

Edgar Filing: CYBERADS INC - Form 10QSB/A

CYBERADS INC  
Form 10QSB/A  
January 30, 2006

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB/A

(Mark One)

☒ Quarterly report under Section 13 or 15(d) of the Securities  
Exchange Act of 1934 for the quarterly period ended September 30, 2005

☐ Transition report under Section 13 or 15(d) of the Exchange Act  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-31451

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CYBERADS, INC.  
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(Exact name of small business issuer as specified in its charter)

-----  
Nevada

65-1000634  
-----

(State or other jurisdiction of  
incorporation or organization)

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

370 Amapola Ave. # 202, Torrance, California 90501  
-----

(Address of principal executive office) (Zip Code)

1-800-288-3099  
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(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days.

Yes      XX  
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No  
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As of November 16, 2005, the number of outstanding shares of the issuer's common  
stock, \$.001 par value, was 100,751,777 shares.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT: Yes ☐ No ☒

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CYBERADS, INC.

## Consolidated Unaudited Balance Sheets For the periods ended September 30, 2005 and December 31, 2004

	September 30, 2005	
Assets		
Current asset -		
Cash	\$ 198	\$
Property and equipment, net	14,171	
Marketing rights	210,000	
Deposits	8,585	
	<u>232,954</u>	
	\$ 232,954	\$
	=====	
Liabilities and Net Capital Deficiency		
Current liabilities:		
Note payable	\$ 294,192	\$
Accounts payable	804,220	
Accrued payroll and payroll related liabilities	614,143	
Accrued liabilities	39,793	
Payable to related parties	786,555	
Loans payable - convertible debentures	60,000	
	<u>2,598,903</u>	
Total current liabilities	2,598,903	
Deferred net revenue	142,472	
Payable to stockholder	191,609	
Net Capital Deficiency:		
Preferred stock; \$.001 par value; authorized 500,000,000 shares, of which		
1,000,000 shares has been designated as Series A Convertible, shares		
issued and outstanding 835,660	836	
Common stock; \$.001 par value; shares authorized 50,000,000; shares		
issued and outstanding 96,781,777 in 2005 (23,225,777 in 2004)	96,782	
Common stock to be issued	40,050	
Additional paid in capital	22,584,648	
Retained deficit	(25,422,346)	
	<u>(2,700,030)</u>	
Net capital deficiency	(2,700,030)	
	<u>232,954</u>	
	\$ 232,954	\$

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See accompanying notes.

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## CYBERADS, INC.

Consolidated Unaudited Statements of Operations  
for the three months and nine months ended September 30, 2004 and 2005

	Three months ended September 30		Nine months ended September 30
	2005	2004	2005
Revenues	\$ -	\$ -	\$ -
Cost of revenues	-	-	-
Gross profit	-	-	-
Operating expenses:			
Selling	3,692	-	730,406
General and administrative	1,632,190	231,482	5,451,092
Total operating expenses	1,635,882	231,482	6,181,498
Net loss from operations	(1,635,882)	(231,482)	(6,181,498)
Other income (expenses):			
Other income	-	-	-
Interest expense and financing costs, net	(5,502)	(9,663)	(5,502)
Total other expenses	(5,502)	(9,663)	(5,502)
Net loss before provision for income taxes	(1,641,384)	(241,145)	(6,187,000)
Provision for income taxes	-	-	800
Net loss	\$ (1,641,384)	\$ (241,145)	\$ (6,187,800)
Net loss per common share	\$ (.029)	\$ (.012)	\$ (.154)

See accompanying notes.

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## CYBERADS, INC.

### Consolidated Unaudited Statements of Cash Flows for the Three Months and Nine Months ended September 30, 2004 and 2005

	Three months ended September 30		Nine mont Septemb
	2005	2004	2005
Cash flows from operating activities:			
Net loss	\$ (1,641,384)	\$ (241,145)	\$ (6,187,800)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Deferred net revenue	6,330	-	142,472
Common stock issued in exchange for services	1,614,840	250,000	6,088,119
Common stock issued in exchange for interest	-	9,663	-
Changes in assets and liabilities:			
Receivables	-	-	-
Outstanding checks in excess of cash in bank	-	-	-
Accounts payable	-	(18,518)	(25,002)
Accrued liabilities	-	-	800
	(20,214)	-	18,589
Cash flows from investing activities -			
Purchase of marketing rights	-	-	(210,000)
Cash flows from financing activities:			
Principal repayments of note payable	-	-	-
Advances received from stockholder, net	5,945	-	191,609
Proceeds from stock options exercised	-	-	-
	5,945	-	191,609
Net change in cash	(14,269)	-	198
Cash at beginning of period	14,467	-	-
Cash at end of period	\$ 198	\$ -	\$ 198

	Three months ended September 30		Nine mont Septemb
	2005	2004	2005
Supplemental discourse of cash flow information -			
Cash paid for interest	\$ 5,502	\$ -	\$ 5,502
Supplemental disclosure of non-cash investing & financing activities:			
Common stock issued in exchange for payable to stockholder	\$ -	\$ 204,634	\$ -

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Accounts payable converted to note payable	\$	-	\$	185,192	\$	-
		=====		=====		=====

See accompanying notes.

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CYBERADS, INC.

Notes to Consolidated Financial Statements  
September 30, 2005

1. Summary of significant accounting policies  
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Business: CyberAds, Inc. ("CyberAds") was incorporated in the state of Florida on April 12, 2000. In 2004, the Company earned commissions from selling approved contracts to subscribers for cellular telephone service. In 2005, management of the Company has devoted their attention toward seeking profitable products.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of CyberAds and it's wholly owned subsidiary IDS. All significant intercompany balances have been eliminated in consolidation. The operations of IDS are currently dormant.

Interim reporting: The Company's year-end for accounting and tax purposes is December 31. In the opinion of Management, the accompanying consolidated financial statements as of September 30, 2005 and 2004 and for the three and nine months then ended, consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the consolidated financial statements, necessary to present fairly its financial position, results of its operations and cash flows. The results of operations for the three and nine months ended September 30, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year.

Property and equipment: Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for over the estimated useful life of the assets of five to seven years. Leasehold improvements are amortized over the lesser of the original term of the related lease or their estimated useful life.

Marketing rights: Marketing rights are stated at cost and will be amortized over 10 years, the term of the rights.

Revenue recognition: In 2004, the Company recorded revenue on a "net" basis when contracts were submitted to master dealers. The phones were shipped from the dealers to the subscriber and the Company did not bear the risk of loss on the cellular phone.

Share based payments: The Company uses a fair value based method of accounting for stock based compensation to employees. The Company also

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accounts for stock options and warrants issued to non-employees for services under the fair value method of accounting.

Net income (loss) per common share: Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common stock shares outstanding was 56,048,712 for the three months ended September 30, 2005 (20,208,386 for the three months ended September 30, 2004) and 40,163,794 for the nine months ended September 30, 2005 (19,115,193 for the nine months ended September 30, 2004).

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CYBERADS, INC.

Notes to Consolidated Financial Statements  
September 30, 2005

1. Summary of significant accounting policies (continued)  
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Net income (loss) per common share (continued): Convertible debentures, convertible preferred stock, common stock options, and common stock to be issued are considered common stock equivalents. Common stock equivalents have not been included in the computation of diluted loss per share as the effect on net loss per common share would be anti-dilutive.

Use of Estimates: The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Operations  
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During the nine months ended September 30, 2005, management of the Company negotiated to purchase rights to market the Xboard(TM), a jet-powered personal watercraft. The Company, in turn, has been reselling those rights to distributors of water sports products. During the nine months ended September 30, 2005, the Company collected \$171,450 from the resale of those rights.

Management also plans to continue restructuring debt, seeking profitable products, reducing operating expenses, and seeking additional capital and debt financing until operations achieve profitability. Management of the Company believes the above actions, along with other plans, will allow them to continue operations and ultimately achieve profitability. Until then, the Company is dependent upon its ability to obtain additional capital and debt financing. The consolidated financial statements as of September 30, 2005 do not reflect adjustments relating to the recorded asset amounts, or the amounts of liabilities that would be necessary should the Company not be able to continue in existence.

3. Marketing rights  
-----

In March 2005, the Company committed to purchase rights to market the Xboard(TM), a jet-powered personal watercraft, from Aqua Xtremes, Inc. aggregating \$5,000,000. The term of the rights are for 10 years from

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the time the Xboard(TM) is available for market. During the nine months ended September 30, 2005, the Company paid \$210,000 toward the purchase agreement.

4. Note payable  
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The note payable was due in installments of \$5,000 on January 15, 2004 and February 15, 2004, plus interest at the rate of 10% per annum. Final payment was due March 15, 2004. The note is secured by all of the Company's accounts receivable, inventories, and computer hardware and software and is guaranteed by two former officers of the Company. The Company is currently in default with respect to the agreement.

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CYBERADS, INC.

Notes to Consolidated Financial Statements  
September 30, 2005

5. Accrued liabilities  
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Accrued expenses consisted of the following at:

	September 30, 2005
	-----
Interest	\$ 3,993
California franchise taxes	800
Professional fees	35,000
	-----
	\$ 39,793
	=====

6. Payable to related parties  
-----

Payable to related parties consisted of the following at:

	September 30, 2005
	-----
Advance due to a corporation owned by a former officer of the Company, bearing interest at 10% per annum, due on demand and unsecured	\$ 54,000
Advance due to a former officer of the Company, bearing interest at 10% per annum, due on demand and unsecured	732,555
	-----
	\$ 786,555
	=====

7. Loans payable - convertible debentures  
-----

Loans payable - convertible debentures consists of unsecured loans from two individuals whereby the principal of the note is convertible into the Company's common stock at the option of the holder. Interest on borrowings is payable quarterly at a rate of 20% per annum. The notes



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were due in installments of \$15,000 on November 13, 2003, \$13,750 on December 13, 2003 and January 13, 2004, with final payment due February 13, 2004. The Company is currently in default with respect to the agreements. The notes are convertible into the Company's common stock at a conversion rate of 75% of the closing bid price of the Company's common stock one trading day prior to conversion.

8. Payable to stockholder

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The payable to stockholder consists of advances from Novanet Media, Inc. for working capital purposes. The advances are unsecured, non-interest bearing and due on demand; however, Novanet Media, Inc. has agreed not to demand repayment of the advances before November 2006 and unless cash is available from a merger, capital stock exchange, asset acquisition, or other business combination, or from operations.

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CYBERADS, INC.

Consolidated Notes to Financial Statements  
September 30, 2005

9. Contingencies

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The Company is non-compliant with respect to certain federal and state payroll related taxes. Included in accrued payroll and payroll related liabilities for 2005 and 2004 is approximately \$540,800 of unpaid payroll taxes.

10. Common stock transactions

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Effective August 19, 2005, the Board of Directors of the Company approved to increase the authorized common stock from 50,000,000 shares to 500,000,000.

During the nine months ended September 30, 2005, the Company issued an aggregate of 73,556,000 shares of its common stock in exchange for marketing, management, and consulting services. The share based payments were valued at the fair value of the services received. Management estimated the fair value based on the closing bid price of the Company's common stock on the date of issuance, the historical trend of the trading prices for its common stock, and the volume of shares traded. The Company recorded expenses aggregating \$6,088,119 as a result of the share based payments.

11. Stock options

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The Company's stock option activity for options granted to employees and non-employees is summarized as follows for the nine months ended September 30, 2005:

Fixed Plan		
Shares	Weighted average exercise price	Shares exercisable

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Outstanding at January 1, 2005	1,900,000	\$ .513	1,900,000
		=====	=====
Expired	(950,000)	\$ .053	
	-----	=====	
Outstanding at September 30, 2005	950,000	\$ .460	950,000
	=====	=====	=====

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CYBERADS, INC.

## Consolidated Notes to Financial Statements September 30, 2005

### 11. Stock options (continued)

The Company's stock option outstanding and exercisable at September 30, 2005 is summarized as follows:

Fixed Plan					
Options outstanding				Options exercisable	
Weighted average					
Range of prices	Shares	remaining life	exercise price	Shares	exercise price
\$ .04 - \$ .50	700,000	8 mo.	\$ .267	700,000	
=====		=====	=====		
\$1.00	250,000	1 yr.	\$ 1.00	250,000	
=====	-----	=====	=====	-----	
\$ .04 - \$1.00	950,000	9 mo.	\$ .460	980,000	
=====	=====	=====	=====	=====	

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis contains various forward-looking statements within the meaning of the Securities and Exchange Act of 1934. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may", "expect", "anticipate", "estimates", or "continue" or use of negative or other variations of comparable terminology. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in our forward looking statements, that these forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in our forward looking statements.

Management's discussion and analysis should be read in conjunction with the

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financial statements and the notes thereto.

## RESULTS OF OPERATIONS

Nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 and three months ended September 30, 2005 compared to the three months ended September 30, 2004:

	Nine months ended September 30		Decrease	
	2005	2004	Amount	Percentage
Revenue	\$ -	\$ 303,120	\$ 303,120	-

Revenue for the nine months ended September 30, 2004 resulted from the sale of cellular telephones. Due to the Company's limited sales resources limited effort was devoted toward that business.

	Nine months ended September 30		Increase	
	2005	2004	Amount	Percentage
Selling expenses	\$ 730,406	\$ -	\$ 730,406	-

Selling expense for the nine months ended September 30, 2005 resulted from the sale of the X-board dealerships. That business activity began in 2005.

	Three months ended September 30		Increase	
	2005	2004	Amount	Percentage
General & administrative expenses	\$ 1,632,190	\$ 231,482	\$ 1,400,708	605

	Nine months ended September 30		Increase	
	2005	2004	Amount	Percentage
General & administrative expenses	\$ 5,451,092	\$ 755,824	\$ 4,695,268	621

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General and administrative for the three and nine months ended September 30, 2005 increased as a result of additional management and consulting expenses primarily in an effort to identify additional business opportunities.

## FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2005 compared to December 31, 2004:

	As of September 30		Increase	
	2005	2004	Amount	Percentage
Marketing rights	\$ 210,000	\$ -	\$ 210,000	-

Marketing rights increased as a result of the Company's purchase of rights to resale X-Board dealerships to others.

	As of September 30		Increase	
	2005	2004	Amount	Percentage
Deferred net revenue	\$ 142,472	\$ -	\$ 142,472	-

Deferred net revenue consisted of the resale of X-Board dealerships, net of commissions. The X-Board product has not yet come to market. Accordingly, the Company has not recorded the sales as revenue.

	As of September 30		Increase	
	2005	2004	Amount	Percentage
Payable to stockholder	\$ 191,609	\$ -	\$ 191,609	-

Payable to stockholder consisted of advances from a stockholder for working capital purposes.

## ITEM 3. CONTROLS AND PROCEDURES

As of September 30, 2005 the Company carried out an evaluation, under the

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supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and President, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, these principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in the Company's periodic SEC filings. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

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### PART II - OTHER INFORMATION

#### ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1	Articles of Incorporation as Amended *
3.2	Bylaws *
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification
32.2	Section 1350 Certification

\* Filed by reference to a prior filing by Registrant.

#### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 30, 2006

CYBERADS, INC.

By: /s/ JEFF CRISWELL

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Jeff Criswell, President,  
Chief Executive Officer

