

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1998-05-19** | Period of Report: **1998-03-31**  
SEC Accession No. **0000948830-98-000126**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### **SIMPLEX MEDICAL SYSTEMS INC**

CIK: **1011854** | IRS No.: **841337504** | State of Incorp.: **CO** | Fiscal Year End: **1231**  
Type: **10QSB** | Act: **34** | File No.: **000-28154** | Film No.: **98628116**  
SIC: **7200** Personal services

Mailing Address  
*12146 EAST AMBERST  
CIRCLE  
AURORA CO 90014*

Business Address  
*430 ANSIN BLVD  
STE G  
HALLANDALE FL 33009  
9544550110*

U.S. 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 quarterly period ended: March 31, 1998

Commission file number: 0-28154

SIMPLEX MEDICAL SYSTEMS, INC.

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

Colorado

84-1337509

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

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

430 Ansin Boulevard, Suite G, Hallandale, Florida 33009

-----  
(Address of principal executive offices, including zip code)

(954) 455-0110

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

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

Yes [ X ] No [ ]

There were 8,000,000 shares of the Registrant's Common Stock outstanding as of March 31, 1998.

SIMPLEX MEDICAL SYSTEMS, INC. AND SUBSIDIARY  
A DEVELOPMENT STAGE ENTERPRISE  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	3/31/98	12/31/97
ASSETS	-----	-----
CURRENT ASSETS		
Cash	\$144,666	\$ 41,743

Accounts Receivable (Net of allowance for uncollectible accounts of \$2,321 for 12/31/97 and 3/31/98)	3,547	3,882
Inventory	130,463	141,565
	-----	-----
Total Current Assets	278,676	187,190
	-----	-----
Property, Plant and Equipment, at cost (Net of accumulated depreciation and amortization of \$6,551 and \$51,897 on 3/31/98 and 12/31/97, respectively)	96,683	87,451
OTHER ASSETS		
Deposits	10,892	6,692
Organization Expenses	300	-
Patents and Trademarks (net of accumulated amortization of \$504 and \$504 on 3/31/98 and 12/31/97, respectively)	76,146	66,861
	-----	-----
TOTAL ASSETS	\$462,697	\$348,194
	=====	=====

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

-2-

SIMPLEX MEDICAL SYSTEMS, INC. AND SUBSIDIARY  
A DEVELOPMENT STAGE ENTERPRISE  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(Continued)

	3/31/98	12/31/97
LIABILITIES AND STOCKHOLDER'S EQUITY	-----	-----
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	65,891	75,074
Current Portion of Notes Payable	61,044	61,044
Customer Deposits	43,225	70,093
	-----	-----
Total Current Liabilities	170,160	206,211
LONG-TERM DEBT		
Notes Payables, Net of Current Portion	363,442	288,932
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		

Common Stock (Par Value \$.0001, Authorized 100,000,000 Shares, Issued and Outstanding 8,000,000 Shares on 3/31/98 and 7,500,000 on 12/31/97)	800	750
Preferred Stock (Par Value \$.0001, Authorized 10,000,000 Shares, No Shares Issued and Outstanding)	-	-
Additional Paid-In Capital	858,147	658,197
Deficit Accumulated During the Development Stage	(929,852)	(805,896)
	-----	-----
Total Stockholders' (Deficit) Equity	(70,905)	(146,949)
	-----	-----
Total Liabilities and Stockholders' Equity	\$462,697	\$348,194
	=====	=====

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

-3-

SIMPLEX MEDICAL SYSTEMS, INC. AND SUBSIDIARY  
A DEVELOPMENT STAGE ENTERPRISE  
CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

	Three Months Ended	
	3/31/98	3/31/97
	-----	-----
REVENUES - NET	\$ 42,298	\$ 14,074
COST OF GOODS SOLD	19,601	7,594
GROSS PROFIT	22,697	(6,480)
OPERATING EXPENSES		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	129,685	107,999
DEPRECIATION AND AMORTIZATION EXPENSE	6,551	3,324
TOTAL OPERATING EXPENSES	136,236	111,323
OPERATING LOSS	(113,539)	(104,843)
INTEREST EXPENSE	(10,417)	(335)
NET (LOSS)	(123,956)	(105,178)
NET (LOSS) PER SHARE	(0.016)	(0.014)

WEIGHTED AVERAGE NUMBER OF  
SHARES OUTSTANDING

7,500,000 7,500,000

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

-4-

SIMPLEX MEDICAL SYSTEMS, INC. AND SUBSIDIARY  
A DEVELOPMENT STAGE ENTERPRISE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended	
	3/31/98	3/31/97
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (123,956)	\$ (105,178)
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	6,551	3,324
Changes in Operating Assets and Liabilities		
Accounts Receivable	335	(4,400)
Inventory	11,102	6,040
Deposits	(4,500)	0
Accounts Payable and Accrued Liabilities	(9,183)	1,038
Customer Deposits	(26,868)	(4,011)
	-----	-----
Net Cash (Used in) Provided by Operating Activities	(146,519)	(103,971)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Fixed Assets and Patents	(25,068)	0
Notes Payable to Stockholders	0	99,381
Patent Costs	0	(2,880)
	-----	-----
Net Cash Provided by (Used In) Investing Activities	(25,068)	96,501
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Private Placement	200,000	-
Payments on Notes Payable	-	-
Proceeds from Notes Payable	74,510	-
	-----	-----
Net Cash Provided by Financing Activities	274,510	-
	-----	-----
Net Increase (Decrease) in Cash	102,923	(7,470)
Cash - Beginning of Period	41,743	54,086
	-----	-----

Cash - End of Period

\$144,666

\$ 46,616

=====

=====

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

-5-

SIMPLEX MEDICAL SYSTEMS, INC. AND SUBSIDIARY  
A DEVELOPMENT STAGE ENTERPRISE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997 (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Simplex Medical Systems, Inc. (the "Company") and its wholly-owned subsidiaries, Simplex Medical Systems, Inc. (a Florida corporation) and Analyte Diagnostics, Inc., have been prepared in accordance with the instructions and requirements of Form 10-QSB and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. In the opinion of management, such financial statements reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations and financial position for the interim periods presented. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the Company's annual report on Form 10-KSB.

These financial statements give effect to the March 5, 1997 reverse acquisition whereby Music Tones Ltd. (name subsequently changed to Simplex Medical Systems, Inc.) acquired all of the outstanding common stock of Simplex Medical Systems, Inc. as if the transaction occurred on September 15, 1995.

NOTE 2 - BASIS OF PRESENTATION AND CONTINUED EXISTENCE

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Since inception, the Company has experienced losses aggregating \$(929,852) and has been dependent upon loans from stockholders and other third parties in order to satisfy operations to date. Management believes that funds generated from operations will provide the Company with sufficient cash flow resources to fund the operations of the Company. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

NOTE 3 - INVENTORY

Inventory consists of \$130,463 of finished goods as of March 31, 1998.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at March 31, 1998:

Office Furniture and Equipment	\$ 19,692
Lab Equipment	135,439
	-----
Total Equipment	155,131
Less: Accumulated Depreciation	58,448
	-----
Total Property, Plant and Equipment	\$ 96,683
	=====

-6-

NOTE 5 - NOTES PAYABLE

Interest Expense for the period ended  
March 31, 1998, amounted to: \$ 10,417

Interest Expense for the period ended  
March 31, 1997, amounted to: \$ 335

NOTE 6 - INCOME TAXES

To date, the Company has incurred tax operating losses and therefore has generated no income tax liabilities. As of March 31, 1998, the Company has generated net operating loss carryforwards totalling \$(929,852) which are available to offset future taxable income, if any, through the year 2012. As utilization of such an operating loss for tax purposes is not assured, the deferred tax asset has been fully reserved through the recording of 100% valuation allowance.

The components of the net deferred tax asset are as follows at March 31, 1998:

Deferred Tax Assets:	
Net Operating Loss Carryforward	\$ (929,852)
Valuation Allowance	(929,852)

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

The following should be read in conjunction with the attached Financial Statements and Notes thereto of the Company.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1998 VERSUS THREE MONTHS ENDED MARCH 31, 1997

During the three months ended March 31, 1998, the Company had \$42,298 in revenue compared to \$14,074 in revenue during the corresponding prior year

period. The increase in revenue was the result of international sales of samples for testing and evaluation purposes.

The Company expects sales to increase significantly in the second quarter due to the orders that were received during the first quarter. Sales contracts have been executed with vendors in Brazil, Saudi Arabia, Thailand, the Philippines and other third world countries.

Expenses for the three months ended March 31, 1998, were approximately \$25,000 more than the corresponding prior year period. General selling and other administrative expenses increased due to additional personnel hired.

#### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1998, the Company had negative working capital of approximately \$(108,516) compared to approximately \$19,021 at December 31, 1997. Due to existing in-house orders and the anticipated private sale of the Company's common stock, working capital is expected to increase during the second quarter of 1998.

As of March 31, 1998, the Company had no material commitments for capital expenditures.

-7-

#### PART II. OTHER INFORMATION

Item 1. Legal Proceedings. None.

Item 2. Changes in Securities.

SALES OF RESTRICTED SECURITIES. During the quarter ended March 31, 1998, the Company issued restricted securities as follows:

In March 1998, the Company sold 500,000 shares of Common Stock to one accredited investor for \$200,000.

With respect to this sale, the Company relied on Section 4(2) of the Act. The investor signed a subscription agreement in which he represented that he was purchasing the shares for investment only and not for the purpose of resale or distribution. The appropriate restrictive legends were placed on the certificate and stop transfer orders were issued to the transfer agent.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 27 Financial Data Schedule Filed herewith



(b) Reports on Form 8-K. None.

SIGNATURES

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

SIMPLEX MEDICAL SYSTEMS, INC.

Date: May 19, 1998

By /s/ Colin Jones  
Colin Jones, President

-8-

EXHIBIT INDEX

EXHIBIT

METHOD OF FILING

-----

-----

27. Financial Data Schedule

Filed herewith electronically

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the balance sheets and statements of operations found on pages 2, 3 and 4 of the Company's Form 10-QSB for the year to date, and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1997
<PERIOD-END>		MAR-31-1998
<CASH>		144,666
<SECURITIES>		0
<RECEIVABLES>		3,547
<ALLOWANCES>		0
<INVENTORY>		130,463
<CURRENT-ASSETS>		278,676
<PP&E>		96,683
<DEPRECIATION>		0
<TOTAL-ASSETS>		462,697
<CURRENT-LIABILITIES>		170,160
<BONDS>		0
<COMMON>		800
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		(70,112)
<TOTAL-LIABILITY-AND-EQUITY>		462,697
<SALES>		42,298
<TOTAL-REVENUES>		42,298
<CGS>		19,601
<TOTAL-COSTS>		19,601
<OTHER-EXPENSES>		136,236
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(10,417)
<INCOME-PRETAX>		(123,956)
<INCOME-TAX>		0
<INCOME-CONTINUING>		0
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(123,956)
<EPS-PRIMARY>		(.016)
<EPS-DILUTED>		0

</TABLE>