

Edgar Filing: Midland International CORP - Form 10QSB

Midland International CORP
Form 10QSB
November 20, 2006

As filed with the Securities and Exchange Commission on November 20, 2006

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 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, 2006

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File No. 0-28315

MIDLAND INTERNATIONAL CORPORATION
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada
(State or Other Jurisdiction
of Incorporation)

84-1517404
(I.R.S. Employer Identification No.)

12650 Jane Street
King City, Ontario, Canada L7B 1A3
(Address of Principal Executive Offices)

(905) 833-9845
(Issuer's Telephone Number, Including Area Code)

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 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 21, 2006, the number of common stock outstanding was 33,417,654.

=====

Midland International Corporation
(A Development Stage Company)

INDEX

PART I Financial Information

Edgar Filing: Midland International CORP - Form 10QSB

Item 1. Condensed Financial Statements (unaudited)
 Condensed Balance Sheet..... 3
 Condensed Statements of Operations..... 4
 Condensed Statements of Stockholders' Equity..... 5
 Condensed Statements of Cash Flows..... 7
 Notes to Condensed Financial Statements..... 8

Item 2. Management's Discussion and Analysis.....13

Item 3. Controls and Procedures.....18

PART II. Other Information

Item 1. Legal Proceedings.....19

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds...19

Item 3. Defaults Upon Senior Securities.....19

Item 4. Submission of Matters to a Vote of Security Holders.....19

Item 5. Other Information.....19

Item 6. Exhibits.....21
 A) Exhibit 31
 B) Exhibit 32

Signatures.....20

PART I. Financial Information

Item 1. Condensed Financial Statements

Midland International Corporation
 (A Development Stage Company)
 Condensed Balance Sheet
 September 30, 2006
 (UNAUDITED)

September 30, 2006
 (Unaudited)

ASSETS

Current Assets:

Cash and cash equivalents \$ --

 TOTAL ASSETS \$ --

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:

Edgar Filing: Midland International CORP - Form 10QSB

Bank overdraft	\$ 396
Accounts payable and accrued liabilities	133,449
Due to related parties (Note 4)	748,208
<hr/>	
Total current liabilities	882,053
<hr/>	
Stockholders' equity (deficit)	
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, No shares issued and outstanding	--
Common stock, \$0.001 par value, 100,000,000 shares authorized, 33,417,654 shares issued and outstanding at September 30, 2006	33,418
Additional paid-in capital	647,642
Accumulated deficit	(1,563,113)
<hr/>	
Total stockholders' deficiency	(882,053)
<hr/>	
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ --
<hr/>	

See accompanying notes to financial statements.

3

Midland International Corporation
(A Development Stage Company)
Condensed Statements of Operations
(UNAUDITED)

	Three months ended September 30		Six Se
	2006	2005	2006
	<hr/>		
Revenues	\$ --	\$ --	\$
Cost of sales	--	--	
<hr/>			
Gross profit	--	--	
Operating expenses:			
Management fees	--	129,000	
Office and general	7,702	7,376	9,4
Professional and consulting	17,500	74,704	63,9
Amortization	--	--	
<hr/>			
Total operating expenses	25,202	(211,080)	73,3
<hr/>			
Net loss before other expenses and income taxes	(25,202)	(211,080)	(73,3
<hr/>			
Other expenses			
Interest expense	8,564	6,779	17,3
Realized loss on disposal of assets	--	--	
Write off of intangible assets	--	--	
<hr/>			

Edgar Filing: Midland International CORP - Form 10QSB

Total other expenses	8,564	6,779	17,3

Net loss before income taxes	(33,766)	(217,859)	(90,6

Provision for income taxes	--	--	

Net loss	\$ (33,766)	(217,859)	\$ (90,6
=====			
Weighted average number of common shares outstanding - Basic and diluted	33,417,654	30,512,239	33,408,3
Loss per share of common stock - Basic and diluted	\$ (0.001)	\$ (0.007)	\$ (0.0

See accompanying notes to financial statements.

4

Midland International Corporation
(A Development Stage Company)
Condensed Statement of Change in Stockholders' Deficiency
May 1, 1996 to September 30, 2006
(UNAUDITED)

	Common Stock			
	Shares	Amount	Additional Paid-in Capital	Accumulated Income (Deficit)

Balance, May 1, 1996	--	\$ --	--	--

Issuance of common stock	24,000,000	24,000	(23,700)	--
Net loss for the period from inception to March 31, 2004	--	--	--	(19,186)

Balance, March 31, 2004	24,000,000	\$ 24,000	(23,700)	(19,186)

Exchange of debt for equity	--	--	30,500	--
Shares issued as consideration for assets purchased	3,000,000	3,000	71,503	--
Common stock issued for services	78,000	78	59,922	--
Issuance of common stock pursuant to private placements	1,250,000	1,250	213,750	--

Edgar Filing: Midland International CORP - Form 10QSB

Common stock issued for consulting services provided	650,000	650	64,350	--
Net loss for the year ended March 31, 2005	--	--	--	(558,404)
Balance, March 31, 2005	28,978,000	\$ 28,978	416,325	(577,590)
Issuance of common stock pursuant to cash received in prior period	900,000	900	(900)	--
Issuance of common stock pursuant to private placements	600,000	600	59,400	--
Common stock issued for consulting services provided	350,000	350	64,650	--
Issuance of common stock pursuant to private placements	2,400,000	2,400	100,297	--
Cash received for shares issued after year end	--	--	8,060	--
Net loss for the period ended March 31, 2006	--	--	--	(894,850)
Balance, March 31, 2006	33,228,000	\$ 33,228	647,832	(1,472,440)

See accompanying notes to financial statements.

5

Midland International Corporation
(A Development Stage Company)
Condensed Statement of Change in Stockholders' Deficiency
April 1, 2006 to September 30, 2006
(UNAUDITED)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Income (Deficit)	Stockhol Deficie
Balance, March 31, 2006	33,228,000	\$ 33,228	647,832	(1,472,440)	(791
Common stock issued for cash received before year end	189,654	190	(190)	--	

Edgar Filing: Midland International CORP - Form 10QSB

Net loss for the period ended September 30, 2006	--	--	--	(90,673)	(9
Balance, September 30, 2006	33,417,654	\$ 33,418	647,642	(1,563,113)	(88

See accompanying notes to financial statements.

6

Midland International Corporation
(A Development Stage Company)
Condensed Statements of Cash Flows
(UNAUDITED)

	Six Months Ended September 30,	
	2006	
Net cash used in operations		
Net loss	\$ (90,673)	\$
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	--	
Loss on disposal of capital asset	--	
Writedown of intangible assets	--	
Bad debt expense	--	
Common stock for consulting services provided	--	
Changes in operating assets and liabilities:		
Accounts receivable	--	
Inventory	--	
Prepaid expenses	--	
Accounts payable and accrued liabilities	25,347	
Net cash used in operating activities	(65,326)	
Cash flows provided by investing activities:		
Proceeds from disposition of capital assets	--	
Net cash provided by investing activities:	--	
Cash flows provided by financing activities:		
Increase (decrease) in bank indebtedness	292	
Proceeds from the Issuance of common stock	--	
Proceeds from due to related parties	65,034	
Net cash provided by financing activities:	65,326	

Edgar Filing: Midland International CORP - Form 10QSB

Increase in cash			--
Cash, beginning of period			--
Cash, end of period		\$	-- \$

Supplemental Cash Flow Information:

	Six Months Ended		(I S
	September 30,		
	2006	2005	
Income Taxes Paid	\$ --	\$ --	
Interest Paid	\$ --	\$ --	
Non-Cash Investing and Financing Activities			
Shares issued as consideration for technology development	\$ --	\$ --	
Shares issued as consideration for assets purchased	\$ --	\$ --	
Issuance of common stock for consulting services	\$ --	\$ --	

See accompanying notes to financial statements.

Midland International Corporation
(A Development Stage Company)

Notes to the Condensed Financial Statements
September 30, 2006
(Unaudited)

Note 1 - Basis of Presentation and business operations

Basis of presentation - Going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. As shown in the accompanying financial statements, the Company had assets of \$Nil, a working capital deficit of \$882,053 and an accumulated deficit of \$1,563,113 at September 30, 2006. As a result, substantial doubt exists about the Company's ability to continue to fund future operations using its existing resources.

In the past the Company's operations were funded through private placement of common equity, the sale of certain assets and loans from related parties. Although the amounts due to related are reflected as current liabilities, there

Edgar Filing: Midland International CORP - Form 10QSB

are no specific repayment terms. In order to ensure the success of the new business, the Company will have to raise additional financing to satisfy existing liabilities and to provide the necessary funding for future operations.

The accompanying condensed unaudited financial statements of Midland International Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management of the Company, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month period ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ending March 31, 2007. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended March 31, 2006.

Business operations

The Company was originally incorporated in the State of Colorado on May 1, 1996 as Grand Canyon Ventures Two, Incorporated. The Company changed its name to Azonic Engineering Corporation on September 23, 1998. On November 12, 1999 it was re-domiciled to the State of Nevada by merging into its wholly owned subsidiary Azonic Corporation, a Nevada corporation. On July 21, 2005 the Azonic Corporation changed its name to Midland International Corporation (referred to herein as "Midland," the "Company," Registrant" and "Issuer").

Note 2 - Recent developments

The Company announced that on July 12, 2006, Mr. Gary Hokkanen voluntarily resigned as Chief Financial Officer of the Company. Mr. Hokkanen has served in this capacity since October 2004. In the interim, Mr. Simmonds will act as Chief Financial Officer of the Company. This resignation was voluntary, neither involved a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

8

Note 3 - Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates, and such differences could be material.

Cash and cash equivalents

Edgar Filing: Midland International CORP - Form 10QSB

Cash and cash equivalents include time deposit, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less. The Company maintains cash and cash equivalents at financial institutions, which periodically exceed federal insured amounts.

Development stage

The Company has operated as a development stage enterprise since its inception by devoting substantially all of its efforts to financial planning, raising capital, research and development, and developing markets for its products. Accordingly, the financial statements of the Company have been prepared in accordance with the accounting and reporting principles prescribed by SFAS No. 7, "Accounting and Reporting by Development Stage Enterprises," issued by FASB.

The Company was substantially inactive from May 1, 1996 through September 30, 2004. Activities began on or about October 1, 2004.

Fair value of financial instruments

The carrying value of receivables, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, and customer deposits approximates fair value because of the short maturity of these instruments. The carrying value of long-term debt and due to and from related parties also approximates fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Income taxes

The Company provides for income taxes using the asset and liability method as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under the assets and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Additionally, a valuation allowance is established when necessary to reduce deferred income tax assets to the amounts expected to be realized. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

9

Basic and diluted earnings (loss) per share

The Company reports basic earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings (loss) per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share includes the potentially dilutive effect of outstanding common stock options and warrants which are convertible to common shares.

Foreign Currency Translation

The functional currency of the Company is the United States dollars. However, some of the transactions occurred in Canadian dollars which has been translated into US dollars, the reporting currency, in accordance with Statement of

Edgar Filing: Midland International CORP - Form 10QSB

Financial Accounting Standards No. 52 "Foreign Currency Translation". Assets and liabilities are translated at the exchange rate at the balance sheet date and revenue and expenses are translated at the exchange rate at the date those elements are recognized. Any translation adjustments resulting are not included in determining net income but are included in other comprehensive income.

Recent issued accounting standards

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments" which amends SFAS No. 133 and SFAS No. 140. SFAS No. 155 permits hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation to irrevocably be accounted for at fair value, with changes in fair value recognized in the statement of income. The fair value election may be applied on an instrument-by-instrument basis. SFAS No. 155 also eliminates a restriction on the passive derivative instruments that a qualifying special purpose entity may hold. SFAS No. 155 is effective for those financial instruments acquired or issued after December 1, 2006. At adoption, any difference between the total carrying amount of the individual components of the existing bifurcated hybrid financial instrument and the fair value of the combined hybrid financial instrument will be recognized as a cumulative-effect adjustment to beginning retained earnings. The Company does not expect the new standard to have any material impact on our financial position and results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140." SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. The standard permits an entity to subsequently measure each class of servicing assets or servicing liabilities at fair value and report changes in fair value in the statement of income in the period in which the changes occur. SFAS No. 156 is effective for the Company as of December 1, 2006. The Company does not expect the new standard to have any material impact on our financial position and results of operations.

10

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ended March 31, 2009. The Company is currently evaluating the impact of SFAS 157 on its financial statements.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 is effective for an employer with publicly traded equity securities as of the end of the first fiscal year ending after December 15, 2006. SFAS 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, effective for fiscal years ending after December 15, 2008. As such, the Company is required to recognize the funded status of its defined benefit postretirement plan and to provide the required disclosures at the beginning of the fiscal year

Edgar Filing: Midland International CORP - Form 10QSB

ended March 31, 2007. The Company is currently evaluating the impact of SFAS 158 on its financial statements.

Note 4 - Related Party Transactions

Periodically expenses of the Company are paid by related parties on behalf of the Company. These transactions result in non-interest bearing payables to related parties with no specific terms of repayment other than described below. At September 30, 2006, amounts due to related parties amounted to \$748,208. Related parties of the Company include entities under common management.

On December 31, 2005, the Company terminated the management services agreement and provided Wireless Age Communications, Inc. an 8% promissory note in the amount of \$424,734, pursuant to which the Company agreed to repay the note over a one year period with an initial payment of \$100,000 on March 15, 2006, followed by three payments of \$108,244.66 on June 30, 2006, September 30, 2006 and December 31, 2006. The Company also agreed to enter into a General Security Agreement providing a first charge security position on all of the assets of the Company to Wireless Age. According to the terms of the promissory note, Wireless Age has the option, but not the obligation, to convert the outstanding principal and interest payment due on each of June 30, 2006, September 30, 2006 and December 31, 2006 into shares of the Company's common stock at \$0.035 per share. At June 30, 2006, the Company was in default under the terms of the promissory note. The Company received an additional cash advance of \$4,380 since December and interest of \$25,856 was accrued on the note based on the terms of the promissory note.

The Company was obligated to pay Simmonds Mercantile and Management Inc. ("Simmonds Mercantile") \$20,000 per month for certain executive level management services. The Company's head office was also located at the offices of Simmonds Mercantile. Simmonds Mercantile is solely owned by the Company's CEO John Simmonds. The Company and Simmonds Mercantile agreed to cancel this agreement as of April 1, 2006. At September 30, 2006, Simmonds Mercantile was owed \$153,024 for unpaid management services. King Stables an entity also owned by John Simmonds was owed \$104,214 by the Company.

11

Pursuant to the terms of consulting services agreement with David Smardon, a shareholder and director the Company, the Company was obligated to pay \$3,000 per month for his strategic consulting services. The Company and Dave Smardon agreed to cancel this agreement as of April 1, 2006. At September 30, 2006 the Company owed \$36,000 for consulting services provided.

At September 30, 2006, the amounts due to related parties were:

Wireless Age Communications, Inc. Secured Promissory Note (including accrued interest)	\$	454,970
Simmonds Mercantile and related entities		257,238
David Smardon		36,000

	\$	748,208

12

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

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Annual Report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve risks and uncertainties. These forward-looking statements relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market and statements regarding the Company's goals. The Company's actual results, performance, or achievements expressed or implied in such forward-looking statements may differ.

BACKGROUND

The Company was incorporated in the State of Colorado on May 1, 1996 as Grand Canyon Ventures Two, Incorporated. The Company changed its name to Azonic Engineering Corporation on September 23, 1998. On November 12, 1999, it was re-domiciled to the State of Nevada by merging into its wholly owned subsidiary Azonic Corporation ("Company"), a Nevada corporation. On July 21, 2005 the Company officially changed its name to Midland International Corporation ("Midland").

The Company is in the development stage in accordance with Financial Accounting Standards Board Standard No. 7. The Company has not been operational, other than described below, nor has the Company established any continuing source of revenue other than interest income since its inception.

RESULTS OF OPERATION

OVERVIEW

The Company had planned to market low-cost, wireless devices including cellular phones, but due to difficulties in assembling the necessary business partners, to be successful, is evaluating other business opportunities. During fiscal 2006, the Company disposed of all of the analog handsets and intellectual property associated with the analog business plan to a distributor. The distributor has not been successful in advancing the analog low-cost opportunity. The Company therefore is considering all available options including a complete change in business direction.

RESULTS OF OPERATIONS FOR QUARTER ENDED SEPTEMBER 30, 2006 AS COMPARED TO THE SIMILAR PERIOD ENDED SEPTEMBER 30, 2005

The Company had revenues of \$0 in the three month period ended September 30, 2006 and no revenues in the similar quarter for 2005.

The Company incurred office and general expenses of \$7,702 in the three month period ended September 30, 2006 compared to \$7,376 in the same period ended September 30, 2005. Office and general expenses include travel, communications and other similar costs associated with operating the business in its current state of evolution.

The Company incurred management fees of \$0 in the three month period ended September 30, 2006 compared to \$129,000 in the same period ended September 30, 2005. The decrease is the result of the discontinuation of the management fee agreements with Simmonds Mercantile (\$20,000 per month) and Dave Smardon (\$3,000 per month) cancelled on April 1, 2006. The remainder of the decrease is the result of the discontinuation of the management agreement with Wireless Age cancelled on December 31, 2005.

Edgar Filing: Midland International CORP - Form 10QSB

13

The Company incurred professional and consulting fees of \$17,500 in the three month period ended September 30, 2006 compared to \$74,704. in the same period ended September 30, 2005. These fees include consulting, legal and accounting fees incurred to keep the Company's filings in good standing. The decrease is the result of a decline in the business activities of the Company.

The Company accrued interest of \$8,564 under a secured promissory note to a related party in the three months period ended September 30, 2006.

The net loss was (\$33,766) in the three month period ended September 30, 2006 compared to (\$217,859) in the same period ended September 30, 2005. Loss per share was (\$0.001) in 2006 compared to (\$0.007) in 2005.

RESULTS OF OPERATIONS FOR SIX MONTH ENDED SEPTEMBER 30, 2006 AS COMPARED TO THE SIMILAR PERIOD ENDED SEPTEMBER 30, 2005

The Company had revenues of \$0 in the six month period ended September 30, 2006 and no revenues in the similar quarter for 2005.

The Company incurred office and general expenses of \$9,429 in the six month period ended September 30, 2006 compared to \$11,617 in the same period ended September 30, 2005. Office and general expenses include travel, communications and other similar costs associated with operating the business in its current state of evolution.

The Company incurred management fees of \$0 in the six month period ended September 30, 2006 compared to \$258,000 in the same period ended September 30, 2005. The decrease is the result of the discontinuation of the management fee agreements with Simmonds Mercantile (\$20,000 per month) and Dave Smardon (\$3,000 per month) cancelled on April 1, 2006. The remainder of the decrease is the result of the discontinuation of the management agreement with Wireless Age cancelled on December 31, 2005.

The Company incurred professional and consulting fees of \$63,927 in the six month period ended September 30, 2006 compared to \$138,858 in the same period ended September 30, 2005. These fees include consulting, legal and accounting fees incurred to keep the Company's filings in good standing. The decrease is the result of a decline in the business activities of the Company.

The Company accrued interest of \$17,317 under a secured promissory note to a related party in the six months ended September 30, 2006.

The net loss was (\$90,673) in the six month period ended September 30, 2006 compared to (\$415,254) in the same period ended September 30, 2005. Loss per share was (\$0.003) in 2006 compared to (\$0.014) in 2005.

Management is considering all available options including a complete change in business direction and expects the operating losses to continue until the necessary business operations are assembled.

14

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of results of operations and financial condition are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of

Edgar Filing: Midland International CORP - Form 10QSB

America (GAAP). The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management evaluates the estimates on an on-going basis, including those related to bad debts, inventories, investments, customer accounts, intangible assets, income taxes, and contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that they believe 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. Note 3 of the "Notes to Condensed Financial Statements" includes a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements. The following is a brief description of the more significant accounting policies and methods the Company uses.

Intangibles Assets

The Company regularly reviews all of its long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant negative industry or economic trends. When management determines that an impairment review is necessary based upon the existence of one or more of the above indicators of impairment, the Company measures any impairment based on a projected discounted cash flow method using a discount rate commensurate with the risk inherent in our current business model. Significant judgment is required in the development of projected cash flows for these purposes including assumptions regarding the appropriate level of aggregation of cash flows, their term and discount rate as well as the underlying forecasts of expected future revenue and expense. To the extent that events or circumstances cause assumptions to change, charges may be required which could be material.

Effective October 1, 2005, the Company adopted SFAS No 142, "Goodwill and Other Intangible Assets". SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under prescribed conditions) for impairment in accordance with this statement. If the carrying amount of the reporting unit's goodwill or indefinite-lived intangible assets exceeds the implied fair value, an impairment loss is recognized for an amount equal to that excess. Intangible assets that do not have indefinite lives are amortized over their useful lives.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities income taxes payable and customer deposits approximates fair value because of the short maturity of these instruments. The carrying value of due to related parties also approximates fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Edgar Filing: Midland International CORP - Form 10QSB

Total assets of the Company were \$0 at March 31, 2006 and \$0 at September 30, 2006.

Total liabilities of the Company increased from \$791,380 at March 31, 2006 to \$882,053 at September 30, 2006. The increase is the result of an increase in accounts payables and additional borrowings from related parties due to the lack of cash resources.

The stockholders' deficit increased from (\$791,380) at March 31, 2006 to (\$882,053) at September 30, 2006. The increase is attributable to the net loss for the period. (See Statement of Change in Stockholders' Deficiency contained in the financial statements).

The Company's accumulated deficit increased from (\$1,472,440) at March 31, 2006 to (\$1,563,113) at September 30, 2006 as a result of the (\$90,673) loss for the six month period.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2006, the Company had a working capital deficit of \$882,053. The Company is largely reliant upon the ability of the Company to arrange equity private placements or alternatively advances from related parties to pay any expenses incurred. In addition to normal accounts payable of \$133,449 the Company also owes related parties \$748,208 and there is a bank overdraft of \$396. Its only source for capital could be loans or private placements of common stock.

The Company remains in the development stage and, since inception, has experienced significant liquidity problems and has no significant capital resources at September 30, 2006.

Plan of Operations and Need for Additional Funding

The current cash resources are insufficient to support the business over the next 12 months and the Company is unable to carry out any plan of business without funding. The Company cannot predict to what extent its current lack of liquidity and capital resources will impair the business operations whether it will incur further operating losses. There is no assurance that the Company can continue as a going concern without substantial funding. Management has taken steps to begin sourcing the necessary funding to begin to execute the business plan.

The Company estimates it will require approximately \$150,000 to cover legal, accounting, transfer, consulting and the miscellaneous costs of being a reporting company in the next fiscal year.

The Company does not intend to pursue or fund any research or development activities during the coming year.

The Company does not intend to add any additional part-time or full-time employees until the activities of the Company can support it. It may become necessary for the Company to hire a sales person or sales staff in the near future.

Going concern qualification. The Company has incurred significant losses from operations for the six month period ended September 30, 2006, and such losses are expected to continue. In addition, the Company has no working capital. The foregoing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans include seeking additional capital and/or debt financing or the possible sale of the Company. There is no guarantee that additional capital and/or debt financing will be available when and to the extent required, or that if available, it will be on terms acceptable to the

Edgar Filing: Midland International CORP - Form 10QSB

Company. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

16

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company does not have any contractual debt obligations and or any other commercial commitments that represent prospective cash requirements in addition to any capital expenditure programs. The portion of due to related that relates to Wireless Age is secured by a promissory note. (see details described in the Notes to the Financial Statements.) As of April 1, 2006 the Company is no longer obligated to pay \$20,000 monthly management fee to a related party for management services or \$3,000 per month to the Chairman of the Board for strategic consulting services. The Company shares its premises with Simmonds Mercantile and Management Inc. an entity with a common officer. The Company pays no rent for the premises.

17

Item 3. Controls and Procedures

a. Evaluation of Disclosure Controls and Procedures:

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

b. Changes in Internal Control over Financial Reporting:

There were no changes in the Company's internal control over financial reporting identified in connection with the Company evaluation of these controls as of the end of the period covered by this report that could have significantly affected those controls subsequent to the date of the valuation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

18

PART II. Other Information

Edgar Filing: Midland International CORP - Form 10QSB

Item 1. Legal Proceedings

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

The Company was in default on September 30, 2006 under a secured promissory note with a related party. The default is on going after September 30, 2006.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

Exhibits - Exhibits 31 and 32 (Sarbanes-Oxley)

19

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.

DATE: November 20, 2006

BY: /s/ John G. Simmonds

John G. Simmonds
CEO/CFO/Director

20