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ADVANCE TECHNOLOGIES INC
Form 10QSB
August 07, 2003

FORM 10 QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003

Or

Transition report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period _____ to _____

Commission file number 0-27175

ADVANCE TECHNOLOGIES, INC.

(Exact name or registrant as specified in its charter)

Nevada

95-4755369

(State or other jurisdiction
Incorporation or organization)

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

716 Yarmouth Rd Suite 215
Palos Verdes Estates, CA 90274

(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 265-7776

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 such that the registrant was Required to file such reports), and (2) has shorter period been subject to Such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO ISSUES INVOLVED IN BANKRUPTCY.

Indicate by check whether the registrant has filed all documents And report required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities Under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of June 30, 2003, approximately 22,766,517 shares of the Registrant's Common Stock, \$0.001 par value were outstanding. As of June 30, 2003, approximately 38,748,857 shares of the Registrant's Class A Preferred Non-voting Stock par

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value \$0.001 were outstanding.

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ITEM 1. FINANCIAL STATEMENTS

ADVANCE TECHNOLOGIES, INC.

(A Development Stage Company)

Consolidated Financial Statements

June 30, 2003

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Chisholm & Associates, CPA
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 North Salt Lake, UT 84054
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ADVANCE TECHNOLOGIES, INC.
 (a Development Stage Company)
 Consolidated Balance Sheets

ASSETS	June 30, 2003 <u>(Unaudited)</u>	Septemb 200 <u> </u>
Current Assets		
Cash	\$ 233	\$ 1
Total Current Assets	<u>233</u>	<u>1</u>
Property & Equipment, Net	<u>16,475</u>	<u>22</u>
Total Assets	<u>\$ 16,708</u> =====	<u>\$ 24</u> =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued Interest	\$ 31,097	\$ 23
Note Payable - Officer	25,000	25
Advance Royalties	<u>46,800</u>	<u>36</u>
Total Current Liabilities	<u>102,897</u>	<u>84</u>

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Long Term Liabilities		
Line of Credit	90,000	85
	<hr/>	<hr/>
Total Long Term Liabilities	90,000	85
	<hr/>	<hr/>
Total Liabilities	192,897	170
	<hr/>	<hr/>
Stockholders' Equity		
Common Stock, Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 17,218,967 shares	17,219	17
Preferred Stock, Series A Authorized 100,000,000 Shares of \$.001 Par Value, Issued and Outstanding 38,858,057 Shares	38,858	38
Additional Paid in Capital	446,446	446
Accumulated Deficit	(60,699)	(60)
Deficit Accumulated During the Development Stage	(618,013)	(587)
	<hr/>	<hr/>
Total Stockholders' Equity	(176,189)	(145)
	<hr/>	<hr/>
Total Liabilities and Stockholders' Equity	\$ 16,708	\$ 24
	=====	=====

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Advance Technologies, Inc.
(a Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

	For the nine months ended June 30, 2003	For the nine months ended June 30, 2002	For the three months ended June 30, 2003	For mont Ju
Revenues	\$ 2,115	\$ 23,010	\$ 466	\$
Operating Expenses				
Depreciation & Amortization	5,892	-	1,964	
Oranization Costs	-	-	-	
Research & Development	-	-	-	
General & Administrative	18,601	35,855	9,744	
	<hr/>	<hr/>	<hr/>	<hr/>

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Total Operating Expenses	24,493	35,855	11,708	
	<u> </u>	<u> </u>	<u> </u>	
Operating Income (Loss)	(22,378)	(12,845)	(11,242)	
	<u> </u>	<u> </u>	<u> </u>	
Other Income (Expense)				
Miscellaneous Income	-	-	-	
Interest Expense	(7,830)	(15,695)	(2,700)	
	<u> </u>	<u> </u>	<u> </u>	
Total Other Income (Expense)	(7,830)	(15,695)	(2,700)	
	<u> </u>	<u> </u>	<u> </u>	
Net Income (Loss)	\$ (30,208)	\$ (28,540)	\$ (13,942)	\$
	=====	=====	=====	=====
Net Income (Loss) Per Share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$
	=====	=====	=====	=====
Weighted Average Shares Outstanding	17,218,967	8,649,842	17,218,967	12
	=====	=====	=====	=====

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Advance Technologies, Inc.
(a Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

For the nine months ended
June 30,

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities		
Net Income (Loss)	\$ (30,208)	\$ (28,540)
Adjustments to Reconcile Net Loss to Net Cash		
Provided by Operations:		
Depreciation & Amortization	5,892	5,433
Stock Issued for Services	-	-
Organization Costs	-	-
Decrease in Prepaids	-	-
Change in Assets and Liabilities	-	-
Increase in Deferred Income	-	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	7,830	7,695
	<u> </u>	<u> </u>

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Net Cash Provided(Used) by Operating Activities	(16,486)	(15,412)
Cash Flows from Investing Activities		
Investment in Subsidiary	-	-
Purchase of Equipment	-	-
Net Cash Provided (Used) by Investing Activities	-	-
Cash Flows from Financing Activities		
Payments for Officer Loan	-	-
Proceeds from Officer Loan	10,500	12,000
Proceeds from Line of Credit	4,500	-
Proceeds from Issuance of Stock	-	-
Net Cash Provided(Used) by Financing Activities	15,000	12,000
Increase (Decrease) in Cash	(1,486)	(3,412)
Cash and Cash Equivalents at Beginning of Period	1,719	3,515
Cash and Cash Equivalents at End of Period	233	103
Cash Paid For:		
Interest	\$ 7,830	\$ 15,695
Income Taxes	\$ -	\$ -

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003

GENERAL

Advance Technologies, Inc. (the Company) has elected to omit substantially all footnotes to the financial statements for the three and nine months ended June 30, 2003 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their Annual Report filed on Form 10-KSB for the fiscal year ended September 30, 2002.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

Advance Technologies Inc. ("AVTX") is a developer of infrared (IR) Enhanced Vision technology for commercial solutions and applications. The Company engages in advance development activities and through strategic business arrangements AVTX utilizes OEM suppliers and major system corporations to form strategic business associations. This unique business model combines the strength of our organization with the prior capital investment of the OEMs and the in place established marketing and sales organization of the System Integrator. Our ability to bridge IR technology into application-specific markets shortens the development-to-market cycle and the investment risk.

Advance Technologies has entered into a licensing agreement with Kollsman, Inc in 1997, which has incorporated the Company's technology into an Enhanced Vision System ("EVS") for use with Gulfstream Aerospace aircraft. The Kollsman EVS License has board applicability to commercial aviation.

ANNOUNCEMENTS (AVTX)

Advance Technologies Inc. has received two recent honors. First, at an aerospace awards banquet at the Paris Air show, and secondly, for the appointment of their president to a national Business Advisory Board.

The aerospace industry honored its own "best of the best" on June 16, 2003 at a glittering ceremony in Paris's Pavilion D'Armenonville when 11 winners of the coveted Flight International Aerospace Industry Awards 2003 were announced. More than 500 top executives from all parts of the industry applauded the achievements of their peers.

Advance Technologies Inc. (AVTX) was a finalist in the AVIONICS & ELECTRONICS category for their achievement: Infrared Commercial Landing Aid System. Advance Technologies was represented by their President, Mr. Gary E. Ball. Mr. Ball was delighted with the recognition of "our fine work that continues to be on the cutting edge of technology for Enhanced Vision Systems."

Advance Technologies Inc. entry was an Advance Optical Controller, a device that greatly expands the optical dynamic range of EVS, a capability that will be required for EVS to fulfill its full potential for the aviation market.

(Enhanced Vision is a unique system that provides the pilot clear vision under night and adverse weather conditions, which serves to enhance safety and flight operations.)

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In a related announcement, on June 3, 2003 Mr. Gary Ball, President of Advance Technologies Inc., has been presented the prestigious National Leadership Award. Mr. Ball will serve as an HONORARY CHAIRMAN on the Business Advisory Council (BAC) for the National Republican Congressional Committee. Mr. Ball will represent the State of California on this advisory committee. In this capacity he will advise and assist on critical issues that affect business and promote a pro-business agenda.

Mr. Ball is honored to participate in this illustrious group, and believes the small cap, high technology sector is the basis for economic growth and stimulus to growing the economy. We believe that government assistance in the economic sector should be focused at stimulating innovation and simplification of regulatory and oversight functions. By becoming actively involved in this Advisory Council, Mr. Ball believes he can provide a voice and guidance to effect these needed changes.

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BUSINESS OVERVIEW

The tragic events of September 11, 2001 have produced economic and bureaucratic shock waves that have had a direct effect on AVTX and our strategic plans. The effect has been most notable in the decline of the price of our common stock in the past two years reflecting the general slow down of our markets.

The aftermath of 9-11 additionally effected Advance Technologies Inc. because of our involvement in Infrared Technology, a technology regulated by the US Government. Since AVTX is exclusively involved in commercial applications, and all of the technologies we employ are considered "dual use technology" (military and commercial), our government's restrictions have had little effect on the scope and direction of our strategic plans. Thus, our plans for future products have not materially changed. But, our government's new requirements to ensure our applications meet the commodity jurisdiction regulations and are compliant to the International Traffic in Arms Regulation (ITAR) have slowed our growth.

ATI entered into an agreement with an offshore OEM strategic partner Telesis Electronics September of 2000; a Taiwanese privately held corporation. Under the terms of this agreement ATI is developing IR systems in conjunction with Telesis for sale in the USA as well as other foreign markets. Export licenses are required to provide critical components for this work. Approvals for these licenses are taking more than a year to obtain. In October 2002, We were notified our second export license for 30 additional systems was approved, which is valid for two (2) years. Telesis has notified ATI that they wish to proceed forward with the export of the Infrared Detectors under the terms of our agent agreement and in compliance with the terms and conditions of Department of Commerce License No. D293324 issued October 26, 2002.

ENHANCED VISION ACTIVITIES

Enhance Vision System, our first project; has entered production. Advance Technologies benefits through a license agreement with Kollsman Inc.

Kollsman has issued their latest quarterly report required under the License Agreement to ATI stating THIRTY (30) EVS have been delivered to their customer

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during this quarter (Qt 2, 2003).

UNITS DELIVERED & SOLD PER QUARTER
=====

	INITIAL DELIVERY	UNITS SOLD	TOTAL
	-----	-----	-----
1ST QT. 2002	2	0	0
2ND QT. 2002	7	5	5
3RD QT. 2002	14	6	11
4TH QT. 2002	23	17	28
1ST QT. 2003	27	18	46
2ND QT. 2003			
<hr/>			
TOTAL	103	71	90

The delivery rates are increasing as Kollsman ramps up production. Kollsman has released no information on future production plans. Their Gulfstream customer continues to expand the application to additional aircraft through certification activity with the FAA. This will serve to increase and extend the EVS market.

HONEYWELL TECHNOLOGY LICENSE

Honeywell provided ATI initial terms for a "field application" and/or "market use" of their Micro-bolometer technology. The terms and conditions have been evaluation by ATI. The terms are reasonable based upon assumptions on the price and availability of a low cost imports from Taiwan. This import product has just recently become available. No price-performance information has been provided to date. Once this information becomes available, the need to negotiate and finalize an agreement with Honeywell will be addressed.

NITEAGLE

Telesis Technologies provided two pre-production units for market evaluation. Tests are completed. The baseline configuration is up to date with the latest advancements. The rapid pace of the technology as it enters production has been an impediment to finalizing the system. Price reductions of 30% per year have been typical. We believe that 2003 will bring price and source stability to the market.

We are currently waiting on price and delivery information from our USA supplier. This information has been delayed; we now expect information in the last quarter of 2003. The plan to launch Niteagle has been prepared and submitted to Telesis. Once our USA supplier provides the necessary information, ATI and Telesis will seek final approval.

SPECTRUM 9000, MEDICAL EQUIPMENT

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Telesis Technologies has not announced a date for introduction of the Spectrum 9000 into the US market. Telesis has announced the receipt of FDA approval from the US Government. ATI believes that Telesis will become activity in the US market in 2003, and what role ATI will play in that activity has not been determined.

DEVELOPMENT PROJECTS

Advance Technologies Inc. continues development activities on new Infrared systems for commercial markets. These projects cannot be forecast with any degree of certainty and all strategic partnerships or business arrangements remain confidential until such time as a formal announcement is appropriate without compromising the development plan and/or the application market.

CAPITAL RESOURCES

No commitment for capital resources has been made during this reporting period.

FINANCIAL ANALYSIS

The results on the operation represent projects of likely future events that cannot be guaranteed. Therefore, the financial analysis does not include projects, and no quantitative assessment has been provided based upon the future discussion of potential events in section 3.

No material changes have been provided; therefore impact of unforeseeable events cannot be assessed.

Present financial plans are adequate to meet our cash flow needs with our current project schedule.

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ADVANCE TECHNOLOGIES INC. BOARD OF DIRECTOR ACTIONS

The maturity of the Enhanced Vision Project has provided the need to make adjustments to prepare for our transition from a "development company" to a mature self-sustaining company. We anticipate a full transition by mid-2004. Accordingly, the following actions have been authorized by the AVTX Board of Directors to smooth the transition of AVTX. The following descriptions are provided as a summary of the resolutions adopted by our Board of Directors.

1. 5,438,350 shares of AVTX preferred Class B stock were authorized and transferred to Equi-share Financial in consideration for the cancellation and debt nullification of AVTX's short-term loan. The loan balance was \$108,767.00 on January 1, 2003.

This action was necessary to satisfy the term and conditions of the line of credit AVTX had with Equi-share Financial. This action resolves this due-on-demand note without the need to raise additional short-term capital.

2. The Board of Directors has authorized that all shares of AVTX be

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eligible to receive dividends from AVTX earnings. Prior to this action only preferred shares were eligible to receive dividends.

This action will serve to give all of the equity owners of AVTX equal participation in future benefits. This resolution is effective 9/1/03.

3. The Board of Directors has authorized that all shares of AVTX, common and preferred be granted voting rights. In the past on Common AVTX shareholders had voting privileges. This resolution is effective 9/01/03.

This action will serve to give all equity owners of AVTX equal rights in determining AVTX's future course of action and situations that warrant share holder participation.

4. The Board of Directors has authorized the conversion of additional shares of preferred stock to common stock for those shareholders that have met holding period requirements. The authorization for conversion increases the past conversion percentage (effective January 2002) from 30% to 65%. This resolution will be effective on January 1, 2004.

This authorization represents an additional step towards full conversion, and the elimination of Class B preferred stock from the public domain.

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SIGNATURES

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

Date: August 4, 2003

ADVANCE TECHNOLOGIES, INC.
(Registrant)

By: /s/ GARY E. BALL

Gary E. Ball
President and Director

