

VECTr SYSTEMS INC  
Form 10QSB  
November 14, 2007

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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 the quarterly period ended September 30, 2007

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-52412

VECTr Systems Inc.

(Exact name of small business issuer as specified in its charter)

Nevada

20-2437159

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

252 N. Washington Street, Falls Church, VA 22046

(Address of principal executive offices)

(888) 429-1438

(Issuer's telephone number)

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(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 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  No

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

12,919,533 common shares issued and outstanding as of November 9, 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). (Check one): Yes  No

PART I

Item 1. Financial Statements

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

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VECTr SYSTEMS INC.

(Formerly Navitrak International Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Expressed in US dollars)

SEPTEMBER 30, 2007 and DECEMBER 31, 2006

## VECTr SYSTEMS INC. (Formerly Navitrak International Corporation)

## CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

(Unaudited – Expressed in US dollars)

|   | September 30,<br>2007 | December 31,<br>2006 |
|---|-----------------------|----------------------|
| ASSETS  |                       |                      |
| Current   |                       |                      |
| Cash (Note 3)   | \$ 217,571            | \$ 54,624            |
| Accounts receivable   | -                     | 24,417               |
| Inventory (Note 4)  | 245,036               | 310,039              |
| Prepaid expenses and deposits                                 | 323,059               | 84,736               |
|   | 785,666               | 473,816              |
| Equipment   | 169,724               | 213,897              |
| Investment in Invisa, Inc. (Note 5)                           | -                     | 16,875               |
|   | \$ 955,390            | \$ 704,588           |
| LIABILITIES AND CAPITAL DEFICIT                               |                       |                      |
| Current   |                       |                      |
| Accounts payable and accrued liabilities                      | \$ 282,889            | \$ 331,772           |
| Customer deposits   | 261,126               | 147,191              |
| Payable to related parties (Note 6)                           | 796,461               | 1,229,388            |
| Advances payable (Note 7)                                     | 759,459               | 607,475              |
| Bridge loans, shareholders                                    | 5,036                 | 4,287                |
| Current portion of long-term debt (Note 8)                    | 2,642,387             | 1,910,418            |
|   | 4,747,358             | 4,230,531            |
| Long-term debt (Note 8)                                       | -                     | 214,190              |
|   | 4,747,358             | 4,444,721            |
| Capital deficit   |                       |                      |
| Capital stock (Note 9)  |                       |                      |
| Authorized  |                       |                      |
| 100,000,000 common shares, each with par value of \$0.001     |                       |                      |
| 10,000,000 preferred shares, each with a par value of \$0.001 |                       |                      |
| Issued  |                       |                      |
| 12,719,533 (December 31, 2006 – 319,533) common shares(a)     | 12,720                | 320                  |
| Additional paid-in capital(a)                                 | 59,281,821            | 15,145,996           |
| Shares to be issued (Note 9)                                  | 1,493,750             | 862,500              |
| Accumulated other comprehensive loss                          | (334,507)             | (3,780)              |
| Accumulated deficit   | (64,245,752)          | (19,745,169)         |

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|    |             |             |
|----|-------------|-------------|
|    | (3,791,968) | (3,740,133) |
| \$ | 955,390     | \$ 704,588  |

(a) Prior periods have been restated to reflect the 1 for 100 reverse stock split on May 21, 2007.

The accompanying notes are an integral part of these consolidated interim financial statements.

VECTr SYSTEMS INC. (Formerly Navitrak International Corporation)  
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS  
(Unaudited – Expressed in US dollars)

|   | Three-Month<br>Period Ended<br>September 30,<br>2007 | Three-Month<br>Period Ended<br>September<br>30, 2006 | Nine-Month<br>Period Ended<br>September 30,<br>2007 | Nine-Month<br>Period Ended<br>September<br>30,<br>2006 |
|---|--|--|---|--|
| REVENUE   | \$ 4,414   | \$ 11,452  | \$ 252,068  | \$ 160,517   |
| <br>  |  |  |   |  |
| OPERATING COSTS AND EXPENSES                                    |  |  |   |  |
| Cost of sales   | 3,208  | 18,975   | 211,268   | 148,426  |
| General and administrative<br>(Note 10)                         | 11,483,920   | 933,607  | 15,341,354  | 3,530,110  |
| Depreciation  | 33,698   | 297,383  | 66,960  | 882,803  |
| Product development   | 40,124   | 222,038  | 342,973   | 697,999  |
| Selling   | 68,026   | 73,915   | 232,789   | 133,087  |
|   | 11,628,976   | 1,545,918  | 16,195,344  | 5,392,425  |
| Loss from operations  | (11,624,562)   | (1,534,466)  | (15,943,276)  | (5,231,908)  |
| <br>  |  |  |   |  |
| OTHER ITEMS   |  |  |   |  |
| Write-down of Investment in<br>Invisa, Inc.                     | -  | (6,750)  | -   | (6,750)  |
| Loss on sale of Investment in<br>Invisa, Inc. (Note 5)          | -  | -  | (2,329)   | -  |
| Gain on sale of Investment in<br>Maps a la Carte, Inc. (Note 5) | -  | -  | 564,366   | -  |
| Foreign exchange loss   | (3,191)  | (437)  | (15,057)  | (6,129)  |
| Interest income/(expense), net                                  | 1,349  | (1,486)  | (3,887)   | (3,479)  |
| Loss on settlement of debt with<br>issuance of shares (Note 9)  | -  | -  | (29,100,400)  | -  |

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|                                    |                 |                |                |                |
|------------------------------------|-----------------|----------------|----------------|----------------|
|                                    | (1,842)         | (8,673)        | (28,557,307)   | (16,358)       |
| Net loss for the period            | \$ (11,626,404) | \$ (1,543,139) | \$(44,500,583) | \$ (5,248,266) |
| Loss per share – basic and diluted |                 |                |                |                |
| (a)                                | \$ (0.91)       | \$ (4.93)      | \$ (6.91)      | \$ (16.98)     |
| Weighted average shares            |                 |                |                |                |
| outstanding – basic and diluted    |                 |                |                |                |
| (a)                                | 12,719,533      | 312,868        | 6,442,327      | 309,034        |

(a) Prior periods have been restated to reflect the 1 for 100 reverse stock split on May 21, 2007.

The accompanying notes are an integral part of these consolidated interim financial statements.



VECTr SYSTEMS INC. (Formerly Navitrak International Corporation)  
 CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS  
 (Unaudited – Expressed in US dollars)

|  | Three-Month<br>Period Ended<br>September 30,<br>2007 | Three-Month<br>Period Ended<br>September 30,<br>2006 | Nine-Month<br>Period Ended<br>September 30,<br>2007 | Nine-Month<br>Period Ended<br>September 30,<br>2006 |
|--|--|--|---|---|
| Net loss for the period                          | \$ (11,626,404)                                      | \$ (1,543,139)                                       | \$ (44,500,583)                                     | \$ (5,248,266)                                      |
| Unrealized gain on available-for sale investment | -  | (37,500)   | -   | -   |
| Foreign currency translation loss                | (141,836)  | (12,262)   | (330,727)   | (58,296)  |
| Comprehensive loss for the period                | \$ (11,768,240)                                      | \$ (1,592,901)                                       | \$ (44,831,310)                                     | \$ (5,306,562)                                      |

The accompanying notes are an integral part of these consolidated interim financial statements.

VECTr SYSTEMS INC. (Formerly Navitrak International Corporation)  
 CONSOLIDATED INTERIM STATEMENT OF CHANGES IN CAPITAL DEFICIT  
 (Unaudited – Expressed in US dollars)

## Common Stock

|   | Number of<br>Shares(a) | Additional<br>Paid-in Shares to<br>Capital(a) | be issued     | Accumulated Deficit | Accumulated     | Other Comprehensive | Loss           | Total |
|---|------------------------|---|---------------|---------------------|-----------------|---------------------|----------------|-------|
| Balance, January<br>1, 2007                             | 319,533                | \$ 320  | \$ 15,145,996 | \$ 862,500          | \$ (19,745,169) | \$ (3,780)          | \$ (3,740,133) |       |
| Shares issued for<br>debt (Note 9)                      | 12,350,000             | 12,350  | 30,437,650    | -                   | -               | -                   | 30,450,000     |       |
| Shares issued for<br>consulting<br>services (Note<br>9) | 50,000                 | 50  | 119,950       | -                   | -               | -                   | 120,000        |       |
| Stock-based<br>compensation<br>(Note 9)                 | -                      | -   | 13,578,225    | -                   | -               | -                   | 13,578,225     |       |
| Shares to be<br>issued (Note 9)                         | -                      | -   | -             | 631,250             | -               | -                   | 631,250        |       |
| Net loss for the<br>period                              | -                      | -   | -             | -                   | (44,500,583)    | -                   | (44,500,583)   |       |
| Foreign<br>exchange<br>translation                      | -                      | -   | -             | -                   | -               | (330,727)           | (330,727)      |       |
| Balance,<br>September<br>30, 2007                       | 12,719,533             | \$ 12,720                                     | \$ 59,281,821 | \$ 1,493,750        | \$ (64,245,752) | \$ (334,507)        | \$ (3,791,968) |       |

(a) The above schedule has been adjusted on a retroactive basis to reflect the 1 for 100 reverse stock split on May 21, 2007.

The accompanying notes are an integral part of these consolidated interim financial statements.

VECTr SYSTEMS INC. (Formerly Navitrak International Corporation)  
 CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS  
 (Unaudited – Expressed in US dollars)

|   | Nine-month<br>Period Ended<br>September 30,<br>2007 | Nine-month<br>Period Ended<br>September<br>30,<br>2006 |
|---|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |  |
| Net loss for the period   | \$ (44,500,583)                                     | \$ (5,248,266)   |
| Adjustments to reconcile net loss for the period to cash used in operating activities |   |  |
| Accrued interest on advances (Note 7)   | 1,984   | 2,992  |
| Write-down of investment  | -   | 6,750  |
| Write-down of inventory   | 60,088  | -  |
| Gain on sale of investment (Note 5)   | (562,037)   | -  |
| Loss on settlement of debt with issuance of shares                                    | 29,100,400  | -  |
| Shares issued to consultant for services  | 120,000   | -  |
| Depreciation and amortization   | 66,960  | 882,803  |
| Stock-based compensation  | 13,578,225  | 1,767,332  |
| Shares to be issued for services  | 431,250   | 593,750  |
| Increase in prepaid expenses and deposits   | (238,323)   | (1,523)  |
| (Increase) decrease in accounts receivable  | 24,417  | (12,554)   |
| (Increase) decrease in inventory  | 4,915   | (170,943)  |
| Decrease in accounts payable and accrued liabilities                                  | (48,883)  | (93,844)   |
| Decrease in customer deposits   | 113,935   | -  |
| Cash used in operating activities   | (1,847,652)   | (2,273,503)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |   |  |
| Repayment of long-term debt   | (34,659)  | (50,029)   |
| Repayment of advances payable   | (145,000)   | -  |
| Proceeds from advances payable  | 295,000   | 210,000  |
| Proceeds from long-term debt  | 166,193   | 358,364  |
| Proceeds from related party advances  | 916,673   | 686,655  |
| Proceeds from shares issued and to be issued  | 200,000   | 648,000  |
| Cash provided by financing activities   | 1,398,207   | 1,852,990  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |  |
| Purchase of equipment   | (707)   | (66,445)   |
| Proceeds on sale of investments   | 578,912   | -  |
| Cash provided by (used in) investing activities                                       | 578,205   | (66,445)   |

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|                                    |            |           |
|------------------------------------|------------|-----------|
| Net increase (decrease) in cash    | 128,760    | (486,958) |
| Cash, beginning of period          | 54,624     | 521,987   |
| Effect of foreign exchange on cash | 34,187     | 30,384    |
| Cash, end of the period            | \$ 217,571 | \$ 65,413 |

Supplemental Information:

|   |              |          |
|---|--------------|----------|
| Interest paid                               | \$ 5,790     | \$ 1,145 |
| Non-cash investing and financing activities |              |          |
| Shares issued for settlement of debt        | \$ 1,349,600 | \$ -     |