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BANKENGINE TECHNOLOGIES INC

Form 10QSB

July 22, 2002

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 May 31, 2002

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.)

157 Adelaide Street West, Suite 426
Toronto, Ontario, Canada M5H 4E7
(Address of principal executive offices, including zip code)

(416) 860-9378
(Registrant's telephone number, including area code)

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 July 19, 2002, was 19,015,893 shares.

BANKENGINE TECHNOLOGIES, INC.

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MAY 31, 2002 QUARTERLY REPORT ON FORM 10-QSB

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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.

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ITEM 1. FINANCIAL STATEMENTS

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheet
As of May 31, 2002
(Amounts Expressed in US Dollars)
(Unaudited)

ASSETS

Current

Cash and cash equivalents
Funds held on deposit
Accounts receivable
Prepaid expenses and sundry

CAPITAL ASSETS, net of accumulated depreciation

INTANGIBLE ASSETS, net of accumulated amortization

LIABILITIES

Current

Accounts payable
Income taxes payable
Deferred revenue
Current portion of loan payable

LOANS FROM STOCKHOLDER

LOAN PAYABLE

CONTINGENCIES AND COMMITMENTS

STOCKHOLDERS' EQUITY (DEFICIENCY)

Common stock authorized 50,000,000 Class Common Stock with a par value of \$.001 each

Additional paid in capital

Accumulated deficit

Accumulated other comprehensive income (loss) net of tax

The accompanying notes are an integral part of these consolidated financial statements.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
 Consolidated Statements of Operations
 For the three and nine month periods ended May 31, 2002 and 2001
 (Amounts Expressed in US Dollars)
 (Unaudited)

| | For the three month periods ended May 31, | |
|--|--|------------|
| | 2002 | 2001 |
| Revenue | \$ 64,969 | \$ 18,931 |
| Cost of sales | 62,325 | 10,732 |
| Gross profit | 2,644 | 8,199 |
| Selling, general and administrative expenses | 156,349 | 72,386 |
| Depreciation | 6,926 | - |
| | 163,275 | 72,386 |
| Income (loss) before interest income and minority interest | (160,631) | (64,187) |
| Interest income | 1,558 | - |
| Income (loss) before minority interest | (159,073) | (64,187) |
| Minority interest | (1,514) | - |
| Net income (loss) | (157,559) | (64,187) |
| Net income (loss) per common share | \$0.01) | (\$0.00) |
| Weighted average number of Common shares outstanding | 18,284,025 | 17,115,893 |

The accompanying notes are an integral part of these consolidated financial statements.

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
 Consolidated statements of changes in Stockholders Equity (Deficiency)
 For the nine month periods ended May 31, 2002 and 2001
 (Amounts Expressed in US Dollars)
 (Unaudited)

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| | Common Stock | | Additional paid in capital | Accumula defic |
|--|--------------|-----------|----------------------------------|-------------------|
| | Shares | Amount | | |
| Balance, August 31, 2000 | 12,000,000 | \$ 12,000 | \$ 200,849 | \$ (209, |
| Shares issued on acquisition | 5,115,893 | 5,116 | 230,341 | |
| Net income for the period | - | - | - | 23, |
| Foreign currency translation Adjustment | - | - | - | |
| Balance, May 31, 2001 | 17,115,893 | 17,116 | 431,190 | (185, |
| Balance, August 31, 2001 | 17,115,893 | 17,116 | 431,190 | (391, |
| Options issued in exchange for services | - | - | 5,000 | |
| Shares issued in connection with investment in Platinum Telecommunications, Inc. | 1,800,000 | 1,800 | 16,200 | |
| Net loss for the period | - | - | - | (277, |
| Foreign currency translation Adjustment | - | - | - | |
| Balance, May 31, 2002 | 18,915,893 | 18,916 | 452,390 | (669, |

The accompanying notes are an integral part of these consolidated financial statements.

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine month periods ended May 31, 2002 and 2001
(Amounts Expressed in US Dollars)
(Unaudited)

2002 2001
----- -----

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OPERATING ACTIVITIES

| | | |
|---|-----------|---------|
| Net (loss) | \$-277803 | \$23571 |
| Adjustments to reconcile net (loss) to net cash used by operating activities | | |
| Depreciation and amortization | 9562 | 3148 |
| Options exchanged for services | 5000 | 0 |
| (Increase) decrease in accounts receivable | -25940 | 27,006 |
| Minority interest | -1514 | 0 |
| Decrease in funds on deposit | 71881 | 0 |
| (Increase) decrease in prepaid expenses and sundry assets | -6773 | 0 |
| Increase (decrease) in accounts payable | 119856 | 17874 |
| Decrease in deferred revenue | 156 | 0 |
| Total adjustments | 172228 | 48028 |
| Net cash provided by (used in) operating activities | -105575 | 71599 |
| Investing activities | | |
| Acquisition of capital assets | -13596 | 0 |
| Net cash (used in) investing activities | -13596 | 0 |
| Financing activities | | |
| Advances (repayments) of loans | -2441 | -89989 |
| Loan advances from shareholder | 1114 | 0 |
| Issuance of capital stock | 0 | 156946 |
| Net cash provided by (used in) financing activities | -1327 | 66957 |
| Effects of changes in Foreign currency rates | 5154 | 0 |
| Increase (decrease) in cash | -115344 | 138556 |
| Cash and cash equivalents, beginning of period | 256370 | 51785 |
| Cash and cash equivalents, end of period | 141026 | 190341 |
| Interest paid | 286 | Nil |
| Income taxes paid | Nil | Nil |

The accompanying notes are an integral part of these consolidated financial statements

BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2002 and 2001
 (AMOUNTS EXPRESSED IN US DOLLARS)
 (UNAUDITED)

1. BASIS OF PRESENTATION

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

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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.

WebEngine was incorporated in November 2000 in order to hold the shares of Cyberstation Computers and Support Inc. (Cyberstation). The shareholders of Cyberstation became the shareholders of WebEngine and therefore WebEngine has been considered to be a successor to Cyberstation.

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

The estimated income tax costs of the divestiture of the UK operations has been treated as a reduction of the assets acquired on the acquisition of the shell company and has been included in income taxes payable.

On March 5, 2001, Callmate changed its name to BankEngine Technologies, Inc.

WebEngine changed its name to Critical Commerce Inc. in November 2001.

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

| | |
|----------------------|-----------|
| Funds on deposit | \$601,457 |
| Accounts payable | (316,000) |
| Income taxes payable | (50,000) |
| | ----- |
| Capital stock issued | \$235,457 |
| | ----- |

As discussed in Note 4, on April 5, 2002, the Company through its subsidiary Cyberstation, acquired 70% of the issued and outstanding stock of Platinum Telecommunications Inc. for the issuance of 1,800,000 common shares of BankEngine Technologies, Inc.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2002 and 2001
(AMOUNTS EXPRESSED IN US DOLLARS)
(UNAUDITED)

2. MANAGEMENT INTENTIONS

The Company has sustained recurring operating losses and negative cash flows from operations. Management plans to mitigate these adverse conditions through the following activities;

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- a) The Company has developed a new software product, the Critical Commerce Suite. The Critical Commerce Suite is a sophisticated online entertainment database and billing system that manages an entire online entertainment business. From the serving and management of video streaming, management of images for viewing, and sale, the Suite provides cutting edge management tools for sophisticated management oversight. The Critical Commerce Suite can either be offered as a service, whereby the Company manages a series of sites and content for a monthly fee, or is licensed with fees corresponding to the number clients managed and services offered. The Company has finalized development and is currently focusing its efforts on marketing this new product.
2. The Company is disputing the amount of \$170,000 included in accounts payable which represents an amount invoiced by the former auditors of the Company. As discussed in Note 7, the Company does not believe that its former auditors, who have taken no action beyond sending invoices, will file a claim. The Company intends to resolve this dispute shortly.
3. As discussed in Note 4 the Company has acquired a subsidiary, Platinum Telecommunications Inc.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Principal business activities

The Company is a long distance telecommunications service provider through its subsidiary Platinum Telecommunications, Inc.

The Company carries on the business of software development for its 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, a company operating in Canada.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2002 and 2001
(AMOUNTS EXPRESSED IN US DOLLARS)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2. Basis of consolidated financial statement presentation

In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair statement

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of (a) the results of operations for the three and nine month periods ended May 31, 2002 and 2001, (b) the financial position at May 31, 2002, and (c) cash flows for the nine-month periods ended May 31, 2002 and 2001, have been made. The results of operations for the three and nine-month periods ended May 31, 2002 are not necessarily indicative of those to be expected for the entire year. The unaudited consolidated financial statements and notes are presented as permitted by Form 10-QSB. Accordingly, certain information and note disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted.

The audited financial statements at August 31, 2001, which are included in the Company's Annual Report on Form 10-KSB should be read in conjunction with these consolidated financial statements.

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

3. Net Income (Loss) Per Weighted Average Common Stock

Net income (loss) per common stock is computed by dividing net income (loss) for the period by the weighted average number of common stock outstanding during the period.

The Company has adopted Statement No.128, Earnings Per Share, which requires presentation, in the consolidated statement of income, of both basic and diluted earnings per share.

4. Foreign Currency

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date for the convenience of the reader. 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 periods presented. Gains and losses on foreign currency transactions are included in financial expenses. No representation is made that the foreign currency amounts could have been, or could be, converted into United States dollars at the rates on the respective dates and or at any other certain rates.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5. Use of Estimates

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

f) 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, 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.

g) 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 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.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2002 and 2001
(AMOUNTS EXPRESSED IN US DOLLARS)
(UNAUDITED)

4. 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 results of operations of Platinum are included in the operations of the Company from April 5, 2002 through May 31, 2002. Unaudited pro forma results of operations after giving effect to certain adjustments resulting from this acquisition for the nine month periods ended May 31, 2002 and 2001 as

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if the business combination had occurred at the beginning of each period presented are not material to the financial statements and, 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.

The net assets acquired and capital stock issued on the transaction are not included in the statement of cash flow as follows;

| | |
|--------------------------|----------|
| Bank | 7,709 |
| Telecommunication switch | 74,417 |
| Accounts payable | (19,048) |
| Deferred revenue | (14,908) |
| Intangible asset | 25,262 |
| Loans payable | (53,918) |
| Minority interest | (1,514) |
| Capital stock | (18,000) |

5. INVESTMENT IN NON-CONTROLLED INVESTEE

The Company has a 50% interest in X-Tech International Solutions Limited (X-Tech), a company operating in the UK. BankEngine has no involvement with the management of this company and it is intended that it be wound down in the near future. As of September 30, 2001, X-Tech had a total shareholders' deficiency of approximately \$6,000 and had realized net losses of approximately \$6,000 for the period February 2000 to September 30, 2001. BankEngine has no obligation to fund any shortfalls and therefore no amount has been reflected for its investment in X-Tech.

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(AMOUNTS EXPRESSED IN US DOLLARS)
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6. CAPITAL STOCK

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1. Authorized
50,000,000 Common stock with a \$.001 par value

2. 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 total of 9,200,000 shares were cancelled in exchange for the removal of the UK operations in January 2001. During January 2002, the Company agreed to issue 100,000 shares in consideration of services. This issuance was cancelled during April 2002.

| | |
|---|-------------|
| Shares outstanding prior to the reverse acquisition | 14,315,893 |
| Issued to shareholders of WebEngine | 12,000,000 |
| Cancelled for UK operations | (9,200,000) |
| Shares issued for acquisition in the current period | 1,800,000 |
| | ----- |
| Shares outstanding at May 31, 2002 | 18,915,893 |
| | ----- |

All other assets held at the Company level continue to be held for the benefit of the Company and therefore the value attributable to the remaining previous shareholders is reflected by these other assets. The other assets were funds held on deposit by a bank in the UK to provide security for credit card transactions of the UK operations. As the UK operations have since ceased, the security deposits may be released to BankEngine in accordance with the credit card agreements. The capital stock reflects additions to paid in capital for the estimated value of these funds net of estimated liabilities payable to the credit card company, accounts payable to the previous auditors of the Company and net of the estimated income tax liability arising on the disposition of the UK companies for an addition to paid in capital totaling \$235,457.

On April 5, 2002, the Company contracted to issue 600,000 options exercisable at \$0.10 per share. 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. The estimated value of the options of \$5,000 has been expensed in the quarter ended May 31, 2002.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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7. CONTINGENCIES AND COMMITMENTS

As discussed in the Capital Stock note, the Company is liable for shortfalls which may arise upon the settlement with the credit card company. The credit card company has agreed that the limit of the Company's liability is the amount of security held on hand which at May 31, 2002 amounted to the equivalent of approximately \$219,000. This amount has been reflected as Funds held on deposit. An amount equivalent to approximately \$187,000 is included in accounts payable which is the estimate of the liability at May 31, 2002. During the quarter ended May 31, 2002, this estimated liability amount was increased by approximately \$40,000 and the corresponding expense is included in general and administrative expenses in the accompanying statement of operations. The final settlement will be based on the transactions to December 31, 2001 and will be settled in 2002.

Included in accounts payable is the amount of \$170,000 which represents the amount invoiced by the former auditors of the Company. The Company is disputing this amount. The Company does not believe that its former auditors, who have taken no action beyond sending invoices, will file a claim. If a claim were to be raised, the Company would vigorously dispute the action as well as consider its own options.

The Company has signed a lease commitment for its office space in Toronto, Canada which expires August 31, 2002 and which has an annual rent payable of \$46,500.

8. SEGMENT INFORMATION

Information about operating segments is as follows:

| Nine Months Ended May 31, 2002 ----- | Software Development ----- | Telecom ----- | Total ----- |
|--|----------------------------------|------------------|----------------|
| Revenues | \$8,000 | \$63,000 | \$71,000 |
| Segment loss | 259,000 | 19,000 | 278,000 |
| | | | |
| Three Months Ended May 31, 2002 | | | |
| Revenues | \$2,000 | \$63,000 | \$65,000 |
| Segment loss | 139,000 | 19,000 | 158,000 |

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BANKENGINE TECHNOLOGIES, INC. AND SUBSIDIARIES
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(AMOUNTS EXPRESSED IN US DOLLARS)
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9. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142), which is effective for fiscal years beginning after December 15, 2001, except goodwill and intangible assets acquired after June 30, 2001 are subject immediately to the non-amortization and amortization provisions of this Statement. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

In August 2001, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations", effective for fiscal years beginning after June 15, 2002. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets", effective for fiscal years beginning after December 15, 2001. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets.

The Company has not yet determined what the effects of these Statements will be on its financial position and results of operations.

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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

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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 Definitive 14C on March 5, 2001.

The Company decided 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.

The strategic decision to shed the telecom business in the UK, while canceling 9.2 million shares as part of the original payment for the telecom assets, both alleviated most of the debt burden of the Company and reduced the outstanding share capital. The Company has chosen to focus on the business of acting as a solution provider for the purposes of processing online transactions for online merchants as well as a solution provider for online content management systems. The Company's previous acquisition of Cyberstation Inc. and its access to the BankEngine Suite of software was fortuitous and should help the Company secure sufficient market share in both areas. The BankEngine software product is mature and adaptable while the new Critical Commerce Suite is innovative and novel. The Company has recently completed development of its Critical Commerce Suite and is focusing its marketing efforts on this product.

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.

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PLATINUM TELECOMMUNICATIONS, INC. DISCUSSION

After careful consideration and examination of international market trends, the Company has decided to re-enter the telecom arena with the acquisition of Platinum Telecommunications, Inc. ("Platinum") Platinum presents an opportunity for the Company due to its low cost of acquisition combined with existing expertise within the Company leading to possible positive synergies. Internationally, many telecommunications companies have ceased operations and this has allowed for less competition in the market place. Opportunity thus exists for small, cost-conscious, operators who can utilize the latest IP based technology in order to leap frog some competitors. Platinum owns an IP based switch for the purposes of buying and selling long distance telephone time. When combined with substantial IP expertise possessed by the Company, we feel that opportunity exists to succeed in this niche based market place while mitigating any substantial risk.

Because of BankEngine's expertise in the area of online development and transaction processing research/development, the Company believes that the possible synergies make the transaction advantageous for shareholders. Specifically, the advent of TCP/IP (the backbone language of the Internet) based telephony solutions for Telephony over the last two years will allow the Company to contribute substantially to the technological developments required to further develop Platinum's business. The Company has excellent resources in the area of programming of IP Telephony which arguably is one of the most important components of IP based Telephony companies.

The Company acknowledges that Platinum is development-stage business and that this market sector is very competitive but nonetheless presents substantial opportunity.

CRITICAL COMMERCE DISCUSSION

The Critical Commerce Suite is a sophisticated online entertainment database and billing system that manages an entire online entertainment business. From the serving and management of video streaming, management of images for viewing, and sale, the Suite provides cutting edge management tools for sophisticated management oversight. The Critical Commerce Suite can either be offered as a service, whereby the Company manages a series of sites and content for a monthly fee, or is licensed with fees corresponding to the number clients managed and services offered. The Company has finalized development and is currently implementing marketing.

Connectivity management of online video streaming services

The system offers complete management of statistical data derived from viewer access to a variety of popular online video streaming platforms at the choice of merchants. Critical Commerce Suite's sophisticated databases can manage access to a full range of access data derived from customer viewing patterns and habits.

Connectivity to video libraries

The system offers complete management over libraries of video clips and larger, downloadable segments.

Customer account Management

The system offers a wide range of customer consumption data so as to provide accurate billing information. In addition, the system tracks referral activity for reselling purposes and more accurate billing.

Bandwidth Usage and Tracking

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The system offers effective analysis of bandwidth usage and consumption. The control of this type of information is vital for the success of online content stores and content distribution providers.

BANK ENGINE

The Company continues to market its BankEngine suite (the "BankEngine Suite") of electronic commerce banking products for Internet merchants and financial institutions. The Company's products will provide systems which allow merchants to process payments and screen against fraud and banks to manage their merchants and screen against fraud. The Company is able to support merchants and merchant banks worldwide.

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The Company has been providing online electronic transactions and fraud prevention since 1996. The BankEngine Suite consists of a complete, turnkey suite of secure electronic commerce banking solutions for Internet merchants and financial institutions. The BankEngine Suite includes: CertEngine(TM), CardEngine(TM), CheqEngine(TM), ATMEngine(TM), BankEngine(TM), BankWeb(TM) and BankAdmin(TM).

The BankEngine Suite encompasses a wide range of activities including credit card processing, electronic check processing, electronic cash & debit cards, electronic bank transfers, bank account management, accounting, secure PKI authentication including electronic signatures, and 2048 bit TLS encryption.

Using the Internet to bridge the gap between merchants and banks, BankEngine has been supporting merchants and merchant banks worldwide. The Company can support member banks in Canada, United States, Central American, Caribbean, Western Europe, Australia, and Asia Pacific, and supports 173 different currencies. Merchants are issued merchant accounts from their choice of BankEngine Suite-enabled member banks and can perform transactions with their accounts using the Internet, regardless of where in the world they are located. Merchants can easily integrate the Company's client software into their automated Internet servers and use the BankEngine Suite for their manual & batch processing.

In addition, BankEngine client software works with any type of Internet connection, and runs on multiple operating systems including Win32 (95/98/2000/NT) and most flavors of Unix, under a variety of computer hardware. BankEngine Suite client software can be used with any programming language. The BankEngine Suite is powerful enough and robust enough to allow each merchant to transact simultaneously from multiple Internet computers, multiple manual operators, and multiple batches. The BankEngine Suite protects the secrecy of each and every transaction and report synchronization, using its military grade security, which includes PKI authentication and 2048 bit TLS cryptography.

Results of Operations

THREE MONTHS ENDED MAY 31, 2002 COMPARED TO THREE MONTHS ENDED MAY 31, 2001

Revenues

Revenue for the three-month period ended May 31, 2002 totaled \$64,969, an increase of 243% from the comparable period in 2001. This increase is attributable to the acquisition of Platinum as substantially all of the revenue is from telecommunication services.

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Cost of Sales

The cost of sales for the three-month period ended May 31, 2002 totaled \$62,325, an increase of 481% from the comparable period in 2001. The increase is due to the change in the Company's revenue model and consists of long distance and related telecommunication services costs incurred.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended May 31, 2002 were \$156,349 as compared to \$72,386 for the similar period in 2001. The 116% increase in selling, general and administrative expenses is principally attributable to the adjustment of the estimated liability for calling card chargebacks in the amount of \$40,000 and the consulting and travel costs incurred for the Company's telecommunications services.

Net Loss

Net loss for the three months ended May 31, 2002 amounted to \$157,559 as compared to a net loss of \$64,187 for the three months ended May 31, 2001. This increase in the net loss is principally attributable to the change in revenues from consulting services to telecommunication services and the change in the estimate of the liability for calling card chargebacks in the amount of \$40,000.

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NINE MONTHS ENDED MAY 31, 2002 COMPARED TO NINE MONTHS ENDED MAY 31, 2001

Revenues

Revenue for the nine-month period ended May 31, 2002 totaled \$71,044, a decrease of 77% from the comparable period in 2001. This decrease is attributable to the change in the Company's focus from computer consulting and online transaction processing to telecommunication services and software development of its Critical Commerce Suite.

Cost of Sales

The cost of sales for the nine-month period ended May 31, 2002 totaled \$70,265, an increase of 14% from the comparable period in 2001. The increase is due to the change in the Company's revenue model from computer consulting and online transactions to telecommunication services and software development as reflected by the reduced sales volume.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended May 31, 2002 were \$272,987 as compared to \$228,623 for the similar period in 2001. The increase is principally attributable to the adjustment of the estimated liability for calling card charge backs in the amount of \$40,000.

Net Loss

Net loss for the nine months ended May 31, 2002 amounted to \$277,803 as compared to a net income of \$23,571 for the nine months ended May 31, 2001. This increase in the net loss is principally attributable to the reduction in sales volume and the change in operations to telecommunication services from consulting services and the adjustment of the estimated liability for calling card chargebacks in

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the amount of \$40,000.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

For the nine-months ended May 31, 2002, net cash used by operating activities amounted to \$105,575 as compared to net cash provided by operating activities of \$71,599 for the comparable period in 2001. The decrease in cash provided by operating activities is primarily the result of the reduction in volume as a result of the change in the direction of the Company's software development and marketing initiatives.

Financing Activities

At May 31, 2002, the Company does not have any material commitments for capital expenditures other than for those expenditures incurred in the ordinary course of business. The Company believes that its current operations and cash balances will be sufficient to satisfy its currently anticipated cash requirements for the next 12 months. However, additional capital could be required in excess of the Company's liquidity, requiring it to raise additional capital through an equity offering or secured or unsecured debt financing. The availability of additional capital resources will depend on prevailing market conditions, interest rates, and the existing financial position and results of operations of the Company.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

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

On May 17, 2002, our predecessor, BankEngine Technologies, Inc., a Florida corporation, held an Annual Meeting of Shareholders at which those shareholders: (i) elected the Board of Directors for the ensuing year; (ii) ratified the appointment of Kaufman, Rossin & Co., as our independent auditors for the ensuing year; (iii) ratified the adoption of our 2002 Stock Option Plan; and (iv) approved the Agreement and Plan of Merger dated April 1, 2002 with us resulting in our company's reincorporation from the State of Florida to the State of Delaware. The merger of the companies was effective as of May 23, 2002.

(i) The following directors were elected to the Board of Directors and received the votes indicated:

For

Against

Withheld

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| | | | |
|----------------|------------|-----|-----|
| Joseph Alves | 11,524,000 | --- | --- |
| Mahmoud Hashmi | 11,524,000 | --- | --- |
| Sandra Hrab | 11,524,000 | --- | --- |

(ii) The appointment of Kaufman, Rossin & Co. to serve as our independent auditors for the ensuing year was approved by the votes indicated:

| | |
|-----------|------------|
| For: | 11,524,000 |
| Against: | --- |
| Withheld: | --- |

(iii) The adoption of our 2002 Stock Option Plan was approved by the votes indicated:

| | |
|-----------|------------|
| For: | 11,515,000 |
| Against: | 9,000 |
| Withheld: | --- |

(iv) The approval of the Agreement and Plan of Merger was approved by the votes indicated.

| | |
|-----------|------------|
| For: | 11,524,000 |
| Against: | --- |
| Withheld: | --- |

No other matter was brought to a vote. The definitive proxy statement on Schedule 14A relating to the annual meeting was filed on April 30, 2002 with the SEC and is incorporated herein by reference. Electronic reports filed through the Electronic Data Gathering, Analysis and Retrieval System are publicly available through the SEC's Web site (<http://www.sec.gov>).

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Material Contracts.

2.01 Plan of acquisition, reorganization, arrangements, liquidation or succession

Agreement and Plan of Merger executed April 1, 2002.

10.01 Common Stock Purchase Agreement executed April 2, 2002.

19. Reports Furnished to Security Holders

Definitive Schedule 14A filed with the Commission on April 30, 2001, which Schedule 14A is hereby incorporated by reference.

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(b) Reports on Form 8-K.

The Company filed a Form 8-K on April 19, 2002 reporting the acquisition of 70% of Platinum Telecommunications, Inc. through its wholly owned subsidiary Cyberstation Computers and Support Inc.

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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: July 22, 2002

By: /s/ Joseph J. Alves

Joseph Alves
Chairman and Chief Executive Officer

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EXHIBIT INDEX

- 2.01 Agreement and Plan of Merger executed April 1, 2002.
- 10.01 Common Stock Purchase Agreement
- 19. Definitive Schedule 14A filed on April 30, 2002.*
- * Incorporated by reference.