

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2001

☐ Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 0-28535

CUSTOM BRANDED NETWORKS, INC.

(Exact name of Small Business Issuer as specified in its charter)

Nevada	91-1975651
- -----	-----
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

535 Chesterfield Circle	
San Marcos, CA 920069	89102
- -----	-----
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code (760) 471-7575

N/A: Unchanged since last report

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) 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 issuer 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: 33,872,532 shares of Common Stock as of December, 2001.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying un-audited financial statements have been prepared in accordance with the instructions to Form 10-QSB and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' deficit in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the six months ended December 31, 2001 are not necessarily indicative of the results that can be expected for the year ending June 30, 2002.

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001
(Unaudited)
(Stated in U.S. Dollars)

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CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET
(Unaudited)
(Stated in U.S. Dollars)

	DECEMBER 31 2001	JUNE 30 2001
<S>	<C>	<C>
ASSETS		
Current		
Cash	\$ 622	\$ 6,230
Prepaid expenses and advances	34,342	28,384
	34,964	34,614
Loan Receivable From Shareholder	37,000	25,000
Capital Assets, net	2,113	2,414
	\$ 74,077	\$ 62,028
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 309,988	\$ 160,188
Convertible Note Payable	789,713	734,713
	1,099,701	894,901
STOCKHOLDERS' DEFICIENCY		
Share Capital		
Authorized:		
50,000,000 common shares with a par value of \$0.001		
per share at December 31, 2001		
Issued and outstanding:		
33,872,532 common shares at December 31, 2001		
and at June 30, 2001	15,231	15,231
Additional paid-in capital	35,044	35,044
Deficit Accumulated During The Development Stage	(1,075,899)	(883,148)
	(1,025,624)	(832,873)
	\$ 74,077	\$ 62,028

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CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited)
(Stated in U.S. Dollars)

	THREE MONTHS ENDED DECEMBER 31		SIX MONTHS ENDED DECEMBER 31		INCEPTION JUNE 18 1999 TO DECEMBER 31
	2001	2000	2001	2000	2001
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ 2,170	\$ -	\$ 3,714	\$ -	\$ 177,241
Operating Expenses	(31,868)	(212,727)	(196,731)	(417,417)	(1,247,616)
Loss From Operations	(29,698)	(212,727)	(193,017)	(417,417)	(1,070,375)
Other Income	-	29	266	29	6,921
Write Down Of Capital Assets	-	-	-	-	(12,445)
Net Loss For The Period	(29,698)	(212,698)	(192,751)	(417,388)	\$ (1,075,899)
Accumulated Deficit, Beginning Of Period	(1,046,201)	(364,599)	(883,148)	(159,909)	
Accumulated Deficit, End Of Period	\$ (1,075,899)	\$ (577,297)	\$ (1,075,899)	\$ (577,297)	
Loss Per Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	
Weighted Average Number Of Shares Outstanding	33,872,532	15,463,008	33,622,532	15,463,008	

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CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Stated in U.S. Dollars)

	THREE MONTHS ENDED DECEMBER 31		SIX MONTHS ENDED DECEMBER 31		INCEPTION JUNE 28 1999 TO DECEMBER 31
	2001	2000	2001	2000	2001
<S>	<C>	<C>	<C>	<C>	<C>
Cash Flows From Operating Activities					
Loss for the period	\$ (29,698)	\$ (212,698)	\$ (192,751)	\$ (417,388)	\$ (1,075,899)

Adjustments To Reconcile Loss To Net

Cash Used By Operating Activities					
Amortization	151	150	301	300	904
Write down of capital assets	-	-	-	-	12,445
Change in prepaid expenses and advances	(5,000)	(27,629)	(5,958)	(31,129)	(33,546)
Change in accounts payable and accrued liabilities	355	(4,354)	149,800	(10,776)	309,988
Change in deferred revenue	-	-	-	71,888	-
	(34,192)	(244,531)	(48,608)	(387,105)	(786,108)
Cash Flows From Investing Activity					
Purchase of capital assets	-	-	-	(1,808)	(1,808)
Cash Flows From Financing Activities					
Proceeds from loan payable to shareholder	-	-	-	-	16,097
Loan receivable from shareholder	(12,000)	-	(12,000)	-	(37,000)
Issue of common shares	-	-	-	-	18,950
Convertible note payable	45,000	215,000	55,000	425,000	789,713
Cash acquired on acquisition of subsidiary	-	-	-	-	778
	33,000	215,000	43,000	425,000	788,538
(Decrease) Increase In Cash	(1,192)	(29,531)	(5,608)	36,087	622
Cash, Beginning Of Period	1,814	67,108	6,230	1,490	-
Cash, End Of Period	\$ 622	\$ 37,577	\$ 622	\$ 37,577	\$ 622

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SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:

During the period ended June 30, 2001, a loan payable to a shareholder in the amount of \$16,097 was reclassified as a contribution to capital in connection with the Company's repurchase of common stock in preparation for the reverse take-over transaction.

Effective February 2, 2001, the Company acquired 100% of the issued and outstanding shares of Custom Branded Networks, Inc. by allotting 25,000,000 common shares at the fair value of \$15,228 (Note 2(iii)).

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<CAPTION>CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

DECEMBER 31, 2001
(Unaudited)
(Stated in U.S. Dollars)

	Common Stock		Additional Paid-In	Deficit Accumulated During The Development	
	Shares	Amount	Capital	Stage	Total
<S>	<C>	<C>	<C>	<C>	<C>
Issuance of shares to founders	3,465	\$ 3	\$ 18,947	\$ -	\$ 18,950
Net loss for the period	-	-	-	(159,909)	(159,909)
Balance, June 30, 2000	3,465	3	18,947	(159,909)	(140,959)

Repurchase of common stock by
consideration of forgiveness

of loan payable to shareholder	(1,445)	-	16,097	-	16,097
	2,020	3	35,044	(159,909)	(124,862)
Adjustment to number of shares issued and outstanding as a result of the reverse take-over transaction					
Custom Branded Networks, Inc.	(2,020)	-	-	-	-
Aquistar Ventures (USA) Inc.	15,463,008	-	-	-	-
	15,463,008	3	35,044	(159,909)	(124,862)
Shares allotted in connection with the acquisition of Custom Branded Networks, Inc.	25,000,000	15,228	-	-	15,228
Less: Allotted and not yet issued	(8,090,476)	-	-	-	-
Net loss for the year	-	-	-	(723,239)	(723,239)
Balance, June 30, 2001	32,372,532	15,231	35,044	(883,148)	(832,873)
Additional shares issued in connection with the acquisition of Custom Branded Networks, I	1,500,000	-	-	-	-
Net loss for the period	-	-	-	(192,751)	(192,751)
Balance, December 31, 2001	33,872,532	\$ 15,231	\$ 35,044	\$(1,075,899)	\$(1,025,624)

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CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001
(Unaudited)
(Stated in U.S. Dollars)

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements as of December 31, 2001 included herein have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. It is suggested that these consolidated financial statements be read in conjunction with the June 30, 2001 audited consolidated financial statements and notes thereto.

2. NATURE OF OPERATIONS

Custom Branded Networks, Inc. (the "Company") engages in the business of providing turnkey private label internet services to organizations throughout the domestic United States and Canada. The Company plans to provide wholesale internet access service acting as the internet service provider ("ISP") through its relationships with other ISPs who will provide the service for the Company and perform the billing services directly to the customer. Currently, the Company has one ISP relationship in place for dial-up modem service. The Company also provides the customer set-up, and the branded compact disc with the customer's unique content and packaging. The Company is considered a development stage company in accordance with Statement of Financial Accounting Standards No. 7. The Company has not commenced planned principal operations.

i) Going Concern

The Company has not generated any operating revenue and it has used cash in its operations since its inception, thereby generating operating losses. Such losses are due primarily to the Company's efforts to develop and promote its products and services, which efforts include internal staffing, travel and other promotional expenses. The Company has signed up certain customers but deployment on the ISP's network has not occurred. Management expects deployment to occur in the near future. The Company plans to continue to focus on

deployment and acquiring customers, which will require additional expenditures for operating costs. There can be no assurance that the Company will be able to successfully deploy customers, be successful in raising sufficient funds for its operations, or achieve or sustain profitability or positive cash flows from its operations. The Company's ability to continue as a going concern is dependent on its ability to raise additional amounts of capital.

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001
(Unaudited)
(Stated in U.S. Dollars)

2. NATURE OF OPERATIONS (Continued)

ii) Acquisition of Custom Branded Networks, Inc. and Name Change

On February 2, 2001, the shareholders of the Company, formerly known as Aquistar Ventures (USA) Inc. ("Aquistar"), a Nevada corporation, approved an agreement and plan of reorganization (the "reorganization") involving the acquisition of Custom Branded Networks, Inc. ("Custom Branded"), a Delaware corporation, and the change of the name Aquistar to Custom Branded.

As a consequence of the implementation of the reorganization, the following occurred:

a) The Company acquired all the shares of Custom Branded in exchange for the allotment of 25,000,000 shares of the Company to the former shareholders of Custom Branded.

b) The Company changed its name from Aquistar to Custom Branded Networks, Inc.

As a result of the reorganization, the former shareholders of Custom Branded hold 61.8% of the outstanding common shares of the Company.

iii) Reverse Take-Over

Effective February 2, 2001, Aquistar Ventures (USA) Inc. ("Aquistar") acquired 100% of the issued and outstanding shares of Custom Branded Networks, Inc. ("Custom Branded") by allotting 25,000,000 common shares. Since the transaction resulted in the former shareholders of Custom Branded owning the majority of the issued shares of Aquistar, the transaction, which is referred to as a "reverse take-over", has been treated for accounting purposes as an acquisition by Custom Branded of the net assets and liabilities of Aquistar. Under this purchase method of accounting, the results of operations of Aquistar are included in these financial statements from February 2, 2001.

Control of the net assets of Aquistar was acquired for the total consideration of \$15,228 representing the fair value of the assets of Aquistar. Custom Branded is deemed to be the purchaser for accounting purposes. Accordingly, its net assets are included in the balance sheet at their previously recorded values.

CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001
(Unaudited)
(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon

future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement.

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:

a) Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiary, Custom Branded Networks, Inc. (a Nevada corporation).

b) Capital Assets

Capital assets are recorded at cost and are amortized at the following rates:

Office equipment - 20% declining balance basis
Computer equipment - 3 years straight line basis

c) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes" (SFAS 109). This standard requires the use of an asset and liability approach for financial accounting and reporting on income taxes. If it is more likely than not that some portion of all of a deferred tax asset will not be realized, a valuation allowance is recognized.

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CUSTOM BRANDED NETWORKS, INC.
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001
(Unaudited)
(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Revenue Recognition

Revenues will consist of recurring monthly fees from internet access and from set-up fees. Subscriber contract terms vary by customer, although, the monthly internet access fees are generally paid by the subscriber at the beginning of the month. Subscribers canceling service are not entitled to receive funds of the monthly access fee per the service contract, unless it is prepaid for future periods. Revenues for monthly internet access fees are earned and recognized when received for the current month. Internet access fees prepaid for future months are deferred until the beginning of the service month. Revenues for set-up fees are recognized once the customer is deployed and internet access service is active. Customers are entitled to refunds of set-up fees if deployment does not occur.

e) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, prepaid expenses and accounts payable.

Unless otherwise noted, it is management's opinion that this Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

f) Loss Per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the period.

All references to loss per share, weighted average number of shares outstanding, and common shares issued and outstanding have been restated to reflect the impact of the reverse take-over.

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

Custom Branded Networks, Inc. (the "Company"), provides turnkey private label Internet solutions to businesses and private organizations that desire to

affiliate with a customer base via the Internet. The company anticipates that, in order to achieve its business plan over the next 12 months, the Company must raise additional capital through either the private placement or public registration for sale of its securities. In addition, the company intends to acquire one or more private companies whose earnings will support the capital needs of the company on a consolidated basis. Although we are pursuing these avenues, it cannot be guaranteed that satisfactory arrangements can be reached.

In the event that the Company is unable to raise capital as discussed above, the Company will have sufficient capital to meet its plan of operations for only the next 30 days. The Company expects to incur additional research and development costs over the next twelve months. However, such expenditures are dependent upon the Company's ability to raise capital to support such operations.

The Company has signed up certain customers but deployment on the ISP's network has not occurred. Management expects deployment to occur in the second quarter of 2002. At such time, the Company will begin to generate revenue from regular business operations.

At December 31, 2001, the Company had cash of \$622. It is necessary for the Company to raise capital in the immediate future or we will experience adverse results. We intend to raise financing through additional equity financing until such time as cash flows are generated from operations sufficient to support us. We are currently pursuing financing from various potential investors. Due to cash constraints, the Company has been limited in its ability to make progress towards achievement of its business plan. The Company intends to raise \$1,500,000 in investment capital within the next 12 months. This capital will sustain the operations of the Company for approximately 24 months. During the same period of time, we expect to generate revenue from business operations. It is impossible to predict at the present time how fast revenues will be generated or how soon they might become significant when compared to the operational expenses of the Company.

Operational expenses are incurred primarily due to the Company's efforts to develop and to promote its products and services, which efforts include internal staffing, travel and other promotional expenses. John Platt, the only executive officer of the Company, earns a salary of \$10,000 per month. However, since March, 2001, Mr. Platt has been paid no salary and such amounts have been accrued as current liabilities on the books of the Company.

Forward Looking Statements

The information contained in this section and elsewhere may at times represent management's best estimates of the Company's future financial and technological performance, based upon assumptions believed to be reasonable. Management makes no representation or warranty, however, as to the accuracy or completeness of any of these assumptions, and nothing contained in this document should be relied upon as a promise or representation as to any future performance or events. The Company's ability to accomplish these objectives, and whether or not it will be financially successful is dependent upon numerous factors, each of which could have a material effect on the results obtained. Some of these factors are within the discretion and control of management and others are beyond management's control. Management considers the assumptions

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and hypothesis used in preparing any forward looking assessments of profitability contained in this document to be reasonable; however, we cannot assure investors that any projections or assessments contained in this document, or otherwise made by management, will be realized or achieved at any level.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits
None

(b) Reports on Form 8-K
None

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Custom Branded Networks, Inc.

DATED: February 18, 2002

By: /s/ John Platt

John Platt, President, CEO,
Principal Financial Officer and
Director

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