginning after December 15, 2001.

SFAS 142 requires that the useful lives of intangible assets acquired on or before June 30, 2001 be reassessed and the remaining amortization periods adjusted accordingly. Previously recognized intangible assets deemed to have indefinite lives are tested for impairment. Goodwill recognized on or before June 30, 2001, has been tested for impairment as of the beginning of the fiscal year in which SFAS 142 was initially applied and, after considering the results of an independent valuation and appraisal, management concluded that no impairment was indicated.

Upon adoption of this standard, the Company allocated its goodwill and other intangibles to its telecommunications unit.

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

Other intangibles primarily include customer lists in connection with the Company's telecommunications activity. Amounts assigned to these intangibles are based on independent appraisals. Other intangibles are being amortized over 24 months. The intangible asset was written down to \$-0- during the second quarter of fiscal 2003.

F-9

	For the Three Months Ended November 30,	
	2003	2002
Reported net loss	\$7,348	\$8,121
Addback: Goodwill amortization (net of income tax)	--	--
Adjusted net loss	7,348	8,121
	=====	=====
Basic and diluted loss per share:		
Reported net loss	\$ --	\$ --
Addback: Goodwill amortization	--	--
Adjusted net loss	\$ --	\$ --
	=====	=====

STOCK BASED COMPENSATION

The Company accounts for equity-based compensation issued to employees in accordance with Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees". APB No. 25 requires the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at the measurement date over the amount an employee must pay to acquire the stock. The Company makes disclosures of pro forma net earnings and earnings per share as if the fair-value-based method of accounting had been applied as required by SFAS No. 123 "Accounting for Stock-Based Compensation-Transition and Disclosure" and SFAS 148 Accounting for Stock Based Compensation - Transition and disclosures. To date no options have been granted.

The Company accounts for equity-based compensation to non-employees based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. Management believes that adopting this statement will not have a material effect on the Company's results of operations or financial position.

F-10

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 clarifies the requirements of FASB Statement No. 5, Accounting for Contingencies, relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. This interpretation clarifies that a guarantor is required to recognize, at the inception of certain types of guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company adopted FIN 45 on November 1, 2003. The adoption of FIN 45 did not have a material impact on the Company's results of operations or financial position.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which addresses consolidation by business enterprises of variable interest entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in research and development or other activities on behalf of another company. The objective of Interpretation No. 46 is not to restrict the use of variable interest entities but to improve financial reporting by companies involved with variable interest entities. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. Interpretation No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not have any variable interest entities, and, accordingly, adoption is not expected to have a material effect on the Company.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 establishes standards for how an issuer classifies and measures in its

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning the Company's interim period commencing July 1, 2003. SFAS 150 is to be implemented by reporting the cumulative effect of a change in accounting principle for financial instruments created before the issuance date of SFA 150 and still existing at the beginning of the interim period of adoption. The adoption of SFAS 150 did not have a significant effect on the company's financial statement presentation or disclosures.

F-11

2. INVESTMENT IN PLATINUM TELECOMMUNICATIONS INC.

On April 5, 2002, the Company through its subsidiary Cyberstation, acquired 70% of the issued and outstanding stock of Platinum Telecommunications Inc. ("Platinum") for the issuance of 1,800,000 common shares of BankEngine Technologies Inc. The Company acquired Platinum, a long distance telecommunications service provider, in order to reenter the telecommunications industry. The accordingly, are not presented herein.

The investment has been accounted for by the purchase method as follows;

Consideration	\$18,000
Costs of acquisition	10,000

Total investment	28,000
Share of net assets acquired	2,738

Intangible asset acquired	\$25,262
	=====

The intangible assets acquired representing contracts and client lists are being amortized over a 24 month period from the date of acquisition. As the re-organization of the telecommunications activities has not been completed to date, the balance of the intangible asset has been written off during the three months ended May 31, 2003. See Note 1 of Notes to Consolidated Financial Statements.

3. CAPITAL STOCK

a) AUTHORIZED

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

b) COMMON STOCK

The Company had issued and outstanding 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 common shares to the shareholders of WebEngine. A

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

total of 9,200,000 shares were cancelled in exchange for the removal of the UK operations in January 2001.

As indicated in Note 2, the Company issued on April 5, 2002, 1,800,000 common stock for a 70% interest in Platinum Telecommunications Inc.

Shares outstanding prior to the reverse acquisition	14,315,753
Issued to shareholders of WebEngine	12,000,000
Cancelled for UK operations	(9,200,000)

Shares outstanding, August 31, 2001	17,115,753
Shares issued in consideration of services	200,000
Shares issued in consideration for accounts payable	160,000
Acquisition of 70% interest in Platinum Telecommunications Inc.	1,800,000

Shares outstanding, November 30,, 2003	19,275,753
	=====

F-12

During the second quarter of 2002, the Company agreed to issue 100,000 shares in consideration of services to be provided to the Company. In the third quarter, the Company reacquired the shares as the services were not rendered and the shares are reflected as treasury stock. These shares were cancelled in this quarter.

The company issued 200,000 shares at the end of November 2003 as consideration for services rendered by directors of the company. The amount of \$6,000 has been reflected as the fair value of the shares issued. The company issued 60,000 shares as consideration for accounts payable in the current quarter. The amount of \$1,260 has been reflected as the fair value of the shares upon issuance.

Subsequent to November 30, 2003, the company issued 500,000 shares to its legal counsel as indicated in note 1 under Management Intentions.

4. STOCK OPTIONS

(a) On April 5, 2002, the Company issued 600,000 options exercisable at \$0.10 per share, the fair market value at the date of grant. The options have a 5 year term and were issued in consideration of consulting services to be rendered by the principal of Platinum Telecommunications Inc. and are exercisable immediately. The estimated fair value of the options on the date of grant using the Black-Scholes option pricing model is \$5,000, based on a risk free interest rate of 4.65%, an expected volatility of 200%, an expected life of 5 years and no dividend yield and has been expensed in the quarter ended May 31, 2002. The

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

weighted - average fair value of the options issued during the year was \$.008. As of August 31, 2003, these options have been cancelled.

(b) In May 17, 2002, the shareholders of the Company approved the adoption of the Company's 2002 Stock Option Plan. The plan provides for the issuance of 2,000,000 options with the following terms and conditions.

The plans are administrated by the Board of Directors, which determine among other things, those individuals who shall receive options, the time period during which the options may be partially or fully exercised, the number of common stock to be issued upon the exercise of the options and the option exercise price.

The maximum term of the plan is ten years and options may be granted to officers, directors, consultants, employees, and similar parties who provide their skills and expertise to the Company.

Options granted under the plans have a maximum term of ten years and shall be at an exercise price that may not be less than 85% of the fair market value of the common stock on the date of the grant. Options are non-transferable and if a participant ceases affiliation with the company for a reason other than death or permanent and total disability, the participant will have 90 days to exercise the option subject to certain extensions. In the event of death or permanent and total disability, the option holder or their representative may exercise the option within 1 year.

F-13

Any unexercised options that expire or that terminate upon an employee's ceasing to be employed by the company become available again for issuance under the plans, subject to applicable securities regulation. The plans may be terminated or amended at any time by the Board of Directors.

5. CONTINGENCIES AND COMMITMENTS

The Company has signed a lease commitment for office space in Toronto, Canada which expires on April 30, 2004 for its corporate head office. The Company is responsible for monthly rent of approximately \$1,100. The company vacated the premises during 2003 and the landlord has agreed that no rent is payable.

6. DISCONTINUED OPERATIONS

The Company has been attempting to restructure its telecommunication and software development activities. The Company has decided that the best course of action is to cease its telecommunications and software development operations and has been actively seeking a merger to diversify its operations. In a contract signed December 9, 2003, the former principal shareholder of the Company agreed to sell 9,615,000 common shares to an arms' length party and also agreed to acquire the shares of Platinum Telecommunications and Cyberstation, subsidiaries for the amount of \$2. The agreement provides that liabilities are limited to \$55,000 and any excess will be funded by the vending shareholder. The impact of the sale of the shares of Platinum and Cyberstation and the settlement of debts in excess of \$55,000 will result in an estimated gain on divestitures which was reflected in the year ended August 31, 2003.

The discontinued operations generated sales of Nil and \$389,834 in the quarters ended November 30, 2003 and November 30, 2002 respectively and an operating loss

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

of \$ 88 for 2003 and an operating loss of \$ 8,121 for 2002.

The liabilities of discontinued operations are reflected at their estimated settlement amount to the company of \$ 55,000. Assets related to discontinued operations are recorded at their estimated net realizable value of \$nil.

7. TRANSACTIONS WITH MAJOR CUSTOMERS AND SUPPLIERS

The Company had sales to four individual customers in excess of 10% of consolidated net sales for the three months ended November 30, 2002 as follows: The amount and percentages of the Company's consolidated sales were \$105,800 (27%), \$81,900 (21%), \$75,000 (19%), and \$ 38,800 (10%).

Cost of sales includes purchases from three suppliers in excess of 10% of consolidated cost of sales for the three months ended November 30, 2002 as follows: The amounts and percentages of the Company's consolidated cost of sales were \$128,700 (43%), \$49,400 (17%), and \$30,700 (10%).

The loss of any of these customers or suppliers could have a material adverse effect on the Company's results of operations, financial position and cash flows.

F-14

ITEM 2. 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 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

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

Definitive 14C on March 5, 2001.

The Company determined to move away from the telecom business in the UK due to the increased competitiveness in this sector internationally and growing indebtedness. The trend internationally, and especially in the UK, in the telecom sector is for consolidation and competition from transnational corporations continues to be fierce. Many competitors have since ceased operations.

On April 2, 2002, Cyberstation Computers and Support Inc., an Ontario corporation ("Cyberstation") and wholly owned subsidiary of the Company, entered into a Common Stock Purchase Agreement (the "Agreement") by and among Platinum Telecommunications, Inc. ("Platinum") and Mr. Zeeshan Saeed (the "Seller"). Pursuant to the Agreement, Cyberstation acquired seventy percent (70%) of the issued and outstanding shares of common stock of Platinum (the "Platinum Shares") in consideration for 1,800,000 shares of common stock of the Company, par value \$0.001 per share. The Platinum Shares were acquired from the Seller, by whom Platinum was immediately before closing of the Agreement wholly owned. The Agreement was effective as of April 5, 2002. The transaction was negotiated on an arms-length basis. Neither the Company nor Cyberstation had any affiliation with Platinum or any of its officers or directors.

The Company has been considering whether, and if so how, to reorganize its telecommunications and software development businesses, while remaining open to entering into a business combination. In December 2003, the Company sold all of its interest in Platinum Telecommunications, which was its only source of revenue, as well as all of its shares of CyberStation. In connection with the sale of such shares, the purchaser assumed approximately \$384,000 in liabilities and received a minimal amount of assets from the Company. Included in the liabilities assumed by the purchaser was a loan of \$120,000 made by such purchaser to the Company. This will result in a gain on the divestitures. The impact of the divestiture has been reflected in the financial statements for the year ending August 31, 2003. The sale of the Platinum shares and the Cyberstation shares was made to Joseph J. Alves, our Chief Executive Officer. Mr. Alves agreed to sell all of his shares of common stock of the Company on December 9, 2003 to an unaffiliated third party.

For the quarter ended November 30, 2003, the company has substantially no transactions other than the issuance of shares to directors as compensation for a total cost of \$6,000 and the loss on divestiture of discontinued operations resulting from the settlement of accounts payable for shares in the amount of \$1,260.

PLAN OF OPERATION

The Company's plan of operation for the coming year is to identify and acquire a favorable business opportunity. The Company does not plan to limit its options to any particular industry, but will evaluate each opportunity on its merits. Management does not believe that the Company has sufficient resources to sustain itself for the fiscal year ending August 31, 2004 and may have to raise additional funds through the sale of equity or the issuance of debt, as the Company has no revenues. The Company currently has no plans to raise additional capital through private placements or public registration of its securities until a merger or acquisition candidate is identified though it may rely on loans from shareholders for capital, as required, to maintain its continuous disclosure requirements.

On December 18, 2003, the Company entered into a non-binding letter of intent to

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

acquire all of the issued and outstanding capital stock of Syscan, Inc., a California corporation. In connection with the acquisition of the capital stock of Syscan, Inc. the Company has agreed to issue that number of shares of its common stock to the shareholders of Syscan, Inc. that represents ninety percent (90%) of the Company's outstanding shares of common stock on a post-transaction basis. The Company currently has 19,775,753 shares of its common stock outstanding.

The acquisition of Syscan, Inc. is subject to approval of the Company's board of directors and continued due diligence and there can be no assurance that the Company's acquisition of Syscan, Inc. will be consummated in the near future, if at all.

Syscan Inc. was founded in Silicon Valley in 1995 to develop and manufacture a new generation of CIS (CMOS-Complimentary Metal Oxide Silicon) imaging sensor devices. During the late 1990's, the company established many technical milestones and was granted numerous patents based on their linear imaging technology (Contact Image Sensors). Syscan's patented CIS and mobile imaging scanner technology provides very high quality images but at extremely low power consumption, allowing it to manufacture very compact scanners in a form ideally suited for the mobile computer user who needs to scan documents while away from their office.

This "enabling" technology is found in a variety of applications such as documents management, ID card and passport security scanners, bank note/check verification, business card readers, scanning 2D bar codes and optical mark readers used in lottery terminals. Syscan has grown to be one of the largest OEM - private label manufacturers of mobile scanning systems for a large number of major brands such as PENTAX, COREX, VISIONEER, DATACOLOR, SCANSOFT, NORTEK and OMRON. Syscan's vertically integrated design and manufacturing model allows rapid time-to-market for these leading companies. Syscan's manufacturing is completed at an affiliated China-based facility which provides a low-cost manufacturing base for these industrial and consumer products.

In 2002, Syscan began to design a line of innovative new products targeted toward the flat-panel display market. These products dramatically improved the video image quality on LCD displays implementing advanced digital image processing and display control techniques. Much of the technology within these display imaging products have commonality with the linear imaging devices, providing strong technical overlap of personnel and resources. This new display control technology creates a tremendous value point in the flat-panel television entertainment and video-centric markets, which Syscan intends to target.

ACCOUNTING PRONOUNCEMENTS TO BE ADOPTED IN 2003

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations and costs associated with the retirement of tangible long-lived assets. The Company adopted SFAS No. 143 on September 1, 2001. The adoption of SFAS 143 did not have a material impact on the Company's results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item of income and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30 "Reporting Results of Operations". This

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

statement also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions, and makes various other technical corrections to existing pronouncements. This statement will be effective for the Company for the year ending December 31, 2003. Management believes that adopting this statement will not have a material effect on the Company's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement requires recording costs associated with exit or disposal activities at their fair values when a liability has been incurred. Under previous guidance, certain exit costs were accrued upon management's commitment to an exit plan. Adoption of this Statement is required with the beginning of fiscal year 2003. The Company has not yet completed the evaluation of the impact of adopting this Statement.

In January 2003, the FASB issued SFAS No. 148, Accounting for Stock -Based Compensation - Transition and Disclosures. This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in the financial statements about the effects of stock-based compensation. The transitional guidance and annual disclosure provisions of this Statement is effective for the August 31, 2003 financial statements. The interim reporting disclosure requirements will be effective for the company's May 31, 2003 10-QSB.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34. FIN 45 clarifies the requirements of FASB Statement No. 5, Accounting for Contingencies, relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. This interpretation clarifies that a guarantor is required to recognize, at the inception of certain types of guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company will adopt FIN 45 on September 1, 2003. The adoption of FIN 45 is not expected to have a material impact on the Company's disclosure requirements.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities," which addresses consolidation by business enterprises of variable interest entities. In general,

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables, real estate or other property. A variable interest entity may be essentially passive or it may engage in research and development or other activities on behalf of another company. The objective of Interpretation No. 46 is not to restrict the use of variable interest entities but to improve financial reporting by companies involved with variable interest entities. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. Interpretation No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation No. 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not have any variable interest entities, and, accordingly, adoption is not expected to have a material effect on the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. CONTROLS AND PROCEDURES

Based on an evaluation as of the date of the end of the period covered by this Form 10-QSB, our Chief Executive Officer/Acting Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15. Based on that evaluation, our Chief Executive Officer/Acting Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Changes in Internal Controls

There were no significant changes in our internal controls over financial reporting that occurred during the quarter ended November 30, 2003 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
None

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

On December 17, 2003, Joseph P. Alves resigned as chief executive officer of the Company. Mr. Alves is still chairman of our board of directors. Effective December 22, 2003, Michael J. Xirinachs was appointed as the Company's chief executive officer.

On December 18, 2003, the Company entered into a non-binding letter of intent to acquire all of the issued and outstanding capital stock of Syscan, Inc., a California corporation. In connection with the acquisition of the capital stock of Syscan, Inc. the Company has agreed to issue that number of shares of its common stock to the shareholders of Syscan, Inc. that represents ninety percent (90%) of the Company's outstanding shares of common stock on a post-transaction basis. The Company currently has 19,775,753 shares of its common stock outstanding.

The acquisition of Syscan, Inc. is subject to approval of the Company's board of directors and continued due diligence and there can be no assurance that the Company's acquisition of Syscan, Inc. will be consummated in the near future, if at all.

Syscan Inc. was founded in Silicon Valley in 1995 to develop and manufacture a new generation of CIS (CMOS-Complimentary Metal Oxide Silicon) imaging sensor devices. During the late 1990's, the company established many technical milestones and was granted numerous patents based on their linear imaging technology (Contact Image Sensors). Syscan's patented CIS and mobile imaging scanner technology provides very high quality images but at extremely low power consumption, allowing it to manufacture very compact scanners in a form ideally suited for the mobile computer user who needs to scan documents while away from their office.

This "enabling" technology is found in a variety of applications such as documents management, ID card and passport security scanners, bank note/check verification, business card readers, scanning 2D bar codes and optical mark readers used in lottery terminals. Syscan has grown to be one of the largest OEM - private label manufacturers of mobile scanning systems for a large number of major brands such as PENTAX, COREX, VISIONEER, DATACOLOR, SCANSOFT, NORTEK and OMRON. Syscan's vertically integrated design and manufacturing model allows rapid time-to-market for these leading companies. Syscan's manufacturing is completed at an affiliated China-based facility which provides a low-cost manufacturing base for these industrial and consumer products.

Edgar Filing: BANKENGINE TECHNOLOGIES INC - Form 10QSB

In 2002, Syscan began to design a line of innovative new products targeted toward the flat-panel display market. These products dramatically improved the video image quality on LCD displays implementing advanced digital image processing and display control techniques. Much of the technology within these display imaging products have commonality with the linear imaging devices, providing strong technical overlap of personnel and resources. This new display control technology creates a tremendous value point in the flat-panel television entertainment and video-centric markets, which Syscan intends to target.

ITEM 6. EXHIBITS, LISTS AND REPORTS ON FORM 8- K

(a) Exhibits

Exhibit 31. Rule 13a-14(a)/15d-14(a) Certification.

Exhibit 32.1 Certification by the Chief Executive Officer/Acting Chief Financial Officer Relating to a Periodic Report Containing Financial Statements.*

(b) Reports on Form 8-K.

There were no reports filed on Form 8-K during the period covered by this report.

* The Exhibit attached to this Form 10-QSB shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

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: January 20, 2004

Joseph Alves

By: /S/ MICHAEL J. XIRINACHS

Name: Michael J. Xirinachs
Title: Chief Executive Officer