

Edgar Filing: SCARAB SYSTEMS INC - Form 10-Q

SCARAB SYSTEMS INC  
Form 10-Q  
November 25, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly Period ended September 30, 2003

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-19949

SCARAB SYSTEMS, INC.

-----  
(Exact name of small business issuer as specified in its charter)

Colorado

84-1153522

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer Identification No.)

406-280 Nelson Street, Vancouver, British Columbia V6B 2E2

-----  
(Address of principal executive offices)

(604) 417-6172

-----  
(Issuer's telephone number)

-----  
(Former name, former address and former fiscal year, if  
changed since last report)

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes  No

As of September 30, 2003, 94,722,903 shares of Common Stock of the Issuer were  
outstanding.

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

Part I -- Financial Information

Item 1. Financial Statements

The consolidated financial statements included herein have been prepared by  
Scarab Systems, Inc. (the "Company") without audit, pursuant to the rules and  
regulations of the Securities and Exchange Commission (SEC). Certain information  
and footnote disclosures normally included in financial statements prepared in  
accordance with generally accepted accounting principles have been omitted  
pursuant to such SEC rules and regulations. In the opinion of the Company the

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accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of September 30, 2003, and its results of operations for the six-month periods ended September 30, 2003 and 2002 and its cash flows for the six-month periods ended September 30, 2003 and 2002. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-KSB.

SCARAB SYSTEMS, INC.  
(A development stage enterprise)

Consolidated Balance Sheets  
(Expressed in U.S. Dollars)

	September 30 2003 (unaudited)	September 30 2002 (unaudited)
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 2,133	\$ 3,000
Prepaid expenses and deposits	\$ -	\$ 13,000
Accounts Receivable	\$ -	\$ 146,000
Total current assets	\$ 2,133	\$ 162,000
Fixed assets, net of accumulated depreciation of \$1,265	\$ 929	\$ 9,000
Other Assets		
Investment in subsidiary	\$ -	\$ 337,000
Total other assets	\$ -	\$ 337,000
Total assets	\$ 3,062	\$ 508,000
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 188,806	\$ 218,000
Promissory notes (Note 3)	\$ 93,421	\$ 2,000
Total current liabilities	\$ 282,227	\$ 220,000
Promissory notes - non current	\$ 5,000	\$ -
Total liabilities	\$ 287,227	\$ 220,000
<b>STOCKHOLDERS' EQUITY</b>		
Share capital		
Authorized:		
100,000,000 common shares with a par value of \$0.001 per share		
Issued and outstanding:		
91,662,903 Common shares (September 30, 2002 - 99,999,903)	\$ 91,663	\$ 100,000
Additional paid in capital	\$ 203,126	\$ 466,000
Deficit accumulated during the development stage	\$ (578,954)	\$ (278,000)
Total stockholders' equity (deficit)	\$ (284,165)	\$ (288,000)
Total liabilities and stockholders' (deficiency)	\$ 3,062	\$ 508,000

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

SCARAB SYSTEMS, INC.  
(A development stage enterprise)

### Consolidated Statements of Operations (Expressed in U.S. Dollars)

	Six months ended Sep. 30, 2003 (unaudited)	Six months ended Sep. 30, 2003 (unaudited)
=====		
Revenues		
Sales	\$ -	\$ 399,000
Cost of Sales	\$ -	\$ 272,000
Gross Profit	\$ -	\$ 127,000
General and administrative expenses	\$ -	\$ 283,000
Consulting (Note 4)	\$ 64,500	\$ -
Operating (loss)	\$ (64,500)	\$ (156,000)
Net loss for the period	\$ (64,500)	\$ (156,000)
Basic and diluted earning (loss) per share, Loss from continued operations	\$ (0.001)	\$ (0.001)
Net (loss) for the period	\$ (0.001)	\$ (0.001)
Weighted average number of common shares outstanding	\$ 88,029,483	\$ 99,999,903

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

SCARAB SYSTEMS, INC.  
(A development stage enterprise)

### Consolidated Statements of Cash Flows (Expressed in U.S. Dollars)

	Six months ended Sep. 30, 2003 (unaudited)	Six months ended Sep. 30, 2003 (unaudited)
=====		
Cash flows from (used in) operating activities		
Net (loss) for the period	\$ (64,500)	\$ (156,000)
Adjustment to reconcile net loss to net cash used in operating activities:		
- Increase in accounts receivable	\$ -	\$ (146,000)
- Increase in prepaid expenses and	\$ -	\$ (13,000)

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deposits			
Changes in non-cash working capital items:			
- accounts payable and accrued liabilities	\$	59,133	\$ 220,000
Net Cash used in operating activities	\$	5,367	\$ (169,000)
Cash flows used in investing activities	\$	-	\$ (9,000)
- Investment in subsidiary	\$	-	\$ (337,000)
Net Cash (used) in investing activities	\$	-	\$ (348,000)
Cash flows provided by financing activities			
Loan from unrelated party (Note 3)	\$	7,500	\$ -
- Proceeds from issuance of common stock	\$	-	\$ 520,000
Net Cash provided by financing activities	\$	-	\$ 520,000
Increase (decrease) in cash and cash equivalents	\$	2,133	\$ 3,000
Cash and cash equivalents, beginning of period	\$	-	\$ -
Cash and cash equivalents, end of period	\$	2,133	\$ 3,000

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

### Notes to Consolidated Financial Statements (Expressed in U.S. Dollars)

#### 1. Incorporation and Continuance of Operations

The consolidated financial statements presented are those of Scarab Systems, Inc. and its wholly-owned subsidiary Catalyst Technologies Inc. ("Catalyst"). Collectively, they are referred to herein as "the Company".

Scarab Systems Inc. ("Scarab") was incorporated on October 8, 2001 under the laws of the State of Nevada. The Company, a development stage enterprise, is in the business of providing a comprehensive range of services to the e-commerce sector.

On March 25, 2002, iRV, Inc. ("iRV"), a company incorporated in Colorado on August 1, 1999, entered into an Agreement and Plan of Reorganization with Scarab, whereby iRV issued 82,600,000 share of its common stock in exchange for all of the outstanding common stock of Scarab. As part of the definitive agreement and plan of reorganization, iRV will transfer all its assets and liabilities to its subsidiaries and then spin off the subsidiaries and iRV will then become a non-operating shell company without any assets or liabilities. Immediately prior to the Agreement and Plan of Reorganization, iRV had 14,462,903 shares of common stock issued and outstanding. The acquisition was accounted for as a recapitalization of Scarab because the shareholders of Scarab controlled iRV after the acquisition. Scarab was treated as the acquiring entity for accounting purposes and iRV was the surviving entity for legal purposes. The issued and outstanding common stock of Scarab prior to the completion of

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acquisition was restated to reflect the 82,600,000 common stock issued by iRV.

Subsequent to the completion of Reorganization, Scarab transferred all its assets and liabilities to iRV and ceased to exist, and iRV's name changed to Scarab Systems Inc. Accordingly, the consolidated financial statements are the continuation of Scarab.

The consolidated financial statements for the six months ended September 30, 2003 and 2002 have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods.

The Company has not generated any revenue and requires additional funds to maintain its operations. Management's plans in this regard are to raise equity financing as required. These conditions raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from this uncertainty.

### 2. Significant Accounting Policies

The Consolidated Financial Statements for the six months ended September 30, 2003 and 2002 have been prepared in accordance with the accounting policies described in the Company's annual report on Form 10-KSB. The preparation of financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of 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. Management believes the statements include all adjustments of a normal recurring nature necessary to present fairly the results of operations for the interim periods.

Notes to Consolidated Financial Statements (continued)  
(Expressed in U.S. Dollars)

### 3. Promissory Notes

On June 10, 2003, the Company issued an unsecured promissory note to an unrelated investor for \$7,500 in connection with a debt financing. The note bears interest at the rate of 3% per year and is repayable on June 10, 2005. Proceeds from the financing were used by the Company for operating capital.

### 4. Related Party Transactions

In the six month period ended September 30, 2003, the Company paid or accrued consulting fees of \$64,500 to the directors and senior officers of the Company. In the quarter ended September 30, 2003, the Company paid or accrued consulting fees of \$27,000 to the directors and senior officers of the Company.

## Item 2. Management's Discussion and Analysis or Plan of Operations

The following discusses our financial condition and results of operations based upon our consolidated financial statements which have been prepared in accordance with United States generally accepted accounting principles. It should be read in conjunction with our financial statements and the notes thereto and other financial information included in this Form 10-QSB for the

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quarter ended September 30, 2003.

### Overview

Our business is to provide services to the e-commerce industry. Historically, these services have been comprised of marketing, e-commerce development and the sale and distribution of transaction processing and payment services, including rechargeable stored value payment and money transfer systems that can be used for both electronic commerce and point of sale purchases. In fiscal year 2003 we ceased operations with respect to marketing and the sale and distribution of transaction processing and payment services. Our e-commerce operations presently earn nominal revenue.

We currently have no facilities and no employees. Our administrative affairs are conducted by our executive officers as independent contractors. Our address is 406-280 Nelson Street, Vancouver, British Columbia V6B 2E2. Our telephone number is (604)417-6172.

### Results of Operations

The Company incurred a loss from operations during the three-month period ending September 30, 2003, of \$27,000.

The Company incurred a loss from operations during the six-month period ending September 30, 2003, of \$64,500.

The Company did not earn any revenue from operations during the three-month period ending September 30, 2003.

The Company did not earn any revenue from operations during the six-month period ending September 30, 2003.

### Liquidity and Capital Resources

The Company has not been able to generate cash flows from operations in amounts required to meet its cash requirements.

The Company will be required to locate debt or equity financing within the next 12 months of operations, which may include loans from its executive officers. There is no guarantee that the Company will be successful in obtaining such financing.

Other than the foregoing, Management knows of no trends, demands or uncertainties that are reasonably likely to have an impact on the Company's liquidity or capital resources.

### Plan of Operations

We believe that it is in the best interests of the Company and its shareholders that we actively seek acquisition candidates. We believe the Company can offer owners of potential merger or acquisition candidates the opportunity to acquire a controlling ownership interest in a public company at substantially less cost than is required to conduct an initial public offering. The target company will, however, incur significant post-merger or acquisition registration costs in the event target company shareholders wish to offer a portion of their shares for subsequent sale. Further, while target company shareholders will receive "restricted securities" in any merger or acquisition transaction, those restricted securities will represent, if a trading market develops for our common stock, ownership in a "publicly-traded" as opposed to a "privately-held" company. We also believe target company shareholders may benefit in obtaining a greater ownership percentage in the Company remaining after a merger or acquisition than may be the case in the event a target company offered its

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shares directly for sale to the public. Nevertheless, our officers and directors have not conducted market research and are not aware of statistical data which would support the perceived benefits of a merger or acquisition transaction for target company shareholders.

We expect to concentrate primarily on the identification and evaluation of prospective merger or acquisition "target" entities including private companies, partnerships or sole proprietorships. We do not intend to act as a general or limited partner in connection with partnerships we may merge with or acquire. We have not identified any particular area of interest within which it will concentrate its efforts.

We plan to seek to merge with or acquire a target company with either assets or earnings, or both, and that preliminary evaluations undertaken by us will assist in identifying possible target companies. We have not established a specific level of earnings or assets below which it would not consider a merger or acquisition with a target company. Moreover, we may identify a target company, which is generating losses, which it will seek to acquire or merge with it. The merger with or acquisition of a target company which is generating losses or which has negative shareholders' equity may have a material adverse affect on the price of our common stock.

It should be noted, however, that our independent accountants audit report for the fiscal year ended March 31, 2003 contains a qualification and explanatory language that due to our recurring losses from operations and net capital deficiency, substantial doubts exist about our ability to continue as a going concern.

### Plan of Acquisition

We plan to follow a systematic approach to identify our most suitable acquisition candidates. In the past, our officers and directors have not used consultants in an effort to identify potential target companies, although it is possible that such consultants may be used in the future. To date, there have been no discussions with and there exists no agreements or understandings with any particular consultant to provide such services for us. If a finder or consultant is engaged, of which there can be no assurance, we will make an effort to limit the scope and duration of the services to be performed by such consultant so as to minimize any costs associated with such services

As a reporting Company under Section 13 of the Exchange Act, we will be required to prepare and file an annual report on Form 10-KSB containing audited financial statements certified by an independent public accountant. In addition, we will be required to file Quarterly Reports on 10-QSB for the first, second and third interim periods which include unaudited financial statements for the quarter and year to date. In addition to the Quarterly and Annual Reports, extraordinary events outside of the ordinary course of business must be reported on Form 8-K, such as a change of control, a material acquisition or disposition of assets, changes in accountants and the like. Under certain circumstances, an acquisition of significant assets or a significant subsidiary will require the preparation of additional audited financial statements for the acquired business as well as pro forma financial information. Our officers, directors and ten-percent shareholders will also be subject to the beneficial ownership reporting requirements and short swing trading restrictions contained in Section 16 of the Exchange Act. All of the foregoing reporting requirements, and the associated costs of complying with such requirements, could limit the pool of potential acquisition or merger candidates.

While we will make every effort to fully comply with its reporting obligations under the Exchange Act, should such obligations be suspended for any reason in the future, we intend to continue to voluntarily file periodic reports.

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First, we intend to concentrate on identifying any number of preliminary prospects which may be brought to the attention of management through present associations, personal contacts of our affiliates, or by virtue of very limited advertising campaigns we may conduct. As is customary in the industry, we may pay a fee to a non-affiliate for locating a merger or acquisition candidate. If any such fee is paid, it will be approved by our Board of Directors and will be in accordance with industry standards. After preliminary candidates are identified, we will then apply certain broad criteria to the prospects. Essentially, this will entail a determination by us as to whether or not the prospects are in an industry which appears promising and whether or not the prospects themselves have potential within their own industries. During this initial screening process, we will ask and receive answers to questions framed to provide appropriate threshold information, depending upon the nature of the prospects' businesses. Such evaluation is not expected to be an in-depth analysis of the target company's operations although it will encompass a look at most, if not all, of the same areas to be examined once one or more target companies are selected for an in-depth review. For example, at this stage, we may look at a prospect's unaudited balance sheet. Once a prospect is selected for an in-depth review, we will review the prospect's audited financial statements. Nevertheless, this evaluation is anticipated to provide a broad overview of the business of the target company and should allow a large percentage of preliminary prospects to be eliminated from further consideration.

Assuming we are able to complete the preliminary evaluation process and select a limited number of companies for further study, of which there can be no assurance, it may enter into preliminary negotiations with target company management in order to obtain detailed financial and operational information. Following our receipt of such information, we will conduct an in-depth analysis of five major areas of concern with respect to the target company as follows:

1. **Managerial and Financial Stability.** We will review audited financial statements of the target company, to the extent available, and will also research the background of each director and member of management of the target company in order to discern whether the stability of the company is such that further negotiations are warranted.
2. **Industry Status.** We will research the potential of the target company's industry. The concern here is whether the industry is in a growth, stagnant or declining stage.
3. **Production of Product.** If the target company is a manufacturer, we will review whether it has the necessary resources or access to the necessary resources and supplies to produce a quality product in a timely manner.
4. **Acceptance and Potential of Product.** We will review the acceptance of the target company's product in the market place and assess the competition. We will also review whether or not the product is realistic: is there potential for the product to be workable and to fulfill its intended purpose.
5. **Development of Target Company.** We will review the target company's stage of development (examples: start-up stage, established company, etc.).

The foregoing is an outline of the areas of concern which most often arise and merit careful scrutiny by management. Because of the possible varieties of target companies, which may come to our attention, additional factors will most likely be considered in any given analysis. Also, the procedures used in such a review are expected to vary depending upon the target company being analyzed. We may select a target company for further negotiations even though the target may not receive a favorable evaluation as to some of the five areas of concern.

We expect to enter into further negotiations with target company management following successful conclusion of financial and evaluation studies.



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Negotiations with target company management will be expected to focus on the percentage of the Company that target company shareholders would acquire in exchange for their shares in the target company. Depending upon, among other things, the target company's assets and liabilities, our shareholders will in all likelihood hold a lesser percentage ownership interest in the Company following any merger or acquisition. Assets of a merger or acquisition candidate would be valued at historical cost for transactional purposes. The percentage ownership may be subject to significant reduction in the event we acquire a target company with substantial assets. Any merger or acquisition we effect can be expected to have a significant dilutive effect on the percentage of shares held by our then shareholders.

The final stage of any merger or acquisition to be effected by us will require us to retain the services of our counsel and a qualified accounting firm in order to properly effect the merger or acquisition. We may be expected to incur significant legal fees and accounting costs during the final stages of a merger or acquisition. Also, if the merger or acquisition is successfully completed, we anticipate that certain costs will be incurred for public relations, such as the dissemination of information to the public, to the shareholders and to the financial community. If we are unable to complete the merger or acquisition for any reason, our capital may be substantially depleted if legal fees and accounting costs have been incurred. We intend to retain legal and accounting services only on an as-needed basis in the latter stages of a proposed merger or acquisition.

We anticipate that it may be necessary to raise additional funds within the next 12 months to meet expenditures required for operations. There are no current plans or commitments in this regard, and there can be no assurance that we will be able to raise the funds necessary to continue its limited operations.

It is possible that acquisition targets are seeking a business combination with us as part of their efforts to raise additional capital. We do not intend to raise capital, either through the public or private sale of equity or debt securities to enable us to provide bridge capital to any potential acquisition candidate. Nor do we intend to borrow any funds or use any proceeds of any equity or debt offering to make payments to any of our management, promoters, or their respective affiliates or associates.

### Role of Management in Acquisition Process

The consummation of any acquisition will likely result in a change in control of the Company, pursuant to which the officers, directors and principal shareholders of the acquired company will be issued sufficient numbers of shares of our common stock to exercise voting control immediately following the acquisition. In addition, the transaction may involve the sale by our current principal shareholders of all or a portion of their beneficial ownership of our common stock to the control persons of the acquired company. Such sale would be upon terms privately negotiated between the principals of the acquired company and our principal shareholders. Our shareholders will, in all likelihood, not be provided with information, including financial statements, of a business to be acquired or be afforded an opportunity to approve or consent to any stock buy-out transaction involving our principal shareholders. Moreover, our other shareholders will in all likelihood not be offered an opportunity to sell their shares of our common stock on the same or similar terms and conditions. We have not adopted and do not plan to adopt in the future any policy that would restrict, limit or prohibit management or our principal shareholders from negotiating a buy-out of their stock in connection with an acquisition transaction.

### Competition

We will remain an insignificant participant among the firms, which engage in

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mergers with and acquisitions of privately financed entities. There are many established venture capital and financial concerns that have significantly greater financial and personnel resources and technical expertise than we do. In view of our combined limited financial resources and limited management availability, we will continue to be at a significant competitive disadvantage compared to our competitors. Also, we will be competing with numerous other small, blank check, public companies.

### Regulation and Taxation

We could be subject to regulation under the Investment Company Act of 1940 in the event we obtain and continue to hold a minority interest in a number of entities. Our plan of operation is based upon the us obtaining a controlling interest in any merger or acquisition target company and, accordingly, we may be required to discontinue any prospective merger or acquisition of any company in which a controlling interest will not be obtained.

We could also be required to register under the Investment Company Act of 1940 in the event it comes within the definition of an Investment Company contained in that Act due to its assets consisting principally of shares held in a number of other companies. We intend to seek at most one or two mergers or acquisitions, which transactions we believe will not result in the Company being deemed an "investment company" since its interests will be in majority or wholly owned subsidiaries which themselves will not be investment companies.

Any securities that we acquire in exchange for our common stock will be "restricted securities" within the meaning of the Securities Act of 1933 (the "1933 Act"). If we elected to resell such securities, such sale could not proceed unless a registration statement had been declared effective by the Securities and Exchange Commission or an exemption from registration was available. Section 4(1) of the 1933 Act, which exempts sales of securities not involving a distribution, would in all likelihood be available to permit a private sale if various restrictions pertaining to such a sale are complied with. Although our plan of operation does not contemplate resale of securities acquired, in the event such a sale were necessary, we would be required to comply with the provisions of the 1933 Act.

As a condition to any merger or acquisition, it is possible that the target company management may request registration of our common stock to be received by target company shareholders. In such event, we could incur registration costs, and we intend to require the target company to bear most, if not all, of the cost of any such registration. If we do contribute toward the cost of such registration, our maximum contribution will be limited to the extent that we have assets available for such contribution. Alternatively, we may issue "restricted securities" to any prospective target company, which securities may be subsequently registered for sale or sold in accordance with Rule 144 of the Securities Act of 1933.

We intend to structure a merger or acquisition in such a manner as to minimize federal and state tax consequences to the Company and any target company.

### Item 3. Controls and Procedures

#### (a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer have, within 90 days of the filing date of this report, evaluated our internal controls and procedures designed to ensure that information required to be disclosed in reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within specified time periods. After such review, the Company's Chief Executive Officer and Chief Financial Officer have concluded that said information was accumulated and communicated to management as appropriate to

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allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the evaluation referred to in paragraph (a) above.

Part II. Other Information

Items 1, 2, 3, 4 and 5 are not applicable and have been omitted.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit Description

- |      |  |
|------|--|
| 31.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Officers' Certification  |

>

(b) Date of Current Report	Description
July 8, 2003	Form 8-K reporting withdrawal of Form 15
August 1, 2003	Form 8-K reporting that appointee declined directorship.

Signatures

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

SCARAB SYSTEMS, INC.  
(Registrant)

Date: November 15, 2003 /s/ Thomas E. Mills  
Thomas E. Mills, President

Date: November 15, 2003 /s/ John Allen  
John Allen  
Chief Financial Officer

Exhibit 31.1

Certification

I, Thomas E. Mills, certify that:

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1. I have reviewed this quarterly report on Form 10-QSB of Scarab Systems, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 15, 2003

By /s/ Thomas E. Mills  
Thomas E. Mills  
Chief Executive Officer and President

Exhibit 31.2

Certification

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I, John S. Allen, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Scarab Systems, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 15, 2003

By /s/ John S. Allen  
John S. Allen  
Chief Financial Officer

EXHIBIT 32.1

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CERTIFICATIONS PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Scarab Systems, Inc. on Form 10-QSB for the quarter ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the Report), we, Thomas E. Mills, Chief Executive Officer and President of the Company, and John S. Allen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 15, 2003

By /s/ Thomas E. Mills  
Thomas E. Mills  
Chief Executive Officer and President

Date: November 15, 2003

By /s/ John S. Allen  
John S. Allen  
Chief Financial Officer