ROAMING MESSENGER INC
Form 10QSB
November 21, 2005

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, 2005

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 17, 2005 the number of shares outstanding of the registrant's only class of common stock was 183,747,703.

Transitional Small Business Disclosure Format (check one):

Yes ________ No ____X____

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PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROAMING MESSENGER, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS

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CURRENT ASSETS	
Cash	$ 85,
Accounts receivable, net of allowance for doubtful account of $7,380 and $7,380	159,
Prepaid expenses	23,
TOTAL CURRENT ASSETS	268,
PROPERTY & EQUIPMENT	
Furniture, Fixtures & Equipment	88,
Computer Equipment	466,
Commerce Server	50,
Computer Software	7,
	612,
Less: Accumulated depreciation & amortization	(354,
NET PROPERTY & EQUIPMENT	257,
OTHER ASSETS	
Lease deposit	9,
Restricted Cash	93,
Other assets	3,
TOTAL OTHER ASSETS	106,
TOTAL ASSETS	$ 633,

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES	
Accounts payable	$ 213,
Accrued liabilities	243,
Bank line of credit	75,
Deferred income	49,
Accrued officer salary	237,
Accrued staff salary and related	55,
Note payable	30,
Current portion - obligations under capitalized leases	51,
Stockholders deposit	32,
TOTAL CURRENT LIABILITIES	988,
LONG TERM LIABILITIES	
Obligations under capitalized leases	93,
TOTAL LONG TERM LIABILITIES	93,
TOTAL LIABILITIES	1,082,

COMMITMENTS & CONTINGENCIES	
SHAREHOLDERS' DEFICIT	
Capital Stock	181,
Additional Paid-in Capital	5,049,
Accumulated deficit	(5,680,
TOTAL SHAREHOLDERS' DEFICIT	(448,
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 633,

Prepared without audit.
See notes to condensed consolidated financial statements.

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ROAMING MESSENGER, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September 30, 2005
REVENUE	$ 337,926
COST OF REVENUE	(107,054)
GROSS PROFIT	230,872
OPERATING EXPENSES	
Selling, general and administrative expenses	607,643
Research and development	106,377
Depreciation and amortization	23,393
TOTAL OPERATING EXPENSES	737,413
OPERATING LOSS	(506,541)
OTHER INCOME (EXPENSES)	
Interest income	1,016
Interest expense	(10,268)
Other Income	6,386
TOTAL OTHER INCOME (EXPENSES)	(2,866)
NET LOSS	$ (509,407)

BASIC AND DILUTED LOSS PER SHARE	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES	181,445,352

Prepared without audit.
See notes to condensed consolidated financial statements.

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

	Three months ended September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (509,407)
Adjustment to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	23,393
Warrants and stock issued for services	74,947
Decrease (increase) in account receivable	19,249
Decrease (increase) in prepaid expenses and other assets	(3,592)
(Decrease) increase in accounts payable	92,295
(Decrease) increase in officer salaries payable	-
(Decrease) increase in staff salaries payable	4,912
(Decrease) increase in deferred income	22,667
(Decrease) increase in other liabilities	15,643
NET CASH USED IN OPERATING ACTIVITIES	(259,893)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Employee advances	-
Purchase of property & equipment	(10,928)
NET CASH USED IN INVESTING ACTIVITIES	(10,928)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of common stock	25,916
Proceeds from bank line of credit	75,000
Deposit for shares of common stock	32,000
Payments on note payable	-
Payments on capitalized lease obligations	(13,713)

NET CASH PROVIDED BY FINANCING ACTIVITIES		119,203
NET INCREASE (DECREASE) IN CASH		(151,618)
CASH AT BEGINNING OF PERIOD		237,529
CASH AT END OF PERIOD		85,911
Supplementary disclosures:		
Interest paid	$	10,268
Capitalized lease contracted	$	19,796

Prepared without audit.
See notes to condensed consolidated financial statements.

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ROAMING MESSENGER, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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, 2005 are not necessarily indicative of the results that may be expected for the year ending June 30, 2006. 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, 2005.

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 900,000 and 1,200,000 shares of Roaming Messenger, Inc. were granted during the three months ended September 30, 2005 and 2004, respectively. The fair value of options granted, which have been estimated at $29,980 and $111,480, respectively, at the date of grant were determined using the Black-Scholes Option pricing model with the following assumptions:

	2005	2004
Risk free interest rate	4.01%	3.36%
Stock volatility factor	0.24	0.70
Weighted average expected option life	4 years	4 years
Expected dividend yield	None	None

Prepared without audit.

ROAMING MESSENGER, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004
Net loss as reported	$ (509,407)	$ (423,878)
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	(30,738)	(18,970)

value based method for all awards, net of related taxes		
Pro forma net loss	$ (540,145)	$ (442,848)
Basic and diluted pro forma loss per share	$ (0.00)	$ (0.00)

During the three month period ended September 30, 2005 (i) 900,000 options were granted at an exercise price of $0.13 per share. As of September 30, 2005, total outstanding unexercised options are 5,134,994.

WARRANTS

On September 30, 2005, the Company granted warrants to purchase 163,500 shares of common stocks at $0.10 per share for consulting services. These warrants expire on September 30, 2007, and were valued at $1,848 using the Black-Scholes model.

3. LINE OF CREDIT

On August 11, 2005, the Company was approved for a $100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate of the line of credit at September 30, 2005 was 10.5%. As of September 30, 2005, $75,000 was borrowed under the line.

Prepared without audit.

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

CAUTIONARY STATEMENTS

This Form 10-QSB may contain "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

We are a software company and have developed a proprietary system that enables software programs and other business applications connect to and communicate with wired and wireless devices, such as cellular phones, computers and personal digital assistants. This system, known as the Roaming Messenger Platform, serves as a gateway to the mobile world for a variety of software programs and other business applications such as those used in emergency response, homeland security, logistics, healthcare and financial services.

The Roaming Messenger Platform allows applications to send out smart messages, or "messengers," to mobile devices. Unlike regular e-mail messages, these software messengers are encrypted, and have the ability to roam automatically among mobile devices, trying to get the attention of the user, confirm receipt, present interactive forms, and transmit real-time responses back to the sending application. They also have the ability to move independently to alternative recipients in if the originally intended recipient does not respond in a timely fashion.

For example, a software messenger may try to locate a person on his or her computer, and if there is no response, move to that person's cellular phone, and subsequently move to that person's personal digital assistants. If still unanswered, the messenger will travel automatically to the next person with authority to act on the message, such as a superior of the originally intended recipient.

The Roaming Messenger Platform is being offered as a standalone server product or a hosted service. We expect to sell and license the Roaming Messenger product to system integrators and application developers in markets such as emergency response services, the military and private businesses. For example, we might sell a Roaming Messenger Gateway server to a systems integrator that is designing an emergency alert and notification system. We plan to sell Roaming Messenger through channel partners and value-added resellers (VARs) who are established in their respective vertical markets.

While Roaming Messenger is a horizontal product with applications in many markets, our primary sales and marketing strategy continues to be vertically focused. We will however continue to execute various low-cost horizontal marketing programs, concurrently, to identify new opportunities in non-primary vertical markets - for example, healthcare and enterprise markets.

Our growth strategy consists of three phases:

- During Phase I we will focus our marketing efforts on the Homeland Security and Public Safety markets

- During Phase II we will focus on the enterprise markets for business process management and communication applications.

- During Phase III we will focus on the consumer markets for application such as mobile commerce and mobile gaming.

In executing our growth strategy, strategic acquisition of synergistic companies may be explored. When decide on potential acquisition candidates, we will consider whether the candidate offers (i) access to customers and (ii)complementary products or services.

We have generated only minimal revenues from the Roaming Messenger Platform. To date, almost all of our revenues have been generated by Warp 9, Inc., our wholly-owned subsidiary, that offers web-based e-commerce software products and services to the catalog and direct marketing industry. However, in the future, we believe that a large majority of our revenues will come from the sale of our Roaming Messenger technology in the future.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2005 COMPARED TO THE SAME PERIOD IN 2004

Total revenue for the three-month period ending September 30, 2005 was $337,926 as compared to $309,704 for the three-month period ending September 30, 2004.

The cost of revenue for the three-month period ending September 30, 2005 was 32% as compared to 32% for the three-month period ending September 30, 2004.

Operating expenses increased from $634,184 for the three months ended September 30, 2004 to $737,413 for the three months ended September 30, 2005. The increase in operating expenses between the two periods is primarily due increased in non-cash expenses for sales, marketing and advisory services.

The $737,413 operating expenses includes non-cash charges of (i) $73,100 of unregistered stock for business development and advisory services, and (ii) $1,848 expense for the issuance of warrants to business development contractors in lieu of cash payment for their services. The value of the warrants was determined using the Black Scholes model.

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, 2005, the Company's consolidated net loss was ($509,407) as compared to a consolidated net loss of ($423,878) for the three months ended September 30, 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at September 30, 2005 of $85,911 as compared to cash of $237,529 as of June 30, 2005. The Company had net working capital deficit (i.e. the difference between current assets and current liabilities) of ($719,697) at September 30, 2005 as compared to a net working capital deficit of ($308,364) at June 30, 2004. Cash flow utilized by operating activities was ($259,893) for the three months ended September 30, 2005 as compared to cash utilized for operating activities of ($360,193) during the three months ended September 30, 2004. Cash flow used in investing activities was ($10,928) for the three months ended September 30, 2005 as compared to cash used in investing activities of ($33,894) during the three months ended September 30, 2004. Cash flow provided by financing activities was $119,203 for the three months ended September 30, 2005 as compared to cash provided by financing activities of $14,839 for the three months ended September 30, 2004.

On August 11, 2005, the Company was approved for a $100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate of the line of credit at September 30, 2005 was 10.5%. As of September 30, 2005, $75,000 was borrowed under this line of credit

On March 28, 2005, we entered into a Periodic Equity Investment Agreement with Wings Fund, Inc. Pursuant to the Periodic Equity Investment Agreement, we may, on a monthly basis commencing after the effective date of the registration statement in connection with that agreement, periodically sell to Wings Fund, Inc. shares of common stock for a total purchase price of up to $3,000,000. Such monthly sales are limited to a maximum aggregate of $250,000. The registration statement was filed on May 3, 2005 and declared effective by the Securities and Exchange Commission on August 11, 2005. We may now sell up to $250,000 per month worth of registered common stock to Wings Fund Inc. at our discretion until August 11, 2006.

The issuance and sale of shares pursuant to the Periodic Equity Investment Agreement is likely to result in substantial dilution to the interests of our other stockholders. The number of shares issuable pursuant to the Periodic Equity Investment Agreement will increase if the market price of our stock decreases. There is no upper limit on the number of shares that we may be required to issue under the agreement with Wings. This will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock. Our agreement with Wings contains a provision that limits its interest in our common stock to 4.99% of the outstanding shares. Although Wings may waive this provision, there can be no assurance that it will do so. Therefore, we may never receive the entire amount of capital contemplated under the agreement.

If for some reason we are not able to draw down the entire $3,000,000, we may have to obtain additional operating capital from other sources to enable us to execute our business plan. We anticipate that we will obtain any additional required working capital 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 we will obtain the additional working capital that we need through the private placement of common stock. In addition, such financing may not be available in sufficient amounts or on terms acceptable to us.

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

The Company is involved in certain legal actions and claims arising in the ordinary course of business. It is the opinion of management, based on advice of legal counsel, that such litigation and claims will be resolved without a material effect on the Company's financial position.

Item 2. CHANGES IN SECURITIES

During the quarter ended September 30, 2005, the Company issued 470,000 shares of unregistered common stock to three individuals as compensation for services rendered to the Company. The shares were valued at the market price of the Company's common stock at the time of issuance ranging from $0.13 to $0.16 per share.

During the quarter ended September 30, 2005, the Company issued 640,000 shares of registered common stock to Wings Fund Inc. for a gross proceed of

$40,000 pursuant to the Periodic Equity Investment Agreement that was declared effective by the SEC on August 11, 2005.

Item 3. DEFAULTS 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

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, 2002.

(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 Form SC 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.

None

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 17, 2005

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 17, 2005

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