

PFEIFFER VACUUM TECHNOLOGY AG

Form 20-F

March 25, 2003

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

FORM 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

Commission file number 005-46629

PFEIFFER VACUUM TECHNOLOGY AG

(Exact name of Registrant as specified in its charter)

FEDERAL REPUBLIC OF GERMANY

(Jurisdiction of incorporation or organization)

BERLINER STRASSE 43, D-35614 ASSLAR, GERMANY

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one Ordinary Share Ordinary Shares, without nominal value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary shares, without nominal value (as of December 31, 2002)	8,790,600
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Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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Yes

No

Indicate by check mark which financial statement item the registrant has elected to follow.

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Preliminary Remarks

These consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) and the regulations of the United States Securities and Exchange Commission (SEC), Washington D.C., U.S.A.

Unless the context otherwise requires, the terms "Pfeiffer" and "the Company" are used synonymously for Pfeiffer Vacuum Technology AG and the subsidiaries included in the consolidated financial statements.

Unless express reference is made to a differing presentation, all amounts in the Company's corporate reports are expressed in euros (€). The consolidated financial statements for the years 1998 through 2000 were prepared in Deutsche Marks (DM), and have been translated into euros at the officially stipulated conversion rate.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended by Section 21E of the Securities Exchange Act of 1934. Among other things, such forward-looking statements relate to environmental protection, legal disputes, patents, capital requirements and general conditions to which the Company is subject in its daily business. Such forward-looking statements are based predominantly upon the Company's current expectations and are subject to certain risks and uncertainties. The accuracy of such forward-looking statements is dependent upon the actual development of the competitive environment. Other influences can include serious economic difficulties of customers, supply shortages of raw materials, new legislation, fluctuations in currency exchange rates, as well as a global economic crisis. The Company can provide no assurance that its forward-looking statements will materialize.

Part I

Item 1. Identity of Directors, Senior Management, and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Critical Accounting Policies

The process of preparing financial statements requires the use of estimates on the part of management. The estimates used by management are based on the company's historical experiences combined with management's understanding of current facts and circumstances. Certain of the company's accounting policies are considered critical as they are both important to the portrayal of the company's financial condition and results and require significant or complex judgment on the part of management. The following is a summary of certain accounting policies considered critical by management of the company.

Revenue Recognition and Accounts Receivable

The Company recognizes revenue when title and risk of ownership have passed to the buyer. Allowances for doubtful accounts are estimated at the individual operating companies based on estimates of losses related to customer receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Though the Company considers these balances adequate and proper, changes in economic conditions in specific markets in which the Company operates could have a material effect on reserve balances required.

Inventory Valuation

Management reviews its inventory balances to determine if inventories can be sold at amounts equal to or greater than their carrying amounts. The review includes identification of slow moving inventories, obsolete inventories, and discontinued products. The identification process includes historical performance of the inventory, current operational plans for the inventory, as well as industry and customer specific trends.

Employment Related Benefits

The company incurs certain employment-related expenses associated with pensions and other post retirement benefits. In order to measure the expense associated with these employment-related benefits, management must make a variety of estimates including discount rates used to present value certain liabilities, assumed rates of return on assets set aside to fund these expenses, compensation increases, employee turnover rates, and anticipated mortality rates. The estimates used by management are based on the company's historical experience as well as current facts and circumstances. The company uses third-party specialists to assist management in appropriately measuring the expense associated with these employment-related benefits. Different estimates used by management could result in the company recognizing different amounts of expense over different periods of time.

Selected Financial Data

The following selected financial data should be read in conjunction with, and are qualified in their entirety by, the Company's Consolidated Financial Statements and notes thereto and Operating and Financial Review and Prospects included elsewhere in this Report.

The consolidated statement of income data and balance sheet data have been derived from the Company's Audited Consolidated Financial Statements, prepared in accordance with accounting principles generally accepted in the United States.

	2002	2001	2000	1999	1998
	(in thousands)				
Statement of Income Data					
Net sales	150,942	170,140	184,678	153,468	142,758
Gross profit	70,624	77,023	82,913	65,444	62,139
Selling, general and administrative expenses	34,428	36,095	34,950	31,409	30,774
Research and development expenses	10,400	8,064	7,631	7,735	6,475
Operating profit	21,169	28,175	35,489	22,920	21,786
Income before taxes	24,818	29,400	34,062	23,807	23,417
Income taxes:					
Current	7,513	10,510	15,917	10,066	10,904
Deferred	(230)	19	(937)	409	132
Net income	17,535	18,871	19,082	13,332	12,645
Balance Sheet Data					
Current assets	121,818	115,650	111,150	87,275	97,456
Total assets	155,496	150,604	141,501	106,466	115,503
Current liabilities	20,486	26,589	37,677	29,692	33,854
Long term debt	7,746	9,037	6,136		
Share capital	22,504	22,504	22,065	21,635	22,497
Shareholders' equity	92,508	83,402	67,107	47,958	53,799

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	2002	2001	2000	1999	1998
Other Data					
Operating Profit per Ordinary Share:					
Basic	2.41	3.23	4.16	2.65	2.48
Diluted	2.41	3.23	4.11	2.56	2.34
Net Income per Ordinary Share:					
Basic	1.99	2.16	2.24	1.54	1.44
Diluted	1.99	2.16	2.21	1.49	1.36
Dividends paid per Ordinary Share, declared					
	0.56	0.56	0.51	0.39	0.29
Dividends paid per Ordinary Share in US dollars					
	\$ 0.59	\$ 0.50	\$ 0.47	\$ 0.38	\$ 0.29
Number of authorized, issued and outstanding shares					
- adjusted weighted average basic					
	8,790,600	8,719,507	8,526,312	8,652,141	14,096
Cash at end of period					
	\$ 329,295	\$ 9,235			

See notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of the Registrant and, since commencement of its operations on January 1, 2004 those of its wholly-owned subsidiary e-Smart Korea, Inc., and have been prepared in accordance with generally accepted accounting principles for interim financial information. 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 adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month and three month periods ended September 30, 2005 and 2004, are not necessarily indicative of the results that may be expected for the respective years ended December 31, 2005 and 2004.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related footnotes included in the Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004, supplemented by the notes included herein.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Related Party Transactions

Common Ownership

Approximately 42% of the Registrant's outstanding common shares are owned by IVI Smart Technologies, Inc., a Delaware corporation (IVI), that is the sole owner of all of the Super Smart Card technology licensed to the Registrant in November 2000, August 2001, and September 2001, for a 20-year term for commercialization throughout China, the remainder of Asia exclusive of China, and the United States of America, respectively. In addition, IVI had advanced the Registrant \$450,000 and \$2,455,000 in 5% demand notes and 6% term notes, respectively, at various dates through September 30, 2005.

Effective September 30, 2005, and in connection with a plan of reorganization and recapitalization approved by shareholders on October 14, 2005, IVI forgave its aggregate advances to the Registrant of \$2,905,000 in exchange for the right to receive its pro-rata share of a newly designated Series A Preferred Stock. See Submission of Matters to a Vote of Security Holders and Plan of Reorganization under Part II, Item 4 below.

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Mary A. Grace, the Registrant's President and Chief Executive Officer, is a director, executive officer and principal stockholder of IVI. Tamio Saito, the Registrant's Chief Technology Officer, is also an executive officer and principal stockholder of IVI. As such, IVI is in a position to materially influence the direction of the Registrant, its efforts in raising the additional capital critical to its success, and the strategies employed in commercialization of the licensed technology, assuming the Registrant's business plan is ultimately successful.

Note 3 Going Concern

The Registrant's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, the Registrant had working capital at September 30, 2005, of \$106,721 and a loss of \$(3,443,045) for the current nine month period. In addition, the Registrant has incurred an accumulated deficit of \$(66,085,647) through September 30, 2005. The Registrant is dependent upon the efforts of its management to raise proceeds from continued debt or equity placements to sustain the research and development and ultimate commercialization of their respective interests in the Super Smart Card technology. The Registrant's ability to continue to receive the necessary level of funding support through the efforts of its management cannot be guaranteed. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Registrant is unable to continue as a going concern.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion contains forward-looking statements regarding the Registrant, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause the Registrant's actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include the Registrant's ability to successfully exploit its licensed technology, develop new products and new markets for its licensed technology; the impact of competition on the Registrant's proposed operations, changes in law or regulatory requirements that adversely affect or preclude customers from using the Registrant's licensed technology, delays in the Registrant's introduction of new products or services, and failure by the Registrant to keep pace with emerging technologies.

When used in this discussion, words such as believes, anticipates, expects, intends, and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Registrant undertakes no obligation to

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revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by the Registrant in this report and other reports filed with the Securities and Exchange Commission (SEC) that attempt to advise interested parties of the risks and factors that may affect the Registrant's business.

Nine Months Ended September 30, 2005 and September 30, 2004

Revenues Since obtaining the license to the Super Smart Card technology in November 2000, the Registrant has been engaged in research and development efforts to enhance and broaden the technology's applications and in exploring the global market for its optimal commercialization. In the opinion of management, the Registrant's Super Smart Cards ready for commercialization. This fact notwithstanding, the Registrant is still in its development stage for accounting purposes as it has not experienced revenues in either of the nine month periods ended September 30, 2005 (9M05) or September 30, 2004 (9M04).

Cost of Revenues Consistent with the Registrant still being in its development stage, it did not experience cost of revenues in either 9M05 or 9M04.

Operating Expenses - Operating expenses rose to \$3,442,145 for 9M05 compared to \$2,052,170 for 9M04; an increase of \$1,389,975 or 68%. The principal factors underlying this increase were as follows: 1) increased marketing expenses during 9M05 compared to 9M04 consistent with the Registrant's efforts to get closer to generating revenues, 2) an increase in general and administrative expenses during 9M05 consistent with the Registrant beginning to create the infrastructure it will require to oversee its affairs, and 3) an increase in research and development expenses in 9M05 in line with the Registrant's technology becoming closer to commercialization.

Loss Before Taxes and Income Taxes As a result of the foregoing, loss before taxes for 9M05 was \$(3,442,145) compared to \$(2,052,170) for 9M04 upon which the Registrant's provision for taxes in both periods was solely attributable to minimum state franchise taxes payable.

Net Loss Consistent with the foregoing analysis, the Registrant reported a net loss of \$(3,443,045) or \$(0.02) per share for 9M05, compared to a net loss of \$(2,052,920) or \$(0.01) per share for 9M04, based upon weighted average shares outstanding of 183,834,970 and 172,434,276, respectively.

Three Months Ended September 30, 2005 and September 30, 2004

Revenues Since obtaining the license to the Super Smart Card technology in November 2000, the Registrant has been engaged in research and development efforts to enhance and broaden the technology's applications and in exploring the global market for its optimal commercialization. In the opinion of management, the Registrant's Super Smart Cards ready for commercialization. This fact notwithstanding, the Registrant is still in its development stage for accounting purposes as it has not experienced revenues in either of the three month periods ended September 30, 2005 (3Q05) or September 30, 2004 (3Q04).

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Cost of Revenues Consistent with the Registrant still being in its development stage, it did not experience cost of revenues in either 3Q05 or 3Q04.

Operating Expenses - Operating expenses were \$1,417,097 for 3Q05 compared to \$566,010 for 3Q04 resulting in an increase of \$851,057 or 150%. The principal factors underlying this increase were as follows: (1) increased marketing expenses during 3Q05 compared to 2Q04 consistent with the Registrant's efforts to get closer to generating revenues and (2) increased research and development expenses in 3Q05, and (3) increased general and administrative expenses during 3Q05 consistent with the Registrant beginning to create the infrastructure it will require to oversee its affairs.

Loss Before Taxes and Income Taxes As a result of the foregoing, loss before taxes for 3Q05 was \$(1,417,097) compared to \$(566,010) for 3Q04 upon which the Registrant's provision for taxes in 3Q05 was solely attributable to minimum state franchise taxes payable.

Net Loss Consistent with the foregoing analysis, the Registrant reported a net loss of \$(1,417,347) or \$(0.01) per share for 3Q05, compared to a net loss of \$(566,260) or \$(0.00) per share for 3Q04, based upon weighted average shares outstanding of 190,614,554 and 173,127,610, respectively.

Liquidity and Capital Resources - The Registrant has limited working capital and is dependent upon the efforts of its management in raising proceeds derived from private securities offerings for funds for the continuation of its proposed smart card business. Currently, the Registrant does not have any existing credit facilities or similar bank borrowing arrangements. The Registrant will need to obtain additional financing in order to carry out its entire business plan. There can be no assurance that any additional financing will be available to the Registrant on acceptable terms, if at all. If the Registrant raises additional funds by issuing additional equity securities, further dilution to existing equity holders will result. If adequate additional funds are not available, the Registrant may be required to curtail significantly its long term business objectives and the Registrant still may not be able to transition out of the development stage, notwithstanding that the BVS2 systems and Super Smart Card and other smart card system technologies are ready for commercialization.

At September 30, 2005, the Registrant had current assets of \$901,981 (including cash of \$329,295), current liabilities of \$795,260, and an accumulated deficit of \$(66,085,647). The Registrant periodically evaluates its liquidity requirements, capital needs and availability of capital resources in view of its plans for commercialization of its technology, and other operating cash needs. In the opinion of Registrant's management, the Registrant is entirely dependent upon a material infusion of capital from the sale of securities to its accredited investors during the next several months in order to sustain its current developmental efforts, commence commercial operations, and ultimately transition out of the development stage.

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ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

During the quarter ended September 30, 2005, the Registrant continued to implement controls and procedures designed to ensure that information required to be disclosed in the reports that the Registrant files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act), are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon their evaluation of the controls and procedures implemented within 90 days of the filing date of this Quarterly Report, the Chief Executive and Chief Financial Officer of the Registrant concluded that the Registrant's disclosure controls and procedures have been improved during the past three months. Such officer also concluded that the Registrant's controls and procedures will likely equal or exceed those required of the Registrant within one or two more operating quarters.

Changes in Internal Controls

The Registrant made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial Officer.

PART II - OTHER INFORMATION

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

On October 14, 2005 stockholders owning the majority 101,015,283 of the 200,000,000 common shares of the Registrant that were outstanding on that date consented in writing to resolutions adopting a plan of reorganization and recapitalization (the Plan) simultaneously adopted by the Registrant's Board of Directors. The Plan, which was summarized in the Registrant's Form 8-K Current Report filed on October 24, 2005, and hereby incorporated herein by reference, authorized a one (1) for forty (40) share reverse split of the issued and outstanding (but not authorized) shares of the Registrant's common stock, \$.001 par value per share and all outstanding options (the Reverse Split), the exchange of all post split, non-founder options on the terms set forth herein, and the designation of 7,000,000 shares of the 20,000,000 authorized preferred shares as Series A Preferred Stock and the issuance of 5,000,000 shares of Preferred Stock in exchange for current shareholdings and option-holdings of management and the stockholdings and debt forgiveness of IVI, our principal stockholder.

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ITEM 6. EXHIBITS

Part I Exhibits

31.1 Principal Executive and Financial Officer's Certification

32.1 Section 1350 Certification

Part II Exhibits

3(i)* Articles of Incorporation of Boppers Holdings, Inc., filed July 15, 1997, as amended August 11, 2000, as further amended December 22, 2000.

3(ii)* Bylaws of e-Smart Technologies, Inc.

10(a)* Exclusive Use and Distribution Agreement, dated as of October 26, 2001, by and between IVI Smart Technologies, Inc. & e-Smart Technologies, Inc.

10(b)* Exclusive Use and Distribution Agreement, dated as of September 1, 2000, between Intermarket Ventures, Inc. and e-Smart Systems, Inc.

10(c)* Notice and Consent, dated as of January 1, 2001, to that certain Exclusive Use and Distribution Agreement, dated as of September 1, 2000, between Intermarket Ventures, Inc. and e-Smart Systems, Inc.

10(d)* Exclusive Use and Distribution Agreement, dated as of September 6, 2001, by and between IVI Smart Technologies, Inc. and e-Smart Technologies, Inc.

10(e)* Exclusive Use and Distribution Agreement, dated August 27, 2000, by and between e-Smart Systems, Inc. and Newco (i.e., e-Smart City Card Co. Ltd., a Chinese JV company).

10(f)* Advisory and Occupancy Services Agreement, dated May 29, 2003, but retroactively effective to January 1, 2001, by and between Associated Business Group, Inc. and e-Smart Technologies, Inc.

10(g)* Compensation Settlement and Employment Agreement, dated as of November 15, 2003, by and between e-Smart Technologies, Inc. and Mary A. Grace.

10(h)* Research and Development Services Agreement, dated as of January 1, 2001, and reduced to writing on May 29, 2003, by and between Big Bang Technologies, Inc. and e-Smart Technologies, Inc.

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- 10(i)* E-Smart Technologies, Inc. 2003 Long Term Incentive Plan adopted December 1, 2003.
- 10(j)* Master Teaming Agreement, dated as of February 27, 2004, by and between Samsung SDS Co., Ltd. and e-Smart Korea, Inc.
- 10(k)* Cooperation Agreement, dated February 27, 2004, by and among e-Smart Technologies, Inc., Guo Xin Well-tel Technology Co., Ltd., and EarthNetMedia Trading Corporation.
- 10(l)* Mutual Cooperation Agreement, dated February 25, 2004, by and between Daewoo International Corporation and e-Smart Korea, Inc.
- 10(m)* Agreement with the Ministry of Transportation and Communication and the Republic of Kyrgyzstan's Supervisory Institute for e-Government dated April 4, 2004 (the Kyrgyzstan Agreement).
- 10(n)* Agreement with the Ministry of Economy of the Republic of Uzbekistan, Uzbekistan Uzbekprom Association and the Bank Association of the Republic of Uzbekistan dated August 13, 2004 (the Uzbekistan Agreement).
- 10(o)* Agreement with P.T. Primrose Gantari Indonesia dated November 8, 2004 (the Indonesia Agreement).
- 10(p)* Agreement with the Samsung Student Card Project Agreement with Samsung SDS Co., LTD., and Kobile Inc. dated December 3, 2004 (the Student Card Agreement),
- 10(q)* Agreement with Mybi Co, Ltd. dated December 3, 2004 (the Mybi Agreement)
- 23.1* Consent of Independent Registered Public Accounting Firm.
- 31.1** Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Previously filed

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

e-Smart Technologies, Inc.

By: /s/ Mary A. Grace

Chief Executive Officer, and Director

By: /s/ Mary A. Grace

Chief Financial Officer

Dated: November 14, 2005