ENTHEOS TECHNOLOGIES INC
Form 10QSB
May 15, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 31, 2006

____ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

000-30156

(Commission File Number)

ENTHEOS TECHNOLOGIES, INC.

AND SUBSIDIARIES

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

000-30156

(Commission File Number)

98-0170247

(I.R.S Employer Identification No.)

1628 West 1st Avenue, Suite 216, Vancouver, British Columbia, V6J 1G1

(Address of principal executive offices)

(604) 659-5005

(Registrant s telephone number, including area code)

Check 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 o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

State the number of shares outstanding of each of the Issuer s classes of common equity as of the latest practicable date. As of May 10, 2006, there were 96,625,122 shares of the Issuer s Common Stock, $0.00001 par value per share outstanding.

Transitional Small Business Disclosure Format (Check One): Yes [ ] No **[X]**

TABLE OF CONTENTS

ENTHEOS TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-QSB, QUARTER ENDED MARCH 31, 2006

INDEX

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

ENTHEOS TECHNOLOGIES, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS
March 31, 2006 and December 31, 2005
(Expressed in US Dollars)
(Basis of Presentation - Going Concern Uncertainties - Note 1)

	March 31, 2006	**December 31, 2005**
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	$61,804	$81,978
Total current assets	61,804	81,978
Marketable equity securities - related party (Note 4)	2,402,500	1,489,550
Total assets	$2,464,304	$1,571,528
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$4,862	$15,336
Accounts payable - related parties (Note 4)	23,812	23,812
Total liabilities	28,674	39,148
STOCKHOLDERS' EQUITY		
Stockholders' Equity		
Preferred stock:$0.0001 par value: Authorized: 10,000,000 shares		
Issued and outstanding: nil	-	-
Common stock: $0.00001 par value; Authorized: 200,000,000 shares		
Issued and outstanding: 96,625,122	966	966
Additional paid-in capital	3,838,116	3,838,116
Accumulated deficit	(3,757,902)	(3,748,202)

Accumulated other comprehensive income	2,354,450	1,441,500
Total stockholders' equity	2,435,630	1,532,380
Total liabilities and stockholders' equity	$2,464,304	$1,571,528

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended March 31, 2006 and 2005
(Unaudited)
(Expressed in US Dollars)

	Three months ended March 31, 2006	2005
Revenue	$-	$-
Expenses		
Depreciation	-	283
Other Operating Expenses	10,429	6,019
	10,429	6,302
Operating Loss	(10,429)	(6,302)
Other income		
Interest income	729	564
	729	564
Net loss to common shareholders	$(9,700)	$(5,738)
Loss per common share - basic and diluted	$(0.000)	$(0.000)
Weighted average number of common shares outstanding - basic and diluted	96,625,122	96,625,122

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
for the three months ended March 31, 2006 and year ended December 31, 2005
(Unaudited)
(Expressed in US Dollars)

	Common Stock		Additional paid-in capital	Accumulated deficit	Comprehensive income (loss)	Accumulated other comprehensive income	Total Stockholder's Equity
	Shares	Amount					
Balance, December 31, 2004	96,625,122	$966	$3,838,116	$(3,680,236)	$-	$270,281	$429,127
Components of comprehensive income							
- Unrealized gains on marketable equity securities	-	-	-	-	1,171,219	1,171,219	1,171,219
- Loss, year ended December 31, 2005	-	-	-	(67,966)	(67,966)	-	(67,966)
Total comprehensive income					$1,103,253		
Balance, December 31, 2005	96,625,122	$ 966	$3,838,116	$(3,748,202)		$1,441,500	$1,532,380
Components of comprehensive income							
- Unrealized gains on							

marketable equity securities	-	-	-	-	912,950	912,950	912,950
- Loss, three months ended March 31, 2006	-	-	-	(9,700)	(9,700)	-	(9,700)
Total comprehensive income					$903,250		
Balance, March 31, 2006	96,625,122	$966	$3,838,116	$ (3,757,902)		$2,354,450	$2,435,630

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

ENTHEOS TECHNOLOGIES, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2006 and 2005
(Unaudited)
(Expressed in US Dollars)

	Three months ended March 31,	
	2006	2005
Cash flows from (used in) operating activities		
Net loss	$(9,700)	$ (5,738)
Adjustments for items not involving cash:		
Depreciation	-	283
Change in non-cash working capital item:		
Decrease in accounts payable	(10,474)	(7,607)
Net cash flows used in operating activities	(20,174)	(13,062)
Cash flows from in investing activities		
Net cash flows used in investing activities	-	-
Cash flows from financing activities	-	-
Net cash flows from financing activities	-	-
Decrease in cash	(20,174)	(13,062)
Cash, beginning of period	81,978	128,286
Cash, end of period	$61,804	$115,224

Supplemental disclosure of cash flow information:		
Interest paid in cash	$-	$-
Income tax paid in cash	$-	$-

(The accompanying notes are an integral part of these interim unaudited consolidated financial statements)

6

ENTHEOS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2006

(Unaudited)

(Expressed in US Dollars)

Note 1 - Basis of Presentation Going Concern Uncertainties

The Company has incurred net operating losses since inception. The Company faces all the risks common to companies in their early stages of development, including under capitalization and uncertainty of funding sources, high initial expenditure levels, uncertain revenue streams, and difficulties in managing growth. The Company s recurring losses raise substantial doubt about its ability to continue as a going concern. The Company s consolidated financial statements do not reflect any adjustments that may result from the outcome of this uncertainty. The Company expects to incur losses from its business operations and will require additional funding during 2006. The satisfaction of our cash hereafter will depend in large part on the Company s ability to successfully raise capital from external sources to pay for planned expenditures and to fund operations.

In view of these conditions, the ability of the Company to continue as a going concern is in substantial doubt and dependent upon achieving a profitable level of operations and on the ability of the Company to obtain necessary financing to fund ongoing operations. Management believes that its current and future plans enable it to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Note 2 Presentation of Interim Information

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Form 10-QSB instructions and in the opinion of management of Entheos Technologies, Inc. and subsidiaries (the Company), include all normal adjustments considered necessary to present fairly the consolidated financial position as of March 31, 2006 and the consolidated results of operations for the three months ended March 31, 2006 and 2005 and cash flows for the three months ended March 31, 2006 and 2005. These results have been determined on the basis of generally accepted accounting principles and practices and applied consistently with those used in the preparation of the Company s 2005 Annual Report on Form 10-KSB.

Certain information and footnote disclosures normally included in the financial statements presented in accordance with United States generally accepted accounting principles have been condensed or omitted. It is suggested that the accompanying unaudited interim consolidated financial statements be read in conjunction with the annual financial statements and notes thereto incorporated by reference in the Company s 2005 Annual Report on Form 10-KSB.

There have been no pronouncements issued that are not yet effective that would have a material effect on these financial statements.

Note 3 Earnings Per Share

Basic earnings or loss per common share is based on the weighted average number of shares outstanding during the period of the financial statements. Diluted earnings or loss per share are based on the weighted average number of common shares outstanding and dilutive common stock equivalents. All per share and per share information are adjusted retroactively to reflect stock splits and changes in par value, when applicable. All loss per share amounts in the financial statements are basic loss per share because the inclusion of stock options and warrants outstanding would be antidilutive. The computation of basic and diluted loss per share is as follows at March 31, 2006:

	Three months ended March 31, 2006	2005
Numerator - net loss available to common stockholders	$(9,700)	$(5,738)
Denominator - weighted average number of common shares outstanding	96,625,122	96,625,122
Basic and diluted loss per common share	$(0.000)	$(0.000)

Note 4 Related Party Transactions

Accounts Payable: As of March 31, 2006, the Company owed $23,812 for outstanding management fees to a director, which is included in accounts payable related parties.

Marketable Equity Securities: Marketable securities consist of 2,402,500 shares of common stock of International Energy, Inc., a public company that trades on the OTC Bulletin Board, with an estimated fair value of $2,402,500, amortized cost of $48,050, and gross unrealized gains of $2,354,450, which was credited to accumulated other comprehensive income representing the difference between the cost and the stated market value as determined by the most recently traded price at the balance sheet date. The Company and International Energy Inc. have a director in common.

Reconciliation of unrealized gains included in other comprehensive income for the three months ended March 31, 2006:

	Three months ended March 31, 2006	Year ended December 31, 2005
Balance, beginning of period	$1,489,550	$318,331
Unrealized holding gains during the period	912,950	1,171,219

Balance, end of period	$2,402,500	$1,489,550

Properties: The Company's corporate office, located at Suite 216, 1628 West 1st Avenue, Vancouver, British Columbia, Canada, is owned by a privately held corporation controlled by a director and majority shareholder of the Company. As of March 31, 2006, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount involved is immaterial.

Note 5 Subsequent Events

As of May 10, 2006, the marketable securities consisting of 2,402,500 shares of common stock of International Energy, Inc., has an estimated fair value of $1,225,275, a decrease of $1,177,225 due to a decrease in the stock price of International Energy, Inc. since March 31, 2006. The Company does not believe this decrease in marketable securities will affect the Company s current operations.

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

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

Except for the historical information presented in this document, the matters discussed in this Form 10-QSB for the three months ending March 31, 2006, and specifically in the items entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", or otherwise incorporated by reference into this document, contain "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are identified by the use of forward-looking terminology such as "believes", "plans", "intend", "scheduled", "potential", "continue", "estimates", "hopes", "goal", "objective", expects", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company.

The reader is cautioned that no statements contained in this Form 10-QSB should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those identified within this Form 10-QSB. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this Form 10-QSB and in the Company's other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business.

Overview

Entheos Technologies, Inc. (the Company), through its wholly-owned subsidiary Email Solutions, Inc., serves as an Application Service Provider providing reliable, real time, high volume outsourced email and search engine optimization services.

The Company is a Nevada corporation with an authorized capital of 200,000,000 shares of $0.00001 par value common stock, of which 96,625,122 shares are outstanding and 10,000,000 shares of $0.0001 par value preferred stock, of which none are outstanding.

Plan of Operation

The Company is currently seeking to augment its position in technology based services through the acquisition of and or joint venture with, other technology based ventures. Additionally, the Company is engaged in the development of search engine optimization, and search engine results-positioning and marketing services.

The Company s principal source of liquidity is cash in bank, which we anticipate will be sufficient to fund our operations for the next twelve months. The Company's future funding requirements will depend on numerous factors, including the time and investment required to source out and invest in promising technology-based ventures, to recruit and train qualified management personnel and the Company's ability to compete against other, better capitalized corporations in similar businesses.

Due to the "start up" nature of the Company's businesses, the Company expects to incur losses as it expands. The Company expects to raise additional funds through private or public equity investment in order to expand the range and scope of its business operations. The Company will seek access to private or public equity but there is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all. See "Risk Factors" for additional details.

Liquidity and Capital Resources

As at March 31, 2006, the Company had a cash balance of $61,804. The Company has financed its operations primarily through cash on hand during the three month period ending March 31, 2006.

Net cash flows used in by operating activities was $20,174 for the three month period ending March 31, 2006, compared to net cash flows used of $13,062 for the same period in 2005, primarily due to a increase net loss from operations and a decrease in accounts payable. The Company believes it has sufficient cash to satisfy its cash requirements for the next twelve months.

The Company's future funding requirements will depend on numerous factors. These factors include the Company's ability to operate its business profitably in the future, recruit and train qualified management, technical and sales personnel, and the Company's ability to compete against other, better-capitalized corporations. The Company has adequate cash to satisfy its cash requirements over the next twelve months. The Company may raise additional funds through private or public equity investment in order to expand the range and scope of its business operations. There is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all.

Related Party Transactions

Accounts Payable: As of March 31, 2006, the Company owed $23,812 for outstanding management fees to a director, which is included in accounts payable related party.

Marketable Equity Securities: Marketable securities consist of 2,402,500 shares of common stock of International Energy, Inc., a public company that trades on the OTC Bulletin Board, with an estimated fair value of $2,402,500, amortized cost of $48,050, and gross unrealized gains of $2,354,450, which was credited to accumulated other comprehensive income representing the difference between the cost and the stated market value as determined by the most recently traded price at the balance sheet date. The Company and International Energy Inc. have a director in common.

Reconciliation of unrealized gains included in other comprehensive income for the three months ended March 31, 2006:

	Three months ended March 31, 2006	Year ended December 31, 2005
Balance, beginning of period	$1,489,550	$318,331
Unrealized holding gains during the period	912,950	1,171,219
Balance, end of period	$2,402,500	$1,489,550

Properties: The Company's corporate office, located at Suite 216, 1628 West 1st Avenue, Vancouver, British Columbia, Canada, is owned by a privately held corporation controlled by a director and majority shareholder of the Company. As of March 31, 2006, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount involved is immaterial.

Off-Balance Sheet Items

The Company currently has no off-balance sheet items.

Critical Accounting Policies

Our discussion and analysis or plan of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.