

E-SMART TECHNOLOGIES INC
Form 10QSB/A
February 29, 2008
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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Form 10-QSB/A

(Mark One)

- Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended: June 30, 2007**
- Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition
period from _____ to _____.**
Commission File No: 0-30717

e-SMART TECHNOLOGIES, INC.

(Name of small business in its charter)

Nevada
(State or other jurisdiction of incorporation)

88-0409261
(IRS Employer Id. No.)

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526 West 26th Street, Suite 710, New York, NY 10001

(Address of Principal Office including Zip Code)

Issuer's telephone Number: (212) 727-3790

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, \$.001 par value, **628,918,509 shares** at June 30, 2007.

Transitional Small Business Disclosure Format (Check one): 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

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e-SMART TECHNOLOGIES, INC. & SUBSIDIARIES
FORM 10-QSB/A QUARTER ENDED JUNE 30, 2007

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed consolidated balance sheet of the Registrant at June 30, 2007, the audited balance sheet at December 31, 2006, and the unaudited condensed consolidated statements of operations, shareholders' equity (deficiency), and cash flows for the six months and three months ended June 30, 2007 and June 30, 2006 follow. The unaudited condensed consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the periods presented.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	<i>[Unaudited]</i> June 30, 2007	<i>[Audited]</i> December 31, 2006
Assets		
Current assets -		
Cash	\$ 107,382	\$ 49,845
Prepaid expenses	12,012	7,558
Total current assets	119,394	57,403
Equipment, net	39,708	41,446
License of smart card technology, net of amortization	89,645	92,860
Officers' advances		11,549
Lease deposit	88,959	79,713
Total assets	\$ 337,706	\$ 282,971
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities -		
Current portion of notes payable	\$ 59,927	\$ 509,927
Accounts payable	1,576,624	1,286,904
Accrued officers' compensation		544,285
Accrued expenses	7,842	76,660
Total current liabilities	1,644,393	2,417,776
Note Payable - long-term		1,946,394
Total liabilities	1,644,393	4,364,170
Shareholders' Equity (Deficiency) -		
Preferred Stock, \$0.001 par value, 20 million shares authorized; 17.5 million and -0- shares issued and outstanding in 2007 and 2006, respectively	17,500	
Common shares, \$0.001 par, 730 million shares authorized; 628,918,509 and 242,540,441 shares issued and outstanding in 2007 and 2006, respectively	628,918	242,540
Additional paid in capital	90,823,131	70,954,225
Deficit accumulated during development stage	(92,776,236)	(75,277,964)
Total shareholders' equity (deficiency)	(1,306,687)	(4,081,199)
Total liabilities and shareholders' equity (deficiency)	\$ 337,706	\$ 282,971

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

[Unaudited]

	Six Months Ended June 30,		Three Months Ended June 30,		January 1,
	2007	2006	2007	2006	2001 (inception of development period) to June 30, 2007
Revenue	\$	\$	\$	\$	\$
Operating expenses:					
Research and development	2,666,870	327,574	2,507,870	175,099	17,817,179
Marketing, general and administrative	14,718,191	1,698,461	12,385,405	880,946	74,486,029
Interest	111,911	101,008	58,936	55,000	462,928
Total operating expenses	17,496,972	2,127,043	14,952,211	1,111,045	92,766,136
Loss before provision for Income taxes	(17,496,972)	(2,127,043)	(14,952,211)	(1,111,045)	(92,766,136)
Provision for income taxes	1,300	1,500	650	460	10,100
Net Loss	\$ (17,498,272)	\$ (2,128,543)	\$ (14,952,861)	\$ (1,111,505)	\$ (92,776,236)
Loss per share	\$ (0.05)	\$ (0.01)	\$ (0.04)	\$ (0.00)	\$ (0.50)
Weighted average number of common shares outstanding	358,575,737	200,000,000	430,299,037	200,000,000	185,669,223

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF

SHAREHOLDERS EQUITY (DEFICIENCY)

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	
<i>[Audited]</i>							
Balance January 1, 2006		\$	200,000,000	\$ 200,000	\$ 63,777,497	\$ (67,507,910)	\$ (3,530,413)
Issuance of shares in relation to related party borrowings			20,990,441	20,990	4,150,278		4,171,268
Issuance of shares for services			21,550,000	21,550	3,026,450		3,048,000
Net loss						(7,770,054)	(7,770,054)
Balance, December 31, 2006			242,540,441	242,540	70,954,225	(75,277,964)	(4,081,199)
<i>[Unaudited]</i>							
Balance, January 1, 2007			242,540,441	242,540	70,954,225	(75,277,964)	(4,081,199)
Issuance of shares for services			112,813,844	112,814	10,459,428		10,572,242
Issuance of shares in relation to related party borrowings			145,064,224	145,064	4,555,478		4,700,542
Issuance of shares pursuant to Plan of Reorganization	17,500,000	17,500			(17,500)		
Issuance of shares in payment of license fee			128,500,000	128,500	4,871,500		5,000,000
Net loss						(17,498,272)	(17,498,272)
Balance, June 30, 2007	17,500,000	\$ 17,500	628,918,509	\$ 628,918	\$ 90,823,131	\$ (92,776,236)	\$ (1,306,687)

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

	Six Months Ended June 30,		January 1,2001 (inception of (development) period to June 30, 2007
	2007	2006	
Cash flows from Operating Activities -			
Net loss	\$ (17,498,272)	\$ (2,128,543)	\$ (92,776,236)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock and common stock options for services	10,572,242		69,568,742
Issuance of common stock in payment of license fee	5,000,000		5,000,000
Depreciation and amortization	11,695	8,256	89,131
Bad debt expense			312,505
Changes in assets and liabilities -			
Increase in prepaid expenses	(4,454)	(3,693)	(12,012)
Decrease in officers' advances	11,549	31,689	
Increase in accounts payable	289,720	171,297	1,576,624
Increase (decrease) in accrued expenses	(613,103)	178,971	280,082
Net Cash Used in Operating Activities	(2,230,623)	(1,742,023)	(15,961,164)
Cash Flows from Investing Activities -			
Acquisition of equipment	(6,742)	(10,710)	(89,884)
Purchase of technology licenses			(128,600)
Advances to Biosensor, LLC			(312,505)
(Addition) reduction of lease deposit	(9,246)	(7,835)	(88,959)
Net Cash Used in Investing Activities	(15,988)	(18,545)	(619,948)
Cash Flows from Financing Activities -			
Increase (decrease) in advances from			
Intermarket Ventures, Inc., a related party	(2,396,394)	1,995,133	4,566,861
Proceeds from other borrowings, net			47,500
Proceeds from issuances of shares			7,373,591
Shares issued in relation to related party borrowings	4,700,542		4,700,542
Net Cash Provided by Financing Activities	2,304,148	1,995,133	16,688,494
Net Increase (decrease) in cash	57,537	234,565	107,382
Cash at Beginning of Period	49,845	164,584	
Cash at End of Period	\$ 107,382	\$ 399,149	\$ 107,382
Supplemental non-cash financing activities -			
Issuance of shares for services	\$ 10,572,242	\$	\$ 69,568,742
Issuance of shares for license fee	5,000,000		5,000,000

See notes to condensed consolidated financial statements.

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e-SMART TECHNOLOGIES, INC. & SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

The Company has been in the development stage since the commencement of its operations on January 1, 2001. The accompanying unaudited consolidated financial statements include the accounts of the Registrant and those of its wholly-owned subsidiaries e-Smart Korea, Inc. and e-Smart Systems, Inc., and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2007 and 2006, are not necessarily indicative of the results that may be expected for the respective years ended December 31, 2007 and 2006.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related footnotes included in the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006, supplemented by the notes included herein. Certain prior year amounts disclosed in the accompanying financial statements and notes thereto have been reclassified to conform to the current period's presentation.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Letter of Comment

From time to time the Staff of the Securities and Exchange Commission's Division of Corporate Finance may examine the periodic reports of a Registrant for compliance and form and forward to the Registrant comments relating to the content of such prior filings (Letters of Comment). The Company seeks to respond to all Letters of Comment received addressing any and all issues raised, including the filing of amended quarterly and annual reports as appropriate.

Note 3 Related Party Transactions

The Company is the owner of technology licenses which grant the Company the exclusive right to market the technology in particular territories. The three territories covered are the People's Republic of China, the remainder of Asia and the United States of America. The licenses, which have a term of twenty years commencing January 1, 2001, were granted to the Company by IVI Smart Technologies, Inc. (IVI).

During 2005 and 2006 the respective boards and shareholders of the Company and IVI approved a Plan of Reorganization (the Plan) which provided for the issuance of preferred stock to IVI and the Company's founders in relation to their forgiveness of indebtedness and surrender of

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common shares, options and warrants. On May 4, 2007, pursuant to the Plan, the Company issued 17,500,000 preferred shares in exchange for the cancellation by IVI of its right to receive common shares and the cancellation by the founders of options they owned on 83,000,000 common shares. The preferred shares have the immediate right to cast 70% of the votes to which the Company's securities are entitled at any election. The board has agreed to retain an expert to advise it regarding valuation of technology licenses and certain rights, dividends, and redemption features for the preferred shares. Until the Company receives such expert advice, it has recorded the preferred shares at its par value.

During the three months ended June 30, 2007, the Company issued 145,064,225 common shares in relation to the cancellation of an aggregate of \$4,700,542 of indebtedness due by the Company to Intermarket Ventures, Inc., IVI's parent (Intermarket), IVI, the Company's President, or their assigns.

In July 2007, the board approved the issuance of 128,500,000 common shares to IVI in relation to technology licenses and in exchange for a permanent reduction in the amount of royalties due IVI under the Korean license agreement. The shares were recorded at the discounted present value of the royalties cancelled over the project's estimated revenue life, \$5,000,000, and included in operating expense at June 30, 2007.

Intermarket, together with its two principal stockholders (the Company's President and Chief Executive Officer Mary A. Grace and its Chief Technology Officer Tamio Saito), continue to own a substantial percentage of the common stock of the Company and will continue to have the ability to materially influence the direction of the Company, its efforts in raising the additional capital critical to its success, and the strategies employed in commercialization of the licensed technology.

Note 4 Going Concern

The Registrant's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, the Registrant had negative working capital at June 30, 2007, of \$1,524,999. In addition, the Registrant has incurred an accumulated deficit of \$(92,776,336) through June 30, 2007. The Registrant is dependent upon the efforts of its management to raise proceeds from continued debt or equity placements to sustain the research and development and ultimate commercialization of their respective interests in the Super Smart Card technology. The Registrant's ability to continue to receive the necessary level of funding support through the efforts of its management cannot be guaranteed. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Registrant is unable to continue as a going concern.

Note 5 Contingencies

The Securities and Exchange Commission has advised the Company that it is conducting an investigation. The Company is cooperating with this proceeding. Management cannot determine the effect, if any, that the investigation will have on the results of operations and financial condition.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plan of Operation

Since the inception of our development period on January 1, 2001, and continuing through June 30, 2007, our primary source of funds have been private placements of our equity securities to accredited investors and loans from IVI and Intermarket. We presently expect that this dependence will continue until our first system starts to generate sufficient cash flow to cover our operating costs. As of the date of this Report, we expect this dependence to continue until the third or fourth quarter of 2007. Based upon our current and planned 2007 rate of operating commitments, we will require approximately \$25,000,000 in additional funding during this period. Although management has identified several potential sources of institutional capital, there can be no assurance that we will be able to successfully obtain all or a portion of the funds required to commence commercial operations.

Over the next 12 months we expect to continue our marketing and research and development efforts and to implement our first system, demonstrating the viability of our Super Smart Card and BVS2 based products and related technologies.

Our ability to maintain what we believe to be the state-of-the-art quality of our Super Smart Card and BVS2 system and related technologies is dependent upon our ability to continue to improve our products functionality and durability, and to reduce their cost of manufacture. In addition, we are constantly trying to find and develop new products that enhance the functionality of our BVS2 platform. This research and development is expected to continue throughout 2007 and well into 2008. Accordingly, the Company expects to continue to be dependent upon funds from existing accredited, subject to the same risks enumerated in the preceding paragraph.

We are constantly acquiring equipment in connection with our research and development activities. Our planned 2007 budget is approximately \$5,000,000 for such acquisitions, but could change depending upon our rate of accomplishment in the anticipated sales of one or more systems. Should such sales occur, we will also require an operations and testing center near those customers' offices as a condition of contract.

As of May 31, 2007, the Registrant named Richard Barrett, who had previously served as a consultant for the Company, to the position of Chief Operating Officer. The Registrant intends to continue to fill a number of key management, marketing and technology positions commensurate with our intended growth and expanded operations.

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Off-Balance Sheet Arrangements

During the six months ended June 30, 2007, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. The Company is presently negotiating certain proposed relationships, which if accepted by all parties, may contain terms that have off-balance sheet implications; see Note 12 to Consolidated Financial Statements in Item 7 of our Form 10-KSB for December 31, 2006.

Forward Looking Statements:

The following discussion contains forward-looking statements regarding the Registrant, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause the Registrant's actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include the Registrant's ability to successfully exploit its licensed technology, develop new products and new markets for its licensed technology; the impact of competition on the Registrant's proposed operations, changes in law or regulatory requirements that adversely affect or preclude customers from using the Registrant's licensed technology, delays in the Registrant's introduction of new products or services, and failure by the Registrant to keep pace with emerging technologies.

When used in this discussion, words such as believes, anticipates, expects, intends, and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Registrant undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by the Registrant in this report and other reports filed with the Securities and Exchange Commission (SEC) that attempt to advise interested parties of the risks and factors that may affect the Registrant's business.

Discussion and Analysis of the Six Months Ended June 30, 2007 and 2006

Revenues Since obtaining the license to the Super Smart Card technology in November 2000, the Registrant has been engaged in research and development efforts to enhance and broaden the technology's applications and in exploring the global market for its optimal commercialization. In the opinion of management, the Registrant's Super Smart Card is ready for commercialization. This fact notwithstanding, the Registrant is still in its development stage for accounting purposes as it has not experienced revenues in either of the six month periods ended June 30, 2007 (6M7) or June 30, 2006 (6M6).

Operating Expenses Operating expenses were \$17,496,972 for 6M7 compared to \$2,127,043 for 6M6 resulting in an increase of \$15,369,929 or 723%. This increase was principally attributable to the various engineering and consulting services and a license fee which were acquired with common shares valued at \$10,572,242 and \$5,000,000, respectively; there were no comparable charges in 6M6.

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Loss Before Taxes and Income Taxes As a result of the foregoing, loss before taxes for 6M7 was \$(17,496,972) compared to \$(2,127,043) for 6M6, upon which the Registrant's tax provision in both periods related solely to minimum franchise taxes.

Net Loss Consistent with the foregoing analysis, the Registrant reported a net loss of \$(17,498,272) or \$(0.05) per share for 6M7, compared to a net loss of \$(2,128,543) or \$(0.01) per share for 6M6, based upon weighted average shares outstanding of 358,575,737 and 200,000,000, respectively.

Discussion and Analysis of Three Months Ended June 30, 2007 and June 30, 2006

Revenues Since obtaining the license to the Super Smart Card technology in November 2000, the Registrant has been engaged in research and development efforts to enhance and broaden the technology's applications and in exploring the global market for its optimal commercialization. In the opinion of management, the Registrant's Super Smart Card is ready for commercialization. This fact notwithstanding, the Registrant is still in its development stage for accounting purposes as it has not experienced revenues in either of the three month periods ended June 30, 2007 (2Q7) or June 30, 2006 (2Q6).

Operating Expenses Operating expenses were \$14,952,211 for 2Q7 compared to \$1,111,045 for 2Q6 resulting in an increase of \$13,841,166 or 1246%. This increase was principally attributable to the various engineering and consulting services and a license fee which were acquired with common shares valued at \$8,908,150 and \$5,000,000, respectively; there were no comparable charges in 2Q6.

Loss Before Taxes and Income Taxes As a result of the foregoing, loss before taxes for 2Q7 was \$(14,952,211) compared to \$(1,111,045) for 2Q6 upon which the Registrant's provision for taxes in both periods was solely attributable to minimum state franchise taxes payable.

Net Loss Consistent with the foregoing analysis, the Registrant reported a net loss of \$(14,952,861) or \$(0.04) per share for 2Q7, compared to a net loss of \$(1,111,505) or \$(0.00) per share for 2Q6, based upon weighted average shares outstanding of 430,299,037 and 200,000,000, respectively.

Liquidity and Capital Resources The Registrant has limited working capital and is dependent upon the efforts of its management in obtaining financing for the continuation of its proposed smart card business. Currently, the Registrant does not have any existing credit facilities or similar bank borrowing arrangements. The Registrant will need to obtain additional financing in order to carry out its entire business plan. There can be no assurance that any additional financing will be available to the Registrant on acceptable terms, if at all. If the Registrant raises additional funds by issuing additional equity securities, further dilution to existing equity holders will result. If adequate additional funds are not available, the Registrant may be required to curtail significantly its long term business objectives and the Registrant still may not be able to transition out of the development stage, notwithstanding that the BVS2 systems and Super Smart Card and other smart card system technologies are ready for commercialization.

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At June 30, 2007, the Registrant had current assets of \$119,394 (including cash of \$107,382, current liabilities of \$1,644,393, and an accumulated deficit of \$(92,776,236)). The Registrant periodically evaluates its liquidity requirements, capital needs and availability of capital resources in view of its plans for commercialization of its technology, and other operating cash needs. In the opinion of Registrant's management, the Registrant is entirely dependent upon private financing during the next several months in order to sustain its current developmental efforts, commence commercial operations, and ultimately transition out of the development stage.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as of June 30, 2007, as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. Based upon this evaluation, the CEO and CFO has concluded that as of June 30, 2007, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed and summarized, within the time periods specified in the Commission's rules and forms and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. Management also acknowledged that it failed to submit its periodic filings for the first or second quarter of 2007 in a timely fashion, and continues its efforts to ensure the level of funding that is necessary for the reporting function.

Changes in Internal Controls

The Registrant made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the CEO and CFO.

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PART II OTHER INFORMATION

ITEM 5. OTHER MATTERS

As of May 2, 2007, the Registrant's parent company, IVI Smart Technologies Inc., entered into an agreement with World Development Corporation for financing and delivery of e-Smart's Biometric Verification Security System in certain countries in Africa. WDC thereafter obtained a guaranty from Growth Enterprise Fund SA for financing of up to \$50 million for the implementation of e-Smart systems in South Korea and other countries, subject to certain terms and conditions. The Company has not implemented that contract because of its focus on other contractual and financing opportunities, but intends to pursue the relationship with WDC in 2008.

As of April 2007, the Registrant resumed its research and development activities and began the relocation of that function to Seoul, South Korea.

During June 2007, the Company implemented the increase in the number of authorized shares of stock, which increase was voted and approved by the board of directors and a majority of the Company's shareholders on March 14, 2007. On that date, the Board of Directors and a majority of the shareholders by written consent approved an amendment to the Certificate of Incorporation, which amendment will increase the number of authorized shares of Common Stock and Preferred Stock, both being \$.001 par value per share, the Corporation is authorized to issue from 490,000,000 and 10,000,000 shares to 730,000,000 and 20,000,000 shares, respectively.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits: 31.1 Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Reports on Form 8-K: Form 8-K dated May 4, 2007, filed May 4, 2007.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

e-Smart Technologies, Inc.

By: /s/ Mary A. Grace
Chief Executive Officer, and Director

By: /s/ Mary A. Grace
Chief Financial Officer

Dated: February 29, 2008

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Exhibit No.	Description
31.1	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002