

Edgar Filing: USED KAR PARTS INC - Form 10QSB

USED KAR PARTS INC
Form 10QSB
June 30, 2004

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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 Period Ended
April 30, 2004

Commission File No.
333-103083

USED KAR PARTS, INC.

(Exact name of Registrant as specified in its Charter)

Florida

04-372895

(State or jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

3 West 57th Street, New York, New York

10019

(Address of Principal Executive Office)

(Zip Code)

Registrant's telephone number, including area code: (646) 442-4988

Former name, former address and former fiscal year, if changed since last
report: N/A

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for a 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 No

The number of shares outstanding of the Registrant's Common Stock, \$.001 par
value, as of June 22, 2004 was 2,068,000.

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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

USED KAR PARTS, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS

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APRIL 30, 2004
(UNAUDITED)

ASSETS

Current Assets

Cash \$ - 0 -

Other Assets

Deferred Acquisition Costs 137,822

Total Assets \$ 137,822

LIABILITIES AND STOCKHOLDERS - EQUITY

Current Liabilities

Accrued Expenses \$ 148,072

Total Liabilities 148,072

Stockholders' Equity (deficit)

Common Stock, \$.001 par value, authorized
50,000,000 shares, 2,068,000 issued and outstanding 2,068

Additional paid-in capital 3,332

Accumulated deficit during development stage (15,650)

Total Stockholders' Equity (deficit) \$ (10,250)

Total Liabilities and Stockholders' Equity \$ 137,822

See accompanying notes to financial statements.

USED KAR PARTS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
THREE MONTHS ENDED APRIL 30, 2004 AND 2003 AND THE
PERIOD COMMENCING APRIL 26, 2002 (DATE OF INCEPTION)
TO APRIL 30, 2004
(UNAUDITED)

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	----	----
Revenue	\$ - 0 -	\$ -
Expenses:	10, 456	-----
Net income (loss) before provision for income taxes	(10,456)	-----
Provision for income taxes	- 0 -	-----
Net income (loss)	\$ (10,456)	\$ -----
	=====	=====
Weighted average of shares outstanding	2,068,000	2,007
	=====	=====
Net income (loss) per share - basic and diluted	\$ (0.00)	\$ (
	=====	=====

See accompanying notes to financial statements.

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USED KAR PARTS, INC
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED APRIL 30, 2004 AND 2003 AND THE
PERIOD COMMENCING APRIL 26, 2002 (DATE OF INCEPTION)
TO APRIL 30, 2004
(UNAUDITED)

	2004	2003
	----	----
Cash Flows From Operating Activities:		
Net Income (loss)	\$ (10,456)	\$ -
Adjustments to Reconcile Net Income (Loss) To Net Cash Provided by Operating Activities		
Common stock issued to founder	- 0 -	-
Increase in Accrued Expenses	148,072	-
	-----	-----
Net Cash Provided by Operating Activities	137,616	-----
	-----	-----
Cash flows From Investing Activities:		
Deferred Acquisition Costs	(137,822)	-
	-----	-----
Net Cash Used for Investing Activities	(137,822)	-
	-----	-----
Cash Flows From Financing Activities:		
Issuance of Common Stock	- 0 -	-
	-----	-----

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Net Cash Provided From Financing Activities	- 0 -	-
	-----	-----
Net increase (decrease) in cash	(206)	
Cash - beginning	206	3,
	-----	-----
Cash - ending	\$ - 0 -	\$ 3,
	=====	=====

See accompanying notes to financial statements.

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USED KAR PARTS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004 (UNAUDITED)

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Company was organized under the laws of the State of Florida on April 26, 2002. The Company is in the development stage. The Company plans to develop a website where individuals subscribe to and interact in an online marketplace for used car parts. The Company currently has no operations.

On February 24, 2004, the principal shareholder and founder of the Company sold their controlling interest in the Company. The Company plans to enter the biotechnology industry.

Basis of Accounting

The Company's policy is to prepare its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles. The Company has retained elected to use January 31 as its annual year end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Cash and equivalent

Cash and cash equivalents include cash and cash in banks. The company maintains cash and cash equivalent balances at a financial institution that is insured by the federal deposit Insurance Corporations up to

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\$100,000. At April 30, 2004, there is no concentration of credit risk from uninsured bank balances

Deferred Acquisition Costs -----

The Company has deferred various professional and other related costs attributed to the planned acquisition of an Company involved in the bio-technology field. These costs will be expensed or capitalized in the period that the acquisition occurred.

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USED KAR PARTS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004 (UNAUDITED)

NOTE 2 CAPITAL TRANSACTIONS

The Company in January, 2003 issued to its founder 2,000,000 restricted shares of common stock at par value of \$.001. The Company in January, 2003 issued 68,000 restricted shares of common stock for \$.05 per share. The offering was made in reliance upon exemption from registration provided by Regulation D, Rule 504 of the Securities Exchange Commission.

NOTE 3 INCOME TAX

In February 1992, the Financial Standards Board issued Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under SFAS No. 109, deferred assets and liabilities are recognized for the estimated future tax consequences between the financial statement carrying amounts of the existing assets and their respective basis.

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which temporary differences are expected to be recovered or settled. Under SFAS No. 109 the effect on deferred assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

The company has a net operating loss carry forward of \$ 15,650 which is offset by a 100% valuation allowance due the uncertainty surrounding the ultimate realization of these assets. The loss carryforward expires in 15 years.

NOTE 5 NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation -- Transition and Disclosure an Amendment of FASB Statement No. 123 (SFAS 148). SFAS 148 amends SFAS 123 Accounting for Stock-Based Compensation, providing for an alternative method of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, it amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for fiscal years beginning after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for

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interim periods beginning after December 15, 2002. The Company's adoption of the interim disclosure provisions of SFAS 148 did not affect our financial position.

The FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46) in January 2003. FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the

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USED KAR PARTS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2004 (UNAUDITED)

NOTE 5 NEW ACCOUNTING PRONOUNCEMENTS - continued

variable interest entity should be included in the consolidated financial statements of the entity. This FASB is not applicable to the company since the company does not have any variable interest entities.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). sets standards for an issuer as to how to classify and measure financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into after May 31, 2003, and is effective after June 15, 2003. Adoption of SFAS 150 is not expected to have a material effect on the Company.

NOTE 6 SUBSEQUENT EVENTS

The May 18, 2004, the Company entered into a " Securities Exchange Agreement" with Xenomics, (A California Corporation involved in biotechnology. The Company will exchange 2,258,001 shares of its on stock for the 3,807,055 outstanding shares of common stock of Xenomics. The closing of the transaction is expected to be concluded in early July 2004.

The Company anticipates that it will close on a private placement to redeem in July 2004 1,971,173 of its shares for \$500,000.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Background

We were incorporated in the State of Florida on April 26, 2002 and planned to develop an on-line marketplace for used car parts. In an effort to develop that business, we entered into a contract with a web hosting service on a month to month basis to provide storage for website development and transaction processing. Our temporary website arrangement was suspended to preserve cash and pending new management's evaluation of the business.

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On February 24, 2004, Jeannine Karklins, formerly our President, Treasurer, Secretary and principal shareholder of entered into a Capital Stock Purchase Agreement (the "Stock Purchase Agreement") with Panetta Partners, Ltd., a Colorado limited partnership ("Panetta"). All conditions to the closing were fulfilled and funds released to Ms. Karklins on February 26, 2004.

Under the Stock Purchase Agreement:

- o Panetta purchased an aggregate of 2,000,000 restricted shares of our common stock from Ms. Karklins for \$386,400
- o Ms. Karklins resigned as an officer and director of the Company.

The 2,000,000 shares represented approximately 97% of our outstanding shares of common stock. Of the \$386,400 purchase price, \$295,000 was borrowed from a private investor in technology companies based in the United Kingdom, and the balance came from the working capital of Panetta and its limited partners. The loan is due February 28, 2005, bears annual interest at 2% and is secured by a pledge of 1,520,000 of the 2,000,000 shares of the registrant's common stock acquired by Panetta.

Panetta, acting in its capacity as our principal stockholder, appointed Christoph Bruening to serve as sole director, filling the vacancy created by the resignation of Ms. Karklins. Mr. Bruening also became President, Secretary and Treasurer.

On May 18, 2004, we entered into an agreement for the acquisition of Xenomics, a company organized under the laws of the State of California ("Xenomics"). The transaction, and related transactions, are expected to close in July 2004 and will be reflected in a Form 8-K report. As contemplated by the acquisition agreement, we will have completed a private placement, redeemed 1,971,173 shares of our common stock for \$500,000 (and an additional 410 shares surrendered which were held in escrow) and split our remaining outstanding shares 111 for 1.

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Critical Accounting Policies

Our accounting policies are described in Note 1 of the consolidated financial statements included in this Quarterly Report on Form 10-QSB for the quarter ended April 30, 2004. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which 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.

Since we are in the development stage and have had only limited expenditures and no estimates we do not consider any accounting policy to be critical to the understanding of our business.

Results of Operations

Our audited financial statements, which are set forth in Item 1 of this report, reflect our operating results from April 26, 2002 (inception) to April

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30, 2004 and for the year ended January 31, 2004. During the period from inception to April 30, 2004, we had no revenue and our expenses totaled \$10,456, substantially all of which was incurred in the three months ended April 30, 2004. In addition, we accrued expenses of \$137,822 in connection with the proposed acquisition which we treated as deferred acquisition costs. The costs will either be expensed if the acquisition plan is abandoned or capitalized in the period in which the acquisition occurred.

Panetta Partners, Ltd, our principal shareholder, provides us with an office location without any expectation of repayment.

Liquidity and Capital Resources

Most of our operating expenses not relating to the acquisition are borne by Panetta Partners, our principal shareholder, without any expectation of reimbursement.

If the acquisition is completed, we will require substantial additional funds to conduct and sponsor research and development activities, to conduct pre-clinical and clinical testing, and to market the target company's products. Our future capital requirements will depend on many factors, including continued scientific progress, progress with pre-clinical testing and clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, our ability to establish collaborative arrangements, effective commercialization activities and arrangements and the purchase or development of additional equipment and facilities. We will need to raise additional funds as a condition of closing. We intend to seek such additional funding through private financings. There can be no assurance that additional financing will be available, or, if available, that such additional financing will be available on terms acceptable to us. If additional funds are raised by issuing debt, we will incur fixed payment obligations, which could delay the time, if any, when we may achieve profitability. If adequate funds are not available, we may be required to delay, scale back or eliminate one or more of its principal product candidates or obtain funds through arrangements with

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collaborative partners or others that may require us to relinquish rights to certain of its technologies, product candidates or products that our prospective acquisition would not otherwise relinquish.

If the acquisition is not completed, we will have to either negotiate with the providers of services to us in connection with the acquisition to compromise their billing or with Panetta Partners for financing to satisfy our obligations. There is no assurance that such negotiations will be successful.

Item 3: Controls and Procedures

Our Chief Executive Officer, based on evaluation of our disclosure controls and procedures (as defined in Rules 13a-5(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, as of January 31, 2004, has concluded that our disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to our company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

There has been no significant change in our internal controls over financial reporting that could significantly affect internal controls subsequent

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to April 30, 2004.

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PART II - OTHER INFORMATION

Item 6.: Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

- 31.1 Certification of Chief Executive and Financial Officer of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a).
- 32.1 Certification of Chief Executive and Financial Officer pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K

Form 8-K Report dated May 18, 2004 reported under Items 5 and 7, relating to a Securities Exchange Agreement.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 30, 2004

USED KAR PARTS, INC.

By: /s/ Christoph Bruening

Christoph Bruening, President
(Chief Executive Officer and
Financial Officer)

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