NEXT GENERATION MEDIA CORP
Form 10QSB/A
June 06, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
FORM 10-QSB/A

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

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: 000-28083

NEXT GENERATION MEDIA CORP.
(Exact name of Company as specified in its charter)

Nevada	88-0169543
(State or jurisdiction of incorporation organization)	(I.R.S. Employer or Identification No.)

7644 Dynatech Court, Springfield, Virginia 22153
(Address of principal executive offices) (Zip Code)

Company's telephone number: (703) 644-0200

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) been subject to such filing requirements for the past 90 days. Yes X No___

As of March 31, 2004, the Company had 10,523,397 shares of common stock issued and outstanding.

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Turner, Jones & Associates, P.L.L.C
Certified Public Accountants
108 Center Street, North, 2nd Floor
Vienna, Virginia 22180-5712

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Next Generation Media Corporation
7644 Dynatech Court
Springfield, VA 22153

We have reviewed the condensed consolidated balance sheet of Next Generation Media Corporation and subsidiary as of March 31, 2004 and the related condensed, consolidated statements of income and cash flows for the three-month periods ended March 31, 2004 and 2003. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements, referred to above, in order for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Next Generation Media Corporation and subsidiary as of December 31, 2003, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated March 23, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

As discussed in the notes to the financial statements, in 2004 the Company changed from an unacceptable method of accounting for goodwill to an acceptable method. The change in accounting principles has been accounted for as a correction of an error and prior financial statements presented have been restated.

Turner, Jones & Associates, P.L.L.C
Vienna, Virginia
May 7, 2004

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Next Generation Media Corporation

Consolidated Interim Financial Statements

For The Three Months Ended March 31, 2004

With Review Report of Independent

Registered Public Accounting Firm

TURNER, JONES AND ASSOCIATES, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Next Generation Media Corporation
Consolidated Balance Sheets
For the Periods Ended

	ASSETS (Unaudited) March 31, 2004	(Audited) December 31, 2003
CURRENT ASSETS:		

Cash and cash equivalents (Note 1)	$ 223,040	$ 123,013
Accounts receivable, net of uncollectible accounts	526,246	411,256
Notes receivable	313,919	321,279
Inventories	58,327	66,410
Prepaid expenses & other current assets	45,518	46,434
Total current assets	1,167,050	968,392
PROPERTY, PLANT AND EQUIPMENT		
Equipment & vehicles	1,428,440	1,424,882
Furniture and fixtures	61,348	61,348
Leasehold improvements	70,188	80,644
Total property, plant and equipment	1,559,976	1,566,874
Less accumulated depreciation	(1,222,239)	(1,191,372)
Net property, plant and equipment	337,737	375,502
Intangibles, net of accumulated amortization	951,133	951,882
TOTAL ASSETS	2,455,920	2,295,776

See accompanying notes and accountant's review report

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Notes payable, current portion	99,235	99,190
Accounts and other payables	183,891	128,567
Accrued expenses	153,652	156,003
Sales tax payable	214,573	207,684
Obligation under capital lease	9,753	9,753
Total current liabilities	661,104	601,197
LONG TERM LIABILITIES:		
Notes payable	10,436	18,815
Obligation under capital lease	41,055	43,660
Total long term liabilities	51,491	62,475
Total liabilities	712,595	663,672
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, 50,000,000 shares authorized and 10,523,397 issued and outstanding	105,234	105,234

Additional paid in capital	7,379,744	7,379,744
Accumulated deficit	(5,737,653)	(5,852,874)
Total stockholders' equity	1,747,325	1,632,104
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,459,920	2,295,776

See accompanying notes and accountant's review report

Next Generation Media Corporation
Consolidated Statements of Income - Unaudited
For The Three Months Ended

	March 31, 2004	March 31, 2003
REVENUES:		
Coupon sales, net of discounts	$ 1,786,923	$ 1,772,527
Franchise fees	116,500	26,600
Total revenues	1,903,423	1,799,127
COST OF GOODS SOLD:		
Materials	229,704	257,128
Direct labor	374,155	369,780
Other direct costs	36,871	51,207
Postage and delivery	513,082	551,811
Payroll taxes from direct labor	28,623	28,293
Total cost of goods sold	1,182,435	1,258,219
Gross margin	720,988	540,908
GENERAL AND ADMINISTRATIVE EXPENSES:		
401(k) matching	12,000	10,500
Advertising	3,093	4,906
Amortization	750	750
Bad debt expense	30,000	7,500
Depreciation	30,867	40,155
Franchise development & support	81,583	15,632
Insurance	15,026	11,437
Meals and entertainment	-	-
Office expense	24,041	16,548

Other expenses	30,899	17,569
Payroll	217,123	142,565
Payroll taxes	25,446	19,515
Professional fees	30,505	45,426
Property taxes	3,375	3,900
Rent and pass thru expenses	70,228	67,672
Repairs and maintenance	6,812	4,392
Travel and conferences	442	5,039
Utilities	18,238	20,935
Total operating expenses	600,428	434,441
Gain/(Loss) from operations	120,560	106,467
OTHER INCOME AND EXPENSES:		
Other		4,080
Interest expense	(5,339)	(4,087)
Total other income (expense)	(5,339)	(7)
Net income	115,221	106,460
Gain applicable to common shareholders	115,221	106,460
Basic gain/(loss) per common share	0.011	0.0077
Weighted average common shares outstanding	10,523,397	9,523,397
Diluted gain per common share	0.008	0.0064
Fully diluted common shares outstanding	14,213,397	11,371,897

See accompanying notes and accountant's review report

Next Generation Media Corporation
Consolidated Statements of Stockholders' Equity-Unaudited

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	
Balance: January 1, 2003	9,523,397	95,234	7,343,744	6,147,665)	$
Common stock issued in exchange for services	1,000,000	10,000	36,000	-	
Net Income - Year to Date	-	-	-	294,791	

Balance: December 31, 2003	10,523,397	105,234	7,379,744	(5,852,874)
Net Income - Year to Date	-	-	-	115,221
Balance: March 31, 2004	10,523,397	105,234	7,379,744	(5,737,653)

See accompanying notes and accountant's review report

Next Generation Media Corporation
Statement of Cash Flows - Unaudited
For The Three Months Ended

	March 31, 2004	March 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 115,221	$ 106,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,617	40,905
(Increase) decrease in assets		
Accounts & notes receivable	(107,630)	(42,898)
Inventories	8,083	(5,021)
Prepaids and other current assets	(3,085)	23,811
Increase (decrease) in liabilities		
Accounts and other payables	62,213	215
Accrued expenses	(2,351)	19,030
Net cash flows (used) by operating activities	104,068	142,502
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(923)
Disposal of property & equipment, net	6,898	
Net cash provided/(used) by investing activities	6,898	(923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital leases	(2,605)	-
Repayment of notes payable	(8,334)	(54,508)
Net cash provided/(used) by financing activities	(10,939)	(54,508)
NET INCREASE/(DECREASE) IN CASH	100,027	87,071
CASH, BEGINNING OF PERIOD	123,013	199,305
CASH, END OF PERIOD	223,040	286,376

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

CASH PAID DURING THE YEAR FOR:

Income taxes	-	-
Interest	1,818	5,547

See accompanying notes and accountant's review report

UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated accounts of Next Generation Media Corporation and it's subsidiary (collectively, the Company). In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. The preparation of the financial statements includes estimates that are used when accounting for revenues, allowance for uncollectible receivables, telecommunications expense, depreciation and amortization and certain accruals. Actual results could differ from those estimates. The results of operations for the three months ended March 31, 2004, are not necessarily indicative of the results to be expected for the full year. Some information and footnote disclosures normally included in financial statements or notes thereto prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. The Company believes, however, that its disclosures are adequate to make the information provided not misleading. You should read these interim consolidated financial statements in conjunction with the consolidated financial statements and notes thereto included in the Company's 2003 Annual Report on Form 10-KSB.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries Inc., with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At March 31, 2004, the Company had approximately 50 active area franchise operations located throughout the United States.

Property and Equipment:

Property and equipment are stated at cost. The company uses the straight-line method in computing depreciation for financial statement purposes.

Expenditures for repairs and maintenance are charged to income, and renewals and replacements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts.

Estimated useful lives are as follows:

Furniture, fixtures and equipment	7-10 years
Leasehold Improvements	10 years
Vehicles	5 years
Computer & Software	5 years

Depreciation expense for the three months ended March 31, 2004 and 2003 was $30,867 and $40,155 respectively.

Intangibles:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets. The Company periodically evaluates the goodwill for possible impairment. The analysis consists of a comparison of the Company's market capitalization under SFAS No. 142 to the net fair market value of all identifiable assets plus goodwill. Any excess over market capitalization would be written off due to impairment. In addition, the Company has a covenant not to compete, which is being amortized over five (5) years. Amortization expense for each of the three months ended March 31, 2004 and 2003 was $750.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the three months ended March 31, 2004 and 2003 was $11,763 and $4,906.

Revenue Recognition:

The Company recognizes revenue from the design production and printing of coupons upon delivery. Revenue from initial franchise fees is recognized when substantially all services or conditions relating to the sale have been substantially performed. Substantially all services and conditions have been met at the time of payment. Franchise support fees of $150 per quarter per franchisee are billed quarterly and recognized when billed to the franchisee. Amounts billed or collected in advance of final delivery or shipment are reported as deferred revenue.

Impairment of Long-Lived Assets:

The Company reviews the carrying values of its long-lived assets for possible impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists as of March 31, 2004.

Comprehensive Income:

The Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". Comprehensive income as defined includes all changes to equity except that resulting from investments by owners and distributions to owners. The company has no item of comprehensive income to report.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncements:

FASB Interpretation No. 45 - In November 2002, the FASB issued interpretation No. 45, Guarantor's Accounting and Disclosures Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45), which changes the accounting for, and disclosure of, guarantees. Beginning with transactions entered into after December 31, 2002, the Interpretation requires certain guarantees to be recorded at fair value, which is different from prior practice, which was generally to record a liability only when a loss was probable and reasonably estimable, as defined by SFAS No. 5, Accounting for Contingencies. In general, FIN 45 applies to contracts or indemnification agreements that require Next Generation Media Corporation to make payments to a guaranteed third-party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. The accounting provisions of FIN 45 apply only to new transactions entered into after December 31, 2002. FIN 45 immediately requires new disclosures effective immediately. The adoption of FIN45 does not have a material impact on the Company's financial position, results of operations or cash flows.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Corporation uses Statement of Financial Standards No. 109 "Accounting for Income Taxes" (SFAS No. 109) in reporting deferred income taxes. SFAS No. 109 requires a company to recognize deferred tax liabilities and assets for expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences in financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which temporary differences are expected to reverse.

Risks and Uncertainties:

The Company operates in an environment where intense competition exists from other companies. This competition, along with increases in the price of paper, can impact the pricing and profitability of the Company.

Credit Risk:

The Company at times may have cash deposits in excess of federally insured limits.

Accounts Receivable:

The Corporation grants credit to its customers, which includes the retail sector and their own franchisees. The Company establishes an allowance for doubtful accounts based upon on a percentage of accounts receivable plus those balances the Company feels will be uncollectible. Allowance for uncollectible accounts as of March 31, 2004 and 2003 was $88,314 and $29,104 respectively.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Earnings Per Common Share:

The Company calculates its earnings per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). Under SFAS No. 128, basic earnings per share is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. Diluted earnings per share reflect the potential dilution assuming the issuance of common shares for all potential dilutive common shares outstanding during the period. As a result of the Company's net losses, all potentially dilutive securities including warrants and stock options, would be anti-dilutive and thus, excluded from diluted earnings per share.

As of March 31, 2004, the Company had financial obligations that could create future dilution to the Company's common shareholders and are not currently classified as common shares of the company. The following table details such instruments and obligations and the common stock comparative for each. The common stock number is based on specific conversion or issuance assumptions pursuant to the corresponding terms of each individual instrument or obligation.

Instrument or Obligation	
Stock options outstanding as of March 31, 2004 with a weighted average exercise price per share of $0.26	3,690,000

Inventories:

Inventories consist primarily of paper, envelopes, and printing materials and are stated at the lower of cost or market, with cost determined on the first-in, first-out method.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the parent company, Next Generation Media Corporation and its subsidiaries as of March 31, 2004.

NOTE 2 - RETIREMENT PLAN

The company maintains a 401(k) defined contribution plan covering substantially all employees. The Corporation may elect to contribute up to 3% of each eligible employee's gross wages. Employees can elect up to 15% of their salary to be contributed before income taxes, up to the annual limit set by the Internal Revenue Code. The company anticipates making a contribution for 2004. Accrued contributions for the quarter ended March 31, 2004 are $12,000.

NOTE 3 - NOTES PAYABLE AND LINE OF CREDIT

Notes payable consists of the following:

March 31, 2004	Amount
Note payable to CIT Group, interest of 10% on principal only, collateralized by the equipment of United Marketing Solutions, Inc.	$ 10,998
Note payable to PS Business Parks, face amount of $130,000, interest at 5%, payable over three years.	$ 38,084
Note payable to Capital York, unsecured with payments inclusive of interest of $1,000 per month	$ 16,500
Note payable to Frank Parsons Paper payable in monthly installments inclusive of interest	$ 22,839
Promissory note payable to former executive payable in twenty-four monthly installments of $3,452 at 0% interest	$ 21,250
	$109,671
Less: Current portion	$ 99,235
Long-term portion	$ 10,436

NOTE 4 - NOTES RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO, Inc. for $200,000 in conjunction with the sale of Independent News, Inc. The note is outstanding and currently in default, the Company's management considers the note collectible.

NOTE 5 - COMMON STOCK

During the three months ended March 31, 2004 and 2003, the Company issued no shares of common stock.

In 2003, the Company issued 2,350,000 options to purchase shares of common stock at $0.01 per share to members of the Company's Board of Directors and employees. The options were issued at the then fair market value of the underlying shares. In addition, the Company issued 1,000,000 shares of common stock valued at $46,000 to various consultants and employees for services rendered.

NOTE 6 - EMPLOYEE STOCK INCENTIVE PLAN

On December 26, 2001, the Company adopted the Employee Stock Incentive Plan authorizing 3,000,000 shares at a maximum offering price of $0.10 per share for the purpose of providing employees equity-based compensation incentives. The Company issued no shares under the plan during the periods.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Future minimum annual lease payments for capital and operating leases as of March 31, 2004 are:

	Operating	Capital
2004	217,253	9,418
2005	282,780	14,628
2006	280,006	14,628
2007	23,409	14,628
2008	0	6,095

Thereafter	0	0
Total	803,448	59,317

Rent expense for the years ended March 31, 2004 and 2003 were $64,096 and $61,631.

The Company has entered into various employment contracts. The contracts provided for the award of present and/or future options to purchase common stock at then fair market value of the underlying shares at date of grant or vesting. The contracts can be terminated without cause upon written notice within thirty to ninety days.

The Company is party to various legal matters encountered in the normal course of business. In the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the Company's financial position or the future results of operations.

NOTE 8 - OBLIGATION UNDER CAPITAL LEASE

The Company acquired machinery under the provisions of a long-term leases. For financial reporting purposes, minimum lease payments relating to the machinery have been capitalized.

The future minimum lease payments under capital leases and net present value of the future minimum lease payments as of March 31, 2004 are as follows:

Total minimum lease payments	$59,397
Amount representing interest	8,589
Present value of net minimum lease payments	50,808
Current portion	9,753
Long-term capital lease obligation	41,055

NOTE 9 - CORRECTION OF AN ERROR

The interim financial statements have been corrected to remove amortization of goodwill pursuant to SFAS No. 142. The cumulative effect was a $265,370 deficit and corresponding increase in intangibles through December 31, 2003. The correction resulted in an increase in net income and intangibles and a corresponding decrease in accumulated deficit of approximately $33,171 for the quarters ended March 31, 2004 and 2003. All prior periods presented have been restated to reflect the correction.

ITEM II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management Discussion and Analysis should be read in conjunction with the financial statements and accompanying notes included in this Form 10-QSB.

Total revenues increased to $1,903,423 in the quarter ended March 31, 2003 as compared to $1,799,127 in the quarter ended March 31, 2003, an increase of more than five percent.

Total cost of goods sold decreased from $1,258,219 in the quarter ended March 31, 2003 as compared to $1,182,435 in the quarter ended March 31, 2004, a reduction of approximately 6%. The gross margin increased from $540,908 in the quarter ended March 31, 2003 to $720,988 in the quarter ended March 31, 2004, an increase of approximately 25%.

Total operating expenses increased to $600,428 in the quarter ended March 31, 2004 from $486,480 in the quarter ended March 31, 2003. The greatest percentage of this increase in expenses was due to an increase of $74,558 in payroll expense and an increase in franchise development and support paid of $66,370.

Total gain from operations for the quarter ending March 31, 2004 was $120,560 as compared to a gain of $106,467 for the quarter ending March 31, 2003.

Total assets grew from $2,295,726 at December 31, 2003 to $2,455,920 at March 31, 2004. Total current liabilities increased from $663,672 at December 31, 2003 to $712,595 at March 31, 2004.

Net cash flows by operating activities was $104,068 for the period ended March 31, 2004 as compared to $142,502 for the period ended March 31, 2003.

Cash provided by investing activities was $6,898 for the period ended March 31, 2004, as compared to net cash used by investing activities of $923 for the period ended March 31, 2003.

While the Company has raised capital to meet its working capital and financing needs in the past, additional financing may be required in order to meet the Company's current and projected cash flow deficits from operations. As previously mentioned, the Company has obtained financing in the form of equity in order to provide the necessary working capital. The Company currently has no other commitments for financing. There are no assurances the Company will be successful in raising the funds required.

The Company has issued shares of its common stock from time to time in the past to satisfy certain obligations, and expects in the future to also acquire certain services, satisfy indebtedness and/or make acquisitions utilizing authorized shares of the capital stock of the Company.

Quantitative And Qualitative Disclosures About Market Risk
In the normal course of business, operations of the Company may be exposed to fluctuations in interest rates. These fluctuations can vary the cost of financing, investing, and operating transactions. Because the Company has only fixed rate short-term debt, there are no material impacts on earnings due to fluctuations in interest rates.

New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board issued interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25". FIN 44 clarifies the application of APB No. 25 for (a) the definition of employee for purposes of applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequences of various modifications to previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 2, 2000 but certain conclusions cover specific events that occur after either December 15, 1998 or January 12, 2000. The adoption of FIN 44 did not have an affect on the Company's financial statements but may impact the accounting for grants or awards in future periods

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations (FAS 141), and FAS 142, Goodwill and Other Intangible Assets (FAS 142). FAS 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. FAS 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination, whether acquired individually or with a group of other assets, and the accounting and reporting for goodwill and other intangibles subsequent to their acquisition. These standards require all future business combinations to be accounted for using the purchase method of accounting. Goodwill will no longer be amortized but instead will be subject to impairment tests at least annually.

The Company is required to adopt FAS 141 and FAS 142 on a prospective basis as of January 1, 2002; however, certain provisions of these new standards may also apply to any acquisitions concluded subsequent to June 30, 2001. As a result of implementing these new standards, the Company will discontinue the amortization of goodwill as of December 31, 2001. The Company does not believe that the adoption of FAS 141 or 142 will have a material impact on its consolidated financial statements.

In October 2001, the Financial Accounting Standards Board issued FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (FAS 144). FAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (FAS 121) and related literature and establishes a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed of by sale. The Company is required to adopt FAS 144 no later than January 1, 2002. The Company does not believe that the adoption of FAS 144 will have a material impact on its consolidated financial statements.

Forward Looking Statements.

The foregoing Managements Discussion and Analysis of Financial Condition and Results of Operations "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Company's business strategies, continued growth in the Company's markets, projections, and anticipated trends in the Company's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to, those risks associated with economic conditions generally and the economy in those areas where the Company has or expects to have assets and operations; competitive and other factors affecting the Company's operations, markets, products and services; those risks associated with the Company's ability to successfully negotiate with certain customers, risks relating to estimated contract costs, estimated losses on uncompleted contracts and estimates regarding the percentage of completion of contracts, associated costs arising out of the Company's activities and the matters discussed in this report; risks relating to changes in interest rates and in the availability, cost and terms of financing;

risks related to the performance of financial markets; risks related to changes in domestic laws, regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in this report and in documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Form 10-QSB will, in fact, occur. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances and other factors discussed elsewhere in this report and the documents filed or to be filed by the Company with the Securities and Exchange Commission.

Inflation

In the opinion of management, inflation has not had a material effect on the operations of the Company.

Trends, Risks and Uncertainties

The Company has sought to identify what it believes to be the most significant risks to its business as discussed in "Risk Factors" above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to the Company's stock.

Limited operating history; anticipated losses; uncertainly of future results

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the business model that the Company intends to market and the potential acceptance of the Company's business model. The Company will be incurring costs to develop, introduce and enhance its products, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization.

To the extent that such expenses are not subsequently followed by commensurate revenues, the Company's business, results of operations and financial condition will be materially adversely affected. There can be no assurance that the Company will be able to generate sufficient revenues from the sale of its products and services. The Company expects that negative cash flow from operations may exist for the next 12 months as it continues to develop and market its products and services. If cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to the Company's shareholders.

Potential fluctuations in quarterly operating results may fluctuate Significantly in the future as a result of a variety of factors, most of which Are outside the Company's control including: the demand for the Company's products and services; seasonal trends in demand and pricing of products and services; the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations; the introduction of new services and products by the Company or its competitors; price competition or pricing changes in the industry; political risks and uncertainties involving the world's markets; technical difficulties and general economic conditions. The Company's quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly the Company's early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that the Company's operating results will fall below the expectations of the Company or investors in some future quarter.

Management of Growth

The Company may experience growth in the number of employees relative to its current levels of employment and the scope of its operations. In particular, the Company may need to hire sales, marketing and administrative personnel. Additionally, acquisitions could result in an increase in employee headcount and business activity. Such activities could result in increased responsibilities for management.

The Company believes that its ability to increase its customer support capability and to attract, train, and retain qualified technical, sales, marketing, and management personnel, will be a critical factor to its future success. In particular, the availability of qualified sales and management personnel is quite limited, and competition among companies to attract and retain such personnel is intense. During strong business cycles, the Company may experience difficulty in filling its needs for qualified sales, and other personnel.

The Company's future success will be highly dependent upon its ability to successfully manage the expansion of its operations. The Company's ability to manage and support its growth effectively will be substantially dependent on its ability to implement adequate financial and management controls, reporting systems, and other procedures and hire sufficient numbers of financial, accounting, administrative, and management personnel. The Company is in the process of establishing and upgrading its financial accounting and procedures. There can be no assurance that the Company will be able to identify, attract, and retain experienced accounting and financial personnel. The Company's future operating results will depend on the ability of its management and other key employees to implement and improve its systems for operations, financial control, and information management, and to recruit, train, and manage its employee base. There can be no assurance that the Company will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures, and any inability to do so would have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company's future success depends upon its ability to address potential market opportunities while managing its expenses to match its ability to finance its operations. This need to manage its expenses will place a significant strain on the Company's management and operational resources. If the Company is unable to manage its expenses effectively, the Company's business, results of operations, and financial condition will be materially adversely affected.

Risks associated with acquisitions

Although the Company does not presently intend to do so, as part of its business strategy in the future, the Company could acquire assets and businesses relating to or complementary to its operations. Any acquisitions by the Company would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: the Company could be exposed to unknown liabilities of the acquired companies; the Company could incur acquisition costs and expenses higher than it anticipated; fluctuations in the Company's quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; the Company could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; the Company's ongoing business could be disrupted and its management's time and attention diverted; the Company could be unable to integrate successfully.

PART II.

ITEM 1. LEGAL PROCEEDINGS.

Other than as set forth below, the Registrant is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Registrant has been threatened.

The Company is subject to other legal proceedings and claims that arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Sales of Unregistered Securities.

The Registrant had no sales of unregistered securities during the three-month period ending March 31, 2004.

Use of Proceeds.

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were not any matters submitted requiring a vote of security holders during the three-month period ending March 31, 2003.

ITEM 5. OTHER INFORMATION.

None.

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

(a) Reports on Form 8-K. No reports on Form 8-K were filed during the three-month period covered in this Form 10-QSB.

(b) Exhibits. Exhibits included or incorporated by reference herein: See Exhibit Index.

EXHIBIT INDEX

Exhibit	Description
3.1	Articles of Incorporation, under the name Micro Tech Industries, Inc. (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on April 15, 1998).
3.2	Amendment to the Articles of Incorporation (incorporated by reference in the Company's quarterly report filed on Form 10 Q filed on May 15, 1997).
3.3	Amended and Restated Bylaws (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on November 12, 1999).
16.1	Letter on change in certifying accountant (incorporated by reference in the filing of the Company's current report on Form 8-K filed on January 5, 2001).
31.1	Certification of Principal Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002