CYBERADS INC
Form 10QSB/A
January 30, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2005

[ ] Transition report under Section 13 or 15(d) of the Exchange Act for the transition period from __________ to __________.

Commission File Number: 000-31451

CYBERADS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	65-1000634
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

370 Amapola Ave. # 202, Torrance, California 90501
(Address of principal executive office) (Zip Code)

(561) 672 2193
(Issuer's telephone number)

Check whether the issuer: (1) 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 XX No ________

As of May 18, 2005, the number of outstanding shares of the issuer's 34c881o777mmon stock, $.001 par value, was 22,925,777 shares.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT: Yes [ ] No [X]

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CYBERADS, INC.

Consolidated Balance Sheets

	March 31, 2005	
Assets		
Current asset -		
Cash	$ 10,927	$
Property and equipment, net	14,171	
Marketing rights	145,000	
Deposits	8,585	
	$ 178,683	$
Liabilities and Net Capital Deficiency		
Current liabilities:		
Note payable	$ 294,192	$
Accounts payable	824,220	
Accrued payroll & payroll related liabilities	614,143	
Accrued liabilities	38,993	
Unearned revenue	10,000	
Payable to related parties	786,555	
Loans payable - convertible debentures	60,000	
Total current liabilities	2,628,103	
Payable to stockholder	185,644	
Commitments & contingencies		
Net capital deficiency:		
Preferred stock; $.001 par value; authorized 5,000,000 shares, of which 1,000,000 shares has been designated as Series A Convertible; issued and outstanding 835,660 shares	836	
Common stock; $.001 par value; authorized 50,000,000 shares; issued and outstanding 32,137,777 shares in 2005 (23,225,777 shares in 2004)	32,138	
Common stock to be issued	440,050	
Additional paid in capital	18,234,173	
Retained deficit	(21,342,261)	
Net capital deficiency	(2,635,064)	
	$ 178,683	$

See accompanying notes.

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CYBERADS, INC.

Consolidated Statements of Operations

	Three months ende
	2005
Revenues	$ -
Operating expenses:	
Marketing	695,000
General and administrative	1,412,715
Net income (loss) from operations	(2,107,715)
Other income	-
Net income (loss) before provision for income taxes	(2,107,715)
Provision for income taxes	-
Net income (loss)	$ (2,107,715)
Net income (loss) per common share	$ (.079)

See accompanying notes.

CYBERADS, INC.

Consolidated Statements of Cash Flows

	Three months ende 2005	
Cash flows from operating activities:		
Net income (loss)	$ (2,107,715)	$
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Unearned revenue	10,000	
Common stock issued in exchange for services	2,073,000	
Changes in assets and liabilities:		
Receivables	-	
Outstanding checks in excess of cash in bank	-	
Accounts payable	(5,002)	
Accrued liabilities	-	
	(29,717)	
Cash flows from investing activities - Purchase of marketing rights	(145,000)	
Cash flows from financing activities:		
Principal repayments of note payable	-	
Advances received from stockholder	185,644	
	185,644	
Net change in cash	10,927	
Cash at beginning of period	-	
Cash at end of period	$ 10,927	$

See accompanying notes.

CYBERADS, INC.

Notes to Consolidated Financial Statements
March 31, 2005

1. Summary of significant accounting policies

Business: CyberAds, Inc. ("CyberAds") was incorporated in the state of Florida on April 12, 2000. In 2004, the Company earned commissions from selling approved contracts to subscribers for cellular telephone service. In 2005, management of the Company has devoted their attention toward seeking profitable products.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of CyberAds and it's wholly owned subsidiary IDS. All significant intercompany balances have been eliminated in consolidation. The operations of IDS are currently dormant.

Interim reporting: The Company's year-end for accounting and tax purposes is December 31. In the opinion of Management, the accompanying consolidated financial statements as of March 31, 2005 and 2004 and for the three months then ended, consisting of only normal recurring adjustments, except as noted elsewhere in the notes to the consolidated financial statements, necessary to present fairly its financial position, results of its operations and cash flows. The results of operations for the three months ended March 31, 2005 and 2004 are not necessarily indicative of the results to be expected for the full year.

Property and equipment: Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for over the estimated useful life of the assets of five to seven years. Leasehold improvements are amortized over the lesser of the original term of the related lease or their estimated useful life.

Marketing rights: Marketing rights are stated at cost and will be amortized over 10 years, the term of the rights.

Revenue recognition: In 2004, the Company recorded revenue on a "net" basis when contracts were submitted to master dealers. The phones were shipped from the dealers to the subscriber and the Company did not bear the risk of loss on the cellular phone.

Share based payments: The Company uses a fair value based method of accounting for stock based compensation to employees. The Company also accounts for stock options and warrants issued to non-employees for services under the fair value method of accounting.

Net income (loss) per common share: Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common stock shares outstanding was 26,594,865 for the three months ended March 31, 2005 (18,325,777 for the three months ended March 31, 2004). Convertible debentures, convertible preferred stock, common stock options, and common stock to be issued

CYBERADS, INC.

Notes to Consolidated Financial Statements
March 31, 2005

1. Summary of significant accounting policies (continued)

Net income (loss) per common share (continued): are considered common stock equivalents. Common stock equivalents have not been included in the computation of diluted loss per share as the effect on net loss per common share would be anti-dilutive.

Use of Estimates: The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Operations

During the three months ended March 31, 2005, management of the Company negotiated to purchase rights to market the Xboard(TM), a jet-powered personal watercraft. The Company, in turn, has been reselling those rights to distributors of water sports products. During the three months ended March 31, 2005, the Company collected $10,000 from the resale of those rights.

Management also plans to continue restructuring debt, seeking profitable products, reducing operating expenses, and seeking additional capital and debt financing until operations achieve profitability. Management of the Company believes the above actions, along with other plans, will allow them to continue operations and ultimately achieve profitability. Until then, the Company is dependent upon its ability to obtain additional capital and debt financing. The consolidated financial statements as of March 31, 2005 do not reflect adjustments relating to the recorded asset amounts, or the amounts of liabilities that would be necessary should the Company not be able to continue in existence.

3. Marketing rights

During the three months ended March 31, 2005, the Company committed to purchase rights to market the Xboard(TM), a jet-powered personal watercraft, from Aqua Xtremes, Inc. aggregating $5,000,000. The term of the rights are for 10 years from the time the Xboard(TM) is available for market. During the three months ended March 31, 2005, the Company paid $145,000 toward the purchase agreement.

4. Note payable

The note payable was due in installments of $5,000 on January 15, 2004 and February 15, 2004, plus interest at the rate of 10% per annum. Final payment was due March 15, 2004. The note is secured by all of the Company's accounts receivable, inventories, and computer hardware and software and is guaranteed by two former officers of the Company. The

Company is currently in default with respect to the agreement.

CYBERADS, INC.

Notes to Consolidated Financial Statements
March 31, 2005

5. Accrued liabilities

Accrued expenses consisted of the following at:

	March 31, 2005	December 31, 2004
Interest	$ 3,993	$ 3,993
Professional fees	35,000	35,000
	$ 38,993	$ 38,993

6. Payable to related parties

Payable to related parties consisted of the following at:

	March 31, 2005	December 31, 2004
Advance due to a corporation owned by a former officer of the Company, bearing interest at 10% per annum, due on demand and unsecured	$ 54,000	$ 54,000
Advance due to a former officer of the Company, bearing interest at 10% per annum, due on demand and unsecured	732,555	732,555
	$ 786,555	$ 786,555

7. Loans payable - convertible debentures

Loans payable - convertible debentures consists of unsecured loans from two individuals whereby the principal of the note is convertible into the Company's common stock at the option of the holder. Interest on borrowings is payable quarterly at a rate of 20% per annum. The notes were due in installments of $15,000 on November 13, 2003, $13,750 on December 13, 2003 and January 13, 2004, with final payment due February 13, 2004. The Company is currently in default with respect to the agreements. The notes are convertible into the Company's common stock at a conversion rate of 75% of the closing bid price of the Company's common stock one trading day prior to conversion.

8. Payable to stockholder

The payable to stockholder consists of advances from Novanet Media, Inc. for working capital purposes. The advances are unsecured, non-interest bearing and due on demand; however, Novanet Media, Inc. has agreed not to demand repayment of the advances before June 2006 and unless cash is available from a merger, capital stock exchange, asset acquisition, or other business combination, or from operations.

CYBERADS, INC.

Notes to Consolidated Financial Statements
March 31, 2005

9. Contingencies

The Company is non-compliant with respect to certain federal and state payroll related taxes. Included in accrued payroll and payroll related liabilities for 2005 and 2004 is approximately $540,800 of unpaid payroll taxes.

10. Common stock transactions

During the three months ended March 31, 2005, the Company issued an aggregate of 8,912,000 shares of its common stock in exchange for marketing, management, and consulting services. The share based payments were valued at the fair value of the services received. Management estimated the fair value based on the closing bid price of the Company's common stock on the date of issuance, the historical trend of the trading prices for its common stock, and the volume of shares traded. The Company recorded expenses aggregating $2,073,000 as a result of the share based payments.

11. Stock options

The Company's stock option activity for options granted to employees and non-employees is summarized as follows for the three months ended March 31, 2005:

	Fixed Plan		
	Shares	Weighted average exercise price	Shares exercisable
Outstanding at January 1, 2005	1,900,000	$ .513	1,900,000
Expired	(50,000)	$ 1.00	
Outstanding at March 31, 2005	1,850,000	$ .50	1,850,000

The Company's stock option outstanding and exercisable at March 31, 2005 is summarized as follows:

Fixed Plan

Options outstanding				Options exerc	
		Weighted average			
Range of prices	Shares	remaining life	exercise price	Shares	exe
$.04 - $.50	1,200,000	1 yr. 1 mo.	$ .21	1,200,000	
$1.00 - $1.15	650,000	9 mo.	$ 1.04	650,000	
$.04 - $1.15	1,850,000	10 mo.	$ .50	1,850,000	

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

Management's discussion and analysis should be read in conjunction with the financial statements and the notes thereto.

RESULTS OF OPERATIONS

Three months ended March 31, 2005 compared to the three months ended March 31, 2004:

During the three months ended March 31, 2004, the Company was actively seeking companies in which to merge or invest as well as reselling rights to market the Xboard(TM), a jet-powered personal watercraft.

There were no revenues for the three months ended March 31, 2005 compared to revenues of $145,000 for the three months ended March 31, 2004. Revenues for 2004 consisted of commissions earned from selling contracts to subscribers for cellular telephone service, however, due to the Company's limited sales resources limited effort was devoted toward that business. During the three months ended March 31, 2005, the Company devoted its efforts to the resale of rights to market the Xboard(TM) and collected $10,000, however, the equipment is not yet available. Accordingly, the Company has reported those sales as deferred revenue.

Marketing expenses for the three months ended March 31, 2005 aggregated $695,000 compared to no marketing expenses for the three months ended March 31, 2004. Marketing expenses for 2005 were share based payments relating to the resale of rights to market the Xboard(TM). General & administrative expense for the three months ended March 31, 2005 aggregated $1,412,715 compared to $104,842 for the three months ended March 31, 2004. The difference of $1,307,873 consisted of share based payments of $1,378,000 for consulting and management expenses incurred in connection with the Company seeking other companies in which to merge or invest.

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2005 compared to December 31, 2004:

The Company's total assets as of March 31, 2005 were $178,683 compared to $22,756 as of December 31, 2004. The increase of $155,927 consisted of the acquisition of $145,000 of rights to market the Xboard(TM) and net cash received from the sale of those marketing rights.

The Company's current liabilities as of March 31, 2005 were $2,628,103 compared to $2,623,105 as of December 31, 2004. However, total liabilities aggregated $2,813,744 compared to $2,623,105 as of December 31, 2004. The increase of $185,644 was due entirely to advances received from a shareholder for cash flow purposes and to acquire the rights to market the Xboard(TM). The shareholder has agreed not to demand repayment of the advances before June 2006 and unless cash is available from a merger, capital stock exchange, asset acquisition, or other business combination, or from operations.

ITEM 3. CONTROLS AND PROCEDURES

As of March 31, 2005 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 President, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, these principal executive officers and principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in the Company's periodic SEC filings. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1(a)	Articles of Incorporation (Incorporated by reference)
3.1(b)	Amendment to Articles of Incorporation (Incorporated by reference)
3.2	ByLaws (Incorporated by reference)
4.0	Description of Series A Convertible Preferred Stock (Incorporated by reference)
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification
32.2	Section 1350 Certification

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 30, 2006

CYBERADS, INC.

By: /s/ JEFF CRISWELL

Jeff Criswell, President
and Chief Executive Officer