DRACO HOLDING CORP/NV
Form 10QSB
August 07, 2003

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2003

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to____________

Commission File No. 033-02441-D

Draco Holding Corporation
(Name of Small Business Issuer in its Charter)

NEVADA	87-0638750
(State or Other Jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

c/o Jump'n Jax, Inc.
511 East St. George Boulevard, Suite No. 3
St. George, Utah 84770
(Address of Principal Executive offices)

Issuer's Telephone Number: (801) 209-0545

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 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.

(1) Yes [X] No [ ]   (2) Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: As of August 5, 2003, there were 8,934,751 shares of the Registrant's common stock issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated balance sheet of Draco Holding Corporation, a Nevada corporation, as of June 30, 2003 and the related audited consolidated balance sheet as of December 31, 2002, the unaudited related consolidated statements of operations for the three and six month periods ended June 30, 2003 and June 30, 2002, the unaudited related consolidated statements of cash flows for the six month periods ended June 30, 2003 and June 30, 2002, and the notes to the financial statements are attached hereto as Appendix "A" and incorporated herein by reference.

The accompanying financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position of Draco consolidated with Jump'n Jax, Inc., its wholly owned subsidiary. The names "Draco", "we", "our" and "us" used in this report refer to Draco Holding Corporation.

Item 2. Management's Discussion and Analysis or Plan of Operation.

(a) Plan of Operation.

Not applicable.

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations. During the three months ended June 30, 2003, Draco experienced a net loss of $8,157, which is $437 more than the $7,720 net loss incurred for the three months ended June 30, 2002. For the six months ended June 30, 2003, Draco incurred a net loss of $15,713 which is $218 less than the $15,931 net loss incurred during the six months ended June 30, 2002. For the three months ended June 30, 2003, Draco reported revenues of $4,296 which is

$102 less than the revenues of $4,398 reported for the three months ended June 30, 2002. Draco's revenues are comprised entirely of income from the Jump'n Jax, Inc. subsidiary business of equipment rental and leasing of inflatable bounce houses for parties and entertainment. Revenues for the six month period ended June 30, 2003 were $6,091 which is $1,552 less than the $7,643 of revenues reported for the six month period ended June 30, 2002. The decrease in revenues is attributed to a decrease in business during the later periods, which management believes is due to increased competition, as well as people spending less on childrens' entertainment in a weak economy and also due to fewer rentals experienced due to the unusually hot temperatures Southern Utah has experienced this year. Draco has been engaged in active business operations through its wholly owned subsidiary, Jump'n Jax, Inc., since approximately March 2000.

Total expenses for the three months ended June 30, 2003 were $12,203, or $1,085 more than the expenses of $11,118 incurred during the three month period ended June 30, 2002. Total expenses for the six months ended June 30, 2003 were $21,346 or $228 less than the total expenses of $21,574 incurred during the six month period ended June 30, 2002. All of the expenses incurred during the three and six month periods ended June 30, 2003 and June 30, 2002 consisted of general and administrative expenses and depreciation. The small increase in expenses for the three months ended June 30, 2003 and the small decrease in expenses for the six months ended June 30, 2003, as compared to the year earlier periods, are primarily due to a small increase or decrease in wages or payments to independent contractors working in Draco's bounce house rental business and/or differences in amounts of professional (legal and accounting) fees incurred by Draco. Approximately one-half of the expenses incurred during the three and six month periods ended June 30, 2003, were primarily associated with recurring legal and accounting expenses. The remaining expenses were primarily related to other expenses of a recurring nature such as salaries, advertising, and other general and administrative expenses.

Increased competition has had, and may continue to have, an adverse affect on Draco's results of operations. It may affect Draco's ability to increase and/or retain existing business. Increased competition could result in price cutting and lower revenues. In order to compete effectively, Draco may have to spend more funds on advertising or Draco may have to lower prices or offer incentives such as free party supplies. All of this may adversely affect Draco's results of operations.

Draco's business is seasonal. The St. George, Utah area has mild winters, and Draco is able to engage in its business throughout the year. Although summers bring very hot weather to the St. George, Utah area, Draco has experienced its largest sales revenues during summer months. Draco attributes this increase in business during summer months to an increase in children's entertainment while children are out of school. Many summer rentals occur in the mornings and evenings.

Balance Sheet Information

Assets

As of June 30, 2003, Draco reported total assets of $14,463, down $4,058 from the $18,521 reported as of December 31, 2002. Current assets of June 30, 2003 were $3,931, down $2,344 from the $6,275 reported as of December 31, 2002. The change in total assets and current assets reflects primarily the net loss generated by Draco during the six months ended June 30, 2003 partially offset by a $5,000 increase in a loan made to Draco by one of Draco's officers. Equipment (net) has decreased from $12,246 at December 31, 2002 to $10,532 at June 30, 2003, which reflects an additional $1,714 in accumulated depreciation booked during the six month period ended June 30, 2003.

Liabilities

Draco's liabilities as of June 30, 2003 consist of $10,000 on notes payable to Draco's President and/or Secretary/Treasurer, approximately $458 in accrued interest on the loans, and accounts payable of $1,641. The loans accrue interest at 10% per annum and are due upon demand. The loans are unsecured.

Total liabilities of Draco increased $3,445 from $8,654 as of December 31, 2002, to $12,099 as of June 30, 2003. The increase in total liabilities reflects a $5,000 increase in the amount of the loans made by Draco's President and/or Secretary/Treasurer to Draco together with an increase of $458 in accrued interest, partially offset by a decrease of $2,013 in accounts payable from the amount owed as of December 31, 2002.

Liquidity and Capital Resources - June 30, 2003

Draco has not yet established revenues sufficient to cover its operating costs and allow it to continue as a going concern. Management's goal is to increase operations and revenues through its wholly-owned subsidiary. Draco has a significant working capital deficit, and Draco has continued to generate losses. Draco believes that its liquid resources are adequate to maintain operations through internally generated cash flows for a period of approximately 6 months. Draco may seek such additional capital either through loans from its officers and directors, or through possible equity or debt financing. Two of Draco's officers and directors, Lane S. Clissold and Steven D. Moulton, have committed to meet operating expenses for at least the next 9 months. However, Draco has not identified any specific source of long term liquidity. No assurance can be given that Draco's resources will be adequate to take advantage of opportunities to expand the business as they arise, or that any such expansion opportunities will materialize.

Item 3. Controls and Procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

In addition, there has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ANY FORWARD-LOOKING STATEMENTS INCLUDED IN THIS FORM 10-QSB REPORT REFLECT MANAGEMENT'S BEST JUDGMENT BASED ON FACTORS CURRENTLY KNOWN AND INVOLVE RISKS AND UNCERTAINTIES. ACTUAL RESULTS MAY VARY MATERIALLY.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 2. Changes in Securities.

None; not applicable.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

No Current Reports on Form 8-K were filed by Draco during the quarter ended June 30, 2003.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

DRACO HOLDING CORPORATION

Date: August 6, 2003 By: /s/ Lane Clissold
Lane Clissold
Director and President

Date: August 6, 2003 By: /s/ Steven D. Moulton
Steven D. Moulton
Director and Secretary/Treasurer

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APPENDIX "A"
FINANCIAL STATEMENTS

DRACO HOLDING CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003 and December 31, 2002

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DRACO HOLDING CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets

ASSETS

	June 30, 2003	December 31, 2002
	(Unaudited)	
CURRENT ASSETS		
Cash	$ 3,931	$ 6,275
Total Current Assets	3,931	6,275
EQUIPMENT		
Equipment (net)	10,532	12,246
Total Equipment	10,532	12,246
TOTAL ASSETS	$ 14,463	$ 18,521

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2003	December 31, 2002
CURRENT LIABILITIES		
Accounts payable	$ 1,641	$ 3,654
Note payable - related party	10,000	5,000
Accrued interest - related party	458	-
Total Liabilities	12,099	8,654
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value; 500,000,000 shares authorized; 8,934,750 and 8,534,750 shares issued and outstanding, respectively	8,935	8,535
Additional paid-in capital	208,996	201,186
Accumulated deficit	(215,567)	(199,854)
Total Stockholders' Equity	2,364	9,867
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 14,463	$ 18,521

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

DRACO HOLDING CORPORATION AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
REVENUES	$ 4,296	$ 4,398	$ 6,091	$ 7,643
EXPENSES				
Depreciation	857	857	1,714	1,714
General and administrative	11,346	10,261	19,632	19,860
Total Expenses	12,203	11,118	21,346	21,574
LOSS FROM OPERATIONS	(7,907)	(6,720)	(15,255)	(13,931)
OTHER EXPENSE				
Interest expense	(250)	(1,000)	(458)	(2,000)
Total Other Expense	(250)	(1,000)	(458)	(2,000)
NET LOSS	$ (8,157)	$ (7,720)	$ (15,713)	$ (15,931)
BASIC LOSS PER SHARE	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	8,622,630	1,341,599	8,578,949	2,034,750

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

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DRACO HOLDING CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (15,713)	$ (15,931)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	1,714	2,102
Contributed rent	1,500	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts payable	4,697	(177)
Increase in accrued interest	458	2,000
Net Cash Used by Operating Activities	(7,344)	(12,006)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase note payable - related party	5,000	5,000
Net Cash Provided by Financing Activities	5,000	5,000
NET DECREASE IN CASH	(2,344)	(7,006)
CASH AT BEGINNING OF PERIOD	6,275	13,136
CASH AT END OF PERIOD	$ 3,931	$ 6,130
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Common stock issued in lieu of debt	$ 6,710	$ -

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

DRACO HOLDING CORPORATION AND SUBSIDIARY
Notes to the Consolidated Financial Statements

June 30, 2003 and December 31, 2002

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company 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 accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its December 31, 2002 Annual Report on Form 10-KSB. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

NOTE 2 - GOING CONCERN

The Company's financial statements are prepared using accounting principles generally accepted in the United Stated of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through sales of common stock and continuing to develop and market its "bounce-house" business. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 - SIGNIFICANT EVENTS

In June 2003, the Company issued 400,000 shares of its free-trading common stock to its attorney as compensation for services rendered. The shares were valued at $0.0167 per share.

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