

E-SMART TECHNOLOGIES INC  
Form 10QSB/A  
November 20, 2007  
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## U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

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### Form 10-QSB

(Amendment No. 1)

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(Mark One)

**Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended: September 30, 2006**

**Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

Commission File No: 0-30717

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## e-SMART TECHNOLOGIES, INC.

(Name of small business in its charter)

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**Nevada**  
(State or other jurisdiction of incorporation)

**526 West 26<sup>th</sup> Street, Suite 710, New York, NY 10001**

**88-0409261**  
(IRS Employer Id. No.)

(Address of Principal Office including Zip Code)

Issuer's telephone Number: (212) 727-3790

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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

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to such filing requirements for the past 90 days. Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, \$.001 par value, 200,000,000 shares at September 30, 2006.

Transitional Small Business Disclosure Format (Check one): Yes  No

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes  No

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e-SMART TECHNOLOGIES, INC. & SUBSIDIARIES

FORM 10-QSB - QUARTER ENDED SEPTEMBER 30, 2006

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The unaudited condensed consolidated balance sheet of the Registrant at September 30, 2006, the audited balance sheet at December 31, 2005, and the unaudited condensed consolidated statements of operations, shareholders' equity (deficiency), and cash flows for the nine months ended September 30, 2006 and September 30, 2005 follow. The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the periods presented.

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e-SMART TECHNOLOGIES, INC. & SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	<i>[Unaudited]</i> September 30, 2006	<i>[Audited]</i> December 31, 2005
<b>Assets</b>		
Current assets -		
Cash	\$ 39,743	\$ 164,584
Prepaid expenses	10,439	2,692
<b>Total current assets</b>	<b>50,182</b>	<b>167,276</b>
Equipment, net	44,082	44,701
License of Super Smart Card technology, net	94,467	99,290
Officers' advances	18,830	51,674
Lease deposits	78,483	73,484
<b>Total assets</b>	<b>\$ 286,044</b>	<b>\$ 436,425</b>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
Current liabilities -		
Accounts payable	\$ 1,104,029	\$ 640,197
Note payable - IVI Smart Technologies, Inc., a related party	450,000	450,000
Notes payable - others	47,500	47,500
Due Associated Business Group, a related party	12,427	12,427
Accrued officers' compensation	495,977	371,060
Accrued expenses	336,133	170,932
<b>Total current liabilities</b>	<b>2,446,066</b>	<b>1,692,116</b>
Note Payable - IVI Smart Technologies, Inc., a related party	4,757,840	2,274,722
<b>Total liabilities</b>	<b>7,203,906</b>	<b>3,966,838</b>
Shareholders' Equity (Deficiency) -		
Common shares, \$.001 par, 500,000,000 authorized, 200,000,000 issued and outstanding	200,000	200,000
Additional paid in capital	63,777,497	63,777,497
Retained deficit	(70,895,359)	(67,507,910)
<b>Total shareholders' equity (deficiency)</b>	<b>(6,917,862)</b>	<b>(3,530,413)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 286,044</b>	<b>\$ 436,425</b>

See notes to condensed consolidated financial statements.

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## e-SMART TECHNOLOGIES, INC. &amp; SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

*[Unaudited]*

	Nine Months Ended September 30		Three Months Ended September 30		January 1, 2001 Inception of Operations) to September 30, 2006
	2006	2005	2006	2005	
Net Revenue	\$	\$	\$	\$	\$
Cost of revenue					
Gross profit					
Operating expenses:					
Research and development	447,575	839,793	120,001	332,554	15,014,309
General and administrative	2,773,878	2,494,641	1,075,417	919,927	55,534,001
Interest	163,996	75,829	62,988	30,189	338,749
Total operating expenses	3,385,449	3,410,263	1,258,406	1,282,670	70,887,059
Loss before taxes	(3,385,449)	(3,410,263)	(1,258,406)	(1,282,670)	(70,887,059)
Provision for taxes	2,000	2,075	500	1,425	8,300
Net Loss	\$ (3,387,449)	\$ (3,412,338)	\$ (1,258,906)	\$ (1,284,095)	\$ (70,895,359)
Net loss per common share basic and fully-diluted	\$ (0.02)	\$ (0.02)	\$ (0.00)	\$ (0.01)	(0.45)
Weighted average common shares shares outstanding	200,000,000	183,834,970	200,000,000	190,614,554	157,402,092

See notes to condensed consolidated financial statements.

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## e-SMART TECHNOLOGIES, INC. &amp; SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF

## SHAREHOLDERS EQUITY (DEFICIENCY)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	
<i>Audited</i>					
Balance, January 1, 2005	173,535,944	\$ 173,536	\$ 61,053,801	\$ (62,642,602)	\$ (1,415,265)
Shares issued for cash	26,464,056	26,464	2,723,696		2,750,160
Net loss				(4,865,308)	(4,865,308)
Balance, December 31, 2005	200,000,000	200,000	63,777,497	(67,507,910)	(3,530,413)
<i>Unaudited</i>					
Balance January 1, 2006	200,000,000	200,000	63,777,497	(67,507,910)	(3,530,413)
Net loss				(3,387,449)	(3,387,449)
Balance, September 30, 2006	200,000,000	\$ 200,000	\$ 63,777,497	\$ (70,895,359)	\$ (6,917,862)

See notes to condensed consolidated financial statements.

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## e-SMART TECHNOLOGIES, INC. &amp; SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*[Unaudited]*

			January 1, 2001
	Nine Months Ended September 30, 2006	September 30, 2005	(inception of Operations) to September 30, 2006
<b>Cash flows from Operating Activities -</b>			
Net loss	\$ (3,387,449)	\$ (3,412,338)	\$ (70,895,359)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock and common stock options for services			55,812,844
Depreciation and amortization	17,170	18,246	70,522
Bad debt expense			312,505
<b>Changes in Assets and Liabilities -</b>			
(Increase) decrease in prepaid expenses	(7,747)	(4,253)	(10,439)
(Increase) decrease in officers advances	32,844		(18,830)
(Increase) decrease in deposits			(73,484)
Increase (decrease) in accounts payable	463,832	(65,285)	1,104,029
Increase in accrued expenses	290,118	208,083	832,110
<b>Net Cash Used in Operating Activities</b>	<b>(2,591,232)</b>	<b>(3,255,547)</b>	<b>(12,866,102)</b>
<b>Cash Flows from Investing Activities -</b>			
Acquisition of equipment	(11,728)	(21,455)	(80,471)
Cash used for intangible asset			(128,600)
Repayments (advances) to Biosensor, LLC		11,995	(312,505)
Increase in lease deposit	(4,999)	(4,511)	(4,999)
<b>Net Cash Used in Investing Activities</b>	<b>(16,727)</b>	<b>(13,971)</b>	<b>(526,575)</b>
<b>Cash Flows from Financing Activities -</b>			
Advances from IVI Smart Technologies, Inc., a related party	2,483,118	2,224,088	5,207,840
Proceeds from other borrowings, net		(70,000)	59,927
Proceeds from sale of common shares		1,449,322	8,164,653
<b>Net Cash Provided by Financing Activities</b>	<b>2,483,118</b>	<b>3,603,410</b>	<b>13,432,420</b>
<b>Net Increase (decrease) in Cash</b>	<b>(124,841)</b>	<b>333,892</b>	<b>39,743</b>
Cash at Beginning of Period	164,584	42,857	
<b>Cash at End of Period</b>	<b>\$ 39,743</b>	<b>\$ 376,749</b>	<b>\$ 39,743</b>

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. & SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Note 1 Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of the Registrant and those of its wholly-owned subsidiaries e-Smart Korea, Inc. and e-Smart Systems, Inc., and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month and three month periods ended September 30, 2006 and 2005, are not necessarily indicative of the results that may be expected for the respective years ended December 31, 2006 and 2005.

The unaudited c