ROAMING MESSENGER INC
Form 10QSB
November 19, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR QUARTER ENDED SEPTEMBER 30, 2004

Commission file number 0-13215

ROAMING MESSENGER, INC.

(Exact name of Registrant as Specified in its Charter)

Nevada	30-0050402
(State of Incorporation)	(I.R.S. Employer Identification No.)

50 Castilian Dr. Suite A, Santa Barbara, California 93117

(Address of principal executive offices) (Zip Code)

(805) 683-7626

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(B) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
COMMON STOCK	OTC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _______

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

As of November 15, 2004 the number of shares outstanding of the registrant's only class of common stock was 172,524,614.

Transitional Small Business Disclosure Format (check one):

Yes ________ No ____X____

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Roaming Messenger, Inc.

We have reviewed the accompanying consolidated balance sheet of Roaming Messenger, Inc. and Subsidiary as of September 30, 2004 and the consolidated statements of operations, shareholders' equity (deficit), and cash flows for the three months ended September 30, 2004 and 2003. All information included in these financial statements is the representation of the management of Roaming

Messenger, Inc.

We conducted our reviews in accordance with standards established by the Public Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards established by the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/Rose, Snyder & Jacobs

Rose, Snyder & Jacobs
A Corporation of Certified Public Accountants

Encino, California

November 5, 2004

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ROAMING MESSENGER, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS

	(Unaudited) September 30, 2004
CURRENT ASSETS	
Cash	$ 1,115,854
Accounts receivable, net of allowance for doubtful account of $30,000 and $20,000	134,169
Prepaid expenses	23,189
TOTAL CURRENT ASSETS	1,273,212
PROPERTY & EQUIPMENT	
Furniture, Fixtures & Equipment	86,404
Computer Equipment	338,231
Commerce Server	50,048
Computer Software	3,535
Tenant Improvements	42,194
	520,412
Less: Accumulated depreciation & amortization	(280,064)
NET PROPERTY & EQUIPMENT	240,348

OTHER ASSETS	
Lease deposit	10,519
Other assets	2,752
TOTAL OTHER ASSETS	13,271
TOTAL ASSETS	$ 1,526,831

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES	
Accounts payable	$ 69,113
Accrued liabilities	23,975
Accrued officer salary	237,981
Accrued staff salary and related	78,285
Note payable	34,000
Current portion - obligations under capitalized leases	36,803
Stockholders deposit	19,875
TOTAL CURRENT LIABILITIES	500,032
LONG TERM LIABILITIES	
Obligations under capitalized leases	61,778
TOTAL LONG TERM LIABILITIES	61,778
TOTAL LIABILITIES	561,810
COMMITMENTS & CONTINGENCIES	
SHAREHOLDERS' DEFICIT	
Capital Stock	172,525
Additional Paid-in Capital	3,908,584
Accumulated deficit	(3,116,088)
TOTAL SHAREHOLDERS' DEFICIT	965,021
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 1,526,831

Prepared without audit.
See accountants' review report and notes to financial statements.

ROAMING MESSENGER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September 30, 2004
REVENUE	$ 309,704
COST OF REVENUE	(97,558)
GROSS PROFIT	212,146
OPERATING EXPENSES	
Selling, general and administrative expenses	493,375
Depreciation and amortization	18,695
Research and development	122,114
TOTAL OPERATING EXPENSES	634,184
OPERATING LOSS	(422,038)
OTHER INCOME (EXPENSES)	
Interest income	2,157
Interest expense	(3,997)
TOTAL OTHER INCOME (EXPENSES)	(1,840)
NET LOSS	$ (423,878)
BASIC AND DILUTED LOSS PER SHARE	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES	172,445,810

Prepared without audit.
See accountants' review report and notes to financial statements.

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ROAMING MESSENGER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended September 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:	

Net loss	$ (423,878)
Adjustment to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	18,694
Warrants issued for services	27,350
Decrease (increase) in account receivable	(17,762)
Decrease (increase) in prepaid expenses and other assets	(16,735)
Decrease (increase) in accounts payable	44,219
Decrease (increase) in officer salaries payable	(5,749)
Decrease (increase) in other liabilities	13,668
NET CASH USED IN OPERATING ACTIVITIES	(360,193)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Employee advances	(249)
Purchase of property & equipment	(33,645)
NET CASH USED IN INVESTING ACTIVITIES	(33,894)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of common stock	9,623
Deposit for shares of common stock	19,875
Payments on note payable	(5,500)
Payments on capitalized lease obligations	(9,159)
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,839
NET INCREASE (DECREASE) IN CASH	(379,248)
CASH AT BEGINNING OF PERIOD	1,495,102
CASH AT END OF PERIOD	$ 1,115,853
Supplementary disclosures:	
Interest paid	$ 3,997
Capitalized lease contracted	$ 29,050

Prepared without audit.
See accountants' review report and notes to financial statements.

ROAMING MESSENGER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

1. BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. 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 normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the three-month period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending June 30, 2005. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K-SB for the year ended June 30, 2004.

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses and negative cash flows from operations raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion.

2. STOCK OPTIONS AND WARRANTS

Stock-Based Compensation

The Company accounts for employee stock option grants in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations (APB 25), and has adopted the "disclosure only" alternative described in Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, amended by SFAS No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure.

SFAS No. 123, Accounting for Stock-Based Compensation, requires pro forma information regarding net income (loss) using compensation that would have been incurred if the Company had accounted for its employee stock options under the fair value method of that statement. Options to purchase 1,200,000 and 865,994 shares of Roaming Messenger, Inc. were granted during the three months ended September 30, 2004 and 2003, respectively. The fair value of options granted, which have been estimated at $111,480 and $8,275, respectively, at the date of grant were determined using the Black-Scholes Option pricing model with the following assumptions:

	2004	2003
Risk free interest rate	3.36%	3.18%
Stock volatility factor	0.70	0.01
Weighted average expected option life	4 years	1.45 years
Expected dividend yield	None	N/A

ROAMING MESSENGER, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

2. STOCK OPTIONS AND WARRANTS (Continued)

The pro forma net loss and loss per share had the Company accounted for the options using FAS 123 would have been as follows:

	2004	2003
Net loss as reported	$ (423,878)	$ (41,839)
Basic and diluted net loss per share as reported	(0.00)	(0.00)
Add: Stock-based employee compensation expense included in net reported loss, net of related taxes	-	-
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related taxes	(18,970)	(8,275)
Pro forma net loss	$ (442,848)	$ (50,114)
Basic and diluted pro forma loss per share	$ (0.00)	$ (0.00)

Warrants

On September 30, 2004,the Company has granted warrants to purchase 100,500 shares of common stocks at $0.10 per share for consulting services. These warrants expire on September 30, 2006, and were valued at $27,350.

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

Cautionary Statements

This Form 10-QSB may contains "forward-looking statements," as that term is used in federal securities laws, about Roaming Messenger, Inc.'s financial condition, results of operations and business. These statements include, among others:

- statements concerning the potential benefits that Roaming Messenger, Inc. ("RMI" or the "Company") may experience from its business activities and certain transactions it contemplates or has completed; and

- statements of RMI's expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts. These statements may be made expressly in this Form 10-QSB. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," "opines," or similar expressions used in this Form 10-QSB. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause RMI's actual results to be materially different from any future results expressed or implied by RMI in those statements. The most important facts that could prevent RMI from achieving its stated goals include, but are not limited to, the following:

  (a) volatility or decline of the Company's stock price;

  (b) potential fluctuation in quarterly results;

  (c) failure of the Company to earn revenues or profits;

  (d) inadequate capital to continue or expand its business, inability to raise additional capital or financing to implement its business plans;

  (e) failure to commercialize its technology or to make sales;

  (f) changes in demand for the Company's products and services;

  (g) rapid and significant changes in markets;

  (h) litigation with or legal claims and allegations by outside parties;

  (i) insufficient revenues to cover operating costs.

There is no assurance that the Company will be profitable, the Company may not be able to successfully develop, manage or market its products and services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company may not be able to obtain customers for its products or services, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional

dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of outstanding warrants and stock options, and other risks inherent in the Company's businesses.

Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. RMI cautions you not to place undue reliance on the statements, which speak only as of the date of this Form 10-QSB. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that RMI or persons acting on its behalf may issue. The Company does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-QSB, or to reflect the occurrence of unanticipated events.

Current Overview

The Company has developed a proprietary solution called "Roaming Messenger" for delivering real-time actionable information to wired and wireless devices for homeland security, emergency response, military and enterprise applications. Unlike solutions based on existing messaging technology such as e-mail, text messaging, and voicemail, Roaming Messenger packages time-critical information into smart messages. These messages automatically roam throughout the wired and wireless worlds - from mobile devices to desktop PCs to central servers - tracking down people and obtaining responses in real-time.

The Roaming Messenger product line is a new line from which the Company has not yet earned significant revenue. The Company has established a number of channel partners in several vertical markets, some of which are starting to generate revenue. We are targeting the Public Safety and Emergency Response industry where advanced real-time wireless messaging is a valuable addition to existing solutions. Roaming Messenger is primarily distributed via a Value-Added-Reseller ("VAR") or private labeled model where it is an add-on to existing solutions such as personnel scheduling, threat detection and response, and computer aided dispatch. The Company intends to focus on the Public Safety vertical market over the next few quarters by establishing more channel partners and VARs.

In facilitating longer term strategic plans, the Company is engaged in early developments in the corporate enterprise application sector as well. Current deployments through channel partners include mobile roaming alerts for customer service and mobile field service applications. Exploratory opportunities are in automated process control, remote monitoring, mobile commerce and end-user messaging applications. All of these are expected to be significant market opportunities for the Roaming Messenger technology within the next 2 to 5 years.

The Company generates most of its revenue from its wholly owned subsidiary, Warp 9, Inc. ("W9"), and financial statements for the Company and W9 are consolidated for reporting purposes. Roaming Messenger and W9 are housed in

the same office as much of the technology and administrative infrastructure in the W9 operation is readily available to the Roaming Messenger operation. W9 currently offers two primary web-based e-commerce software products, Internet Commerce System and Email Marketing System, to the catalog and retail industry. These products were introduced for sale to the Business market before the development of the Roaming Messenger product and have been a source of revenue for W9 since 1999. Customers of these e-commerce products pay a recurring monthly fee for their access and use. A majority of the total revenues are recurring monthly revenue from e-commerce products. Every new customer is expected to increase the topline for at least several quarters. From an operational perspective the e-commerce product line is already profitable. Revenue from the past quarters has been relatively stable. The Company anticipates steady growth from the e-commerce products operation as a profit center without significant capital investment.

The Company will continue to fulfill its working capital requirements through the sale of Common Stock. A majority of the investment proceeds will be allocated for the sales, marketing and technical support of the Roaming Messenger product line. The Company believes most of its rapid growth in revenue and shareholder value, if achieved, will come from the Roaming Messenger product line as the wireless industry continues to grow and more channel partners sell solutions with Roaming Messenger integrated in as their mobile messaging component.

Our overarching growth strategy remains a three phase strategy. Phase I is the Homeland Security and Public Safety markets. Phase II is the enterprise markets for business process management and communication applications. Phase III is the consumer markets for application such as mobile commerce and mobile gaming.

In executing our growth strategy, strategic acquisition of synergistic companies will be explored. Acquisition synergy shall be based on two primary factors (i) access to installed base of customers (ii) complementary product or service offerings.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2004 COMPARED TO THE SAME PERIOD IN 2003

Total revenue for the three-month period ending September 30, 2004 was $309,704 as compared to $260,950 for the three-month period ending September 30, 2003.

Operating expenses increased from $265,118 for the three months ended September 30, 2003 to $634,184 for the three months ended March 31, 2004. The large increase in operating expenses between the two periods is due to increased staff in sales and marketing as well as engineering. Primary sources of increase in operating expenses include: an increase of $85,657 in Research and Development expenses, and an increase of $277,574 in Selling and General and Administrative expenses.

The $277,574 increase in Selling and General Administrative expenses includes $27,350 of non-cash expense for the issuance of warrants to business development consults for in lieu of cash payment for their services. The value of the warrants were determined using the Black Scholes model.

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Operating costs are expected to exceed revenue in the foreseeable future as the Company continues to increase sales and marketing efforts as well as increasing staff.

For the three months ended September 30, 2004, the Company's consolidated net loss was ($423,878) as compared to a consolidated net loss of ($41,839) for the three months ended September 30, 2003.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at September 30, 2004 of $1,115,854 as compared to cash of $1,495,102 as of June 30, 2004. The Company had net working capital (i.e. the difference between current assets and current liabilities) of $773,180 at September 30, 2004 as compared to a net working capital of $1,191,108 at June 30, 2004. Cash flow utilized by operating activities was ($360,193) for the three months ended September 30, 2004 as compared to cash utilized for operating activities of ($52,180) during the three months ended September 30, 2003. Cash flow used in investing activities was ($33,894) for the three months ended September 30, 2004 as compared to cash used in investing activities of ($10,817) during the three months ended September 30, 2003. Cash flow from financing activities was $14,839 for the three months ended September 30, 2004 as compared to cash provided by financing activities of $386,967 during the three months ended September 30, 2003.

The Company will need to obtain additional operating capital to permit continuing execution of its business plan. The Company anticipates that it will obtain the additional working capital it requires through the private placement of Common Stock to domestic accredited investors pursuant to Regulation D of the Securities Act of 1933, as amended (the "Act"), or to offshore investors pursuant to Regulation S of the Act. There is no assurance that the Company will obtain the additional working capital that it needs through the private placement of Common Stock. The Company has incurred operating deficits since inception, which are expected to continue until its business model is fully developed.

ITEM 3. CONTROLS AND PROCEDURES

The Company's Chairman, Chief Executive Officer, and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report and, based on this evaluation, has concluded that the disclosure controls and procedures are effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 21, 2004, Michael Gilbert, a shareholder, filed a complaint with the Superior Court of the State of California for the County of Santa Barbara, for breach of contract, damages and specific performance relating to the removal of the restrictive legend on his unregistered shares in Roaming Messenger Inc. Mr. Gilbert accused the Company of refusing to permit him to remove the restrictive transfer legend on his unregistered shares under Rule 144 of the Securities Act of 1933, as amended. The Company and the Company's corporate counsel believe that Mr. Gilbert's claim is without merit and only a result of his misunderstanding of the Rule 144 process. At no time did the Company object or interfere with Mr. Gilbert's request for legend removal. The Company anticipates that this complaint will be resolved without lengthy litigation, but will vigorously defend the lawsuit until it is resolved.

ITEM 2. CHANGES IN SECURITIES

In August 2004, the Company issued 125,000 shares of restricted and unregistered common stock as a result of a former employee exercising her stock options in accordance with the Company's Stock Option Plan. The gross proceeds of this exercise was $10,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Effective September 22, 2004, the Company amended its Articles of Incorporation (the "Amendment") to increase the authorized number of shares of common stock from 200,000,000 to 495,000,000 and to establish the number of shares of Preferred Stock at 5,000,000. The Board of Directors of the Company unanimously approved the adoption of the Amendment. The holders of 99,691,525 shares or approximately 58% of the total issued and outstanding shares of the Company voted to ratify the adoption of the Amendment. No shares of the Company voted against ratifying the adoption of the Amendment. The remaining outstanding shares abstained.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
4.1	Specimen Certificate for Common Stock (1)
4.2	Non-Qualified Employee Stock Option Plan (2)
10.1	First Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (3)
10.2	Second Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (4)
10.3	Exchange Agreement and Representations for Shareholders of Warp 9, Inc.(3)
31.1	Section 302 Certification
32.1	Section 906 Certification

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(1) Incorporated by reference from the exhibits included with the Company's prior Report on Form 10-KSB filed with the Securities and Exchange Commission, dated March 31, 2003.

(2) Incorporated by reference from the exhibits included in the Company's Information Statement filed with the Securities and Exchange Commission, dated August 1, 2003.

(3) Incorporated by reference from the exhibits included with the Company's prior Report on Schedule 14F1 filed with the Securities and Exchange

Commission, dated April 8, 2003.

(4) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8K filed with the Securities and Exchange Commission, dated May 30, 2003.

(b) The following is a list of Current Reports on Form 8-K filed by the Company during and subsequent to the quarter for which this report is filed.

(1) Form 8-K, dated October 14, 2004, filed with the SEC reflecting the resignation of Brian Fox as Chief Technology Officer of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 15, 2004

ROAMING MESSENGER, INC.

By: \s\ Jonathan Lei

Jonathan Lei, Chairman of the Board,
Chief Executive Officer, President
Chief Financial Officer, and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: \s\ Jonathan Lei — Dated: November 15, 2004

Jonathan Lei, Chairman of the Board,
Chief Executive Officer, President
Chief Financial Officer, and Secretary

By: \s\ Louie Ucciferri — Dated: November 15, 2004

Louie Ucciferri, Director

By: \s\ Tom Djokovich — Dated: November 15, 2004

Tom Djokovich, Director