BRENDAN TECHNOLOGIES INC
Form 10KSB
October 13, 2006

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

FORM 10-KSB

(Mark One)

x Annual Report Pursuant To Section 13 or 15(d) Of the Securities Exchange Act Of 1934

For the fiscal year end **June 30, 2006**

¨ Transition Report under Section 13 or 15(d) Of the Securities Exchange Act Of 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 033-24138-D

BRENDAN TECHNOLOGIES, INC.
(Name of small business issuer in its charter)

NEVADA	**38-3378963**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2236 Rutherford Rd., Suite 107 **Carlsbad, California**	**92008**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number **(760) 929-7500**

Securities registered under Section 12(b) of the Exchange Act: **NONE.**

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, $0.004995 PAR VALUE PER SHARE.

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act ¨

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** x **No** o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes o No x

Revenues for the fiscal year ended June 30, 2006 were**: $681,337.**

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold as of **October 5, 2006 was $4,841,963**.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **As of October 5, 2006 the issuer had 25,498,794 shares of Common Stock outstanding.**

Part I Item 4 of this Annual Report on Form 10-KSB incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Information Statement mailed to stockholders on July 24, 2006.

Transitional Small Business Disclosure Format (Check one): Yes ¨ No x

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Annual Report on Form 10-KSB
for the Year Ended June 30, 2006

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-KSB constitute "forward-looking statements". These statements, identified by words such as "plan", "anticipate", "believe", "estimate", "should," "expect" and similar expressions, include our expectations and objectives regarding our future financial position, operating results and business strategy. These statements reflect the current views of management with respect to future events and are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those described in the forward-looking statements. Such risks and uncertainties include those set forth under the caption "Management's Discussion and Analysis or Plan of Operation" and elsewhere in this Form 10-KSB. We advise you to carefully review the reports and documents we file from time to time with the Securities and Exchange Commission ("SEC"), particularly our quarterly reports on Form 10-QSB and our current reports on Form 8-K.

As used in this annual report, the terms "we", "us", "our", Brendan", the "Company", and "Omni" mean Brendan Technologies, Inc., unless otherwise indicated.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

The Company

On September 15, 2006, Omni U.S.A., Inc., a Nevada corporation ("**Omni**"), changed its name to Brendan Technologies, Inc., a Nevada corporation (**"we", the "Company" or** "**Brendan**"). On December 29, 2005, Omni, Omni's wholly-owned subsidiary Omni Merger Sub, Inc., a Michigan corporation ("**Merger Sub**"), Jeffrey Daniel and Edward Daniel entered into an Agreement and Plan of Merger (the "**Merger Agreement**") with Brendan Technologies, Inc., a Michigan corporation ("**Brendan Sub**") pursuant to which Merger Sub was merged with and into Brendan Sub and Brendan Sub became the surviving corporation in the merger and a wholly-owned subsidiary of Omni. Brendan Sub continues its corporate existence under the laws of the State of Michigan.

Concurrently with the merger, 4,754,709 shares of Brendan Sub common stock outstanding immediately before the merger were converted into 19,018,836 shares of Omni common stock, a four for one ratio. Also concurrently with the merger, (i) 4,352,879 shares of Omni common stock were issued to the holders of Brendan Sub Senior and Bridge Notes totaling $2,654,198 in aggregate principal and interest, a conversion rate of 1.64 shares per $1.00 under such debt; and (ii) 900,000 shares of Omni common stock was issued to individuals who participated in the arrangement of the merger.

Common stock options and warrants exercisable into 973,500 shares of Brendan Sub before the merger became exercisable into 3,894,000 common shares of Omni after the merger. The exercise price of the Omni stock options and warrants was adjusted to 25% of the exercise price of the Brendan Sub stock options and warrants.

At the effective time of the merger, Omni appointed John Dunn II, Lowell Giffhorn, Theo Vermaelen and Steven Eisold to the Omni Board of Directors, and Jeffrey Daniel, Craig Daniel, Kevin Guan and Didi Duan resigned from the Omni Board of Directors. In addition, John Dunn II was appointed Chairman of the Board, President, Chief Executive Officer and Chief Technical Officer; Lowell Giffhorn was appointed Vice President and Chief Financial Officer; and George Dunn was appointed Vice President, Secretary and Chief Operating Officer of Omni. Jeffrey Daniel and Craig Daniel resigned from their positions as officers of Omni.

Concurrent with entering into the Merger Agreement, on December 29, 2005, Omni entered into a Stock Purchase Agreement ("**Stock Purchase Agreement**") with Jeffrey K. Daniel, Craig L. Daniel and Edward Daniel ("**Daniels**") pursuant to which, immediately following the merger, Omni sold to Daniels all of the issued and outstanding shares of capital stock of Omni U.S.A., Inc., a Washington corporation ("**Omni-Washington**") and Butler Products Corporation ("**Butler**"), each of which was previously a wholly-owned subsidiary, in exchange for a three-year promissory note due on December 29, 2008 in the amount of $672,000 (the "**Promissory Note**").

Prior to the transactions effected by the Stock Purchase Agreement and Merger Agreement, Omni-Washington and Butler constituted substantially all of Omni's operations. Following the transactions effected by the Merger Agreement and the Stock Purchase Agreement, Brendan Sub is now our sole wholly-owned subsidiary, and we conduct all our operations through Brendan.

Business Overview

Brendan Sub was formed on October 31, 1997, under the laws of the State of Michigan as Brendan Technologies, Inc., and does business as Brendan Scientific Corporation. Through Brendan Sub, our wholly owned subsidiary, we are a software company that designs, develops and markets computational analytical software products for the laboratory testing industry. Brendan's laboratory workflow and analysis software platform manages the raw, computed and analytical data in testing laboratories and in manufacturing.

Brendan evolved from the initial work of its founder John R. Dunn II, Ph.D., now our Chairman, President, Chief Executive Officer and Chief Technical Officer. Brendan's first commercialized product is StatLIA®, software designed specifically for immunoassay testing. Since Dr. Dunn's early work on StatLIA® over nine years ago, StatLIA® has been developed with software engineers, mathematicians and laboratory professionals who specialize in laboratory testing. Over the years, StatLIA® has been used in laboratories, undergoing numerous revisions and additions to develop the product.

StatLIA®

Immunoassays, one of the world's largest and fastest growing testing technologies, is used to test for metabolites found in AIDS, hepatitis, cancer, environmental pollutants, side effects of new drugs and thousands of other biological and environmental substances. Immunoassays are a broadly applicable technology allowing low cost, rapid analysis through high throughput testing. Immunoassays are used extensively in pharmaceutical, hospital, clinical reference, academic and industrial research, environmental, agricultural, food processing and veterinarian laboratories throughout the world.

StatLIA® uses comprehensive statistics to directly or indirectly analyze the performance of each of the nine immunoassay components (label, tracer, antibody, buffer, incubation, separation, standards, controls and unknowns). StatLIA® stores a fixed set of stable reference assays which are statistically compared to a single assay or multiple assays to detect changes in reagents or incubation conditions. With a reference set of at least two assays, standard curve and control specimen parameters in today's assay are statistically compared to the same parameter in the reference assays to identify any statistically significant differences.

StatLIA® is intended to address the following:

· *Insufficient Quality* - Error rates in Immunoassay testing is estimated to be as high as 4%. Testing errors and the inability to directly locate error sources is costly and time consuming. We believe that StatLIA® will reduce the error rates and enhance the tester's ability to locate the error source.

· *Lack of Automation* - Immunoassay testing is very labor intensive due to many manual steps in the processing, tracking and analysis of the data produced. With high throughput testing becoming the industry norm, the data needs to be managed with even greater efficiency. We believe that StatLIA® will reduce such labor costs.

· *Regulatory Compliance* - Federal regulations are placing increasing demands for compliance with the Food and Drug Administration's ("**FDA**") quality assurance regulations. We believe that StatLIA® will meet the growing need for automated software that can assist laboratories in complying with the regulation.

· *Need for Better Data Management* - Improved technologies have allowed greater automation in Immunoassay testing, increasing throughput volumes but requiring better connectivity and standardization for the management of the data generated. We believe that StatLIA® will address the need for greater connectivity and standardization.

Brendan first targeted the immunoassay market with StatLIA® because it is a fragmented and large market that may allow Brendan to sell its software to testing equipment distributors and original equipment manufacturers ("**OEM**s"), and earn a share of business from large organizations.

Users of StatLIA® include device and reagent manufacturers, pharmaceutical companies, clinical diagnostic centers and government testing laboratories. Distributors of StatLIA® include device and reagent manufacturers and their distributors, as well as Brendan's direct sales force.

Customer Base

Brendan has used most of its capital to date in the development of StatLIA® and the expansion of the program to encompass all of the differing immunoassay technologies and workflow configurations found in research and clinical laboratories. Existing customers who have used StatLIA® in laboratories include several large pharmaceutical companies, clinical diagnostic organizations, reagent manufacturers and research entities. This client base also serves as a source of revenue for additional instruments and workstations, and support and maintenance renewal fees.

Many of our institutional clients operate under rigorous FDA regulations, or the European equivalent, and the FDA requires that new software products be validated.

Strategy

Industry Analysis

Using data obtained from Morgan Stanley Dean Witter, Global Industry Analysts, and other published industry and marketing reports, and instrument manufacturer sales figures, we estimate this market to represent over $1 billion in revenue and does not include the food processing, agricultural, veterinarian, or the rapidly expanding environmental immunoassay markets. This also does not include software applications for other technologies. According to the Health Industry Manufacturer's Association, more than $50 billion in medical devices, diagnostic products and health information systems are currently purchased annually in the United States and more than $120 billion worldwide. This represents only the clinical market segment and not pharmaceutical, research, environmental and other segments.

Conventional laboratory software falls into two primary areas: laboratory management or instrumentation. Laboratory management software handles billing, report generation, and other administrative tasks. The software is not designed for complex technical computation. Software for the testing instruments operate as dedicated systems and is basically designed only to generate results. It is not designed for the complete statistical analysis and data management and record keeping requirements for pharmaceutical, clinical or research labs, nor is it designed to exist in a cooperative environment with other immunoassay instruments.

StatLIA® was introduced to meet this need, which we believe no other commercial software available meets. By using StatLIA® for their assay validation and documentation as well as standardizing on it as one uniform system throughout their organization, pharmaceutical companies may save substantial time and resources supplying the necessary documentation to get new drugs to market and clinical laboratories may increase productivity and reliability while reducing costs.

Market

We believe that through Brendan we have the opportunity to introduce a product to serve an under-served niche market: the software used in biomedical and non-biomedical testing laboratories. The testing industry generates more than $100 billion in revenues each year to run tests for drug development, medical diagnostics and treatments, water and soil samples, infectious disease research, food contaminants, and numerous other health and industry-critical applications.

Brendan has focused on the analytical segment of the market. This is the computation, storage and analysis of the raw signal data generated by a testing instrument. However, the majority of the software used to analyze these tests is a part of the instrument software that is provided by the instrument manufacturer. These routines do not provide all of the capabilities and are not as extensive as the data currently computed by StatLIA®.

StatLIA® allows laboratories to interface all of their immunoassay testing instruments into one uniform system. As one system, as compared to the more common system using several isolated testing instruments, the StatLIA® system can be easily interfaced to Brendan’s main database for reporting patient results and recording clinical trial data, among other processes. The system also integrates into a laboratory’s network, so that multiple computers can be used to prepare, compute, analyze and report all assay data, thereby increasing workflow. StatLIA®’s superior quality control process not only determines the accuracy of the test more reliably than the software currently available, but also pinpoints the specific cause of a problem in a bad test, dramatically reducing laboratory downtime and reagent costs.

Competition

Almost all immunoassay software is produced and sold by manufacturers bundled with their instruments. These programs are included to stimulate sales of their instruments and are not usually marketed as stand-alone products. Conventional laboratory software falls into two primary areas: laboratory management or instrumentation functionality. Laboratory management software handles billing, report generation and other administrative tasks. The software is not designed for complex technical computation. On the other hand, software for testing instruments operates as a dedicated system and is designed primarily to generate testing data. This software has limitations meeting the complete statistical analysis, data management, data utilization and record keeping demands of pharmaceutical, clinical or research labs, nor is it designed to exist in a cooperative environment with other testing instruments.

Prior to Brendan, we believe that no company has focused as extensively on the gap between instrument operational software and administrative LIM software. Brendan has worked with several industry-leading labs to develop StatLIA® and we believe that StatLIA® is a unique software product that surpasses any software currently available for this market.

To date, the majority of StatLIA® sales have been replacing existing OEM software on testing equipment. This software, bundled with the instruments, is Brendan’s current main competition. Existing equipment-specific software include Softmax, used for Molecular Device’s microplate readers and KC4 used for BioTek Instrument’s microplate readers. We believe instrument manufacturers are excellent prospects for distribution agreements to incorporate or bundle our software with their instruments.

Intellectual Property

We attempt to protect the proprietary aspects of our products with copyrights, trade secret law and internal nondisclosure safeguards. The source code for the software contained in our products is considered proprietary and we do not furnish source code to our customers. We have also entered into confidentiality agreements with our employees. Despite these restrictions, it may be possible for competitors or users to copy aspects of our products or to obtain information that we regard as a trade secret.

There is a rapid pace of technological change in the software industry, which in turn compels us to continually enhance and extend our product lines. We believe that patent, trade secret and copyright protection is less significant to our competitive position than factors such as the knowledge, ability and experience of our personnel, new product development, frequent product enhancements, name recognition and ongoing, reliable product maintenance and support.

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Employees

Brendan currently has 12 full time employees and two part time consultants. Brendan has entered into employment agreements with certain of its employees.

ITEM 2. DESCRIPTION OF PROPERTY.

We conduct our corporate functions and manufacturing, product development, sales and marketing activities in Carlsbad, California. We rent 3,988 square feet of office space at 2236 Rutherford Road, Suite 107, Carlsbad, California 92008 under a two-year lease ending May 31, 2008 for a monthly rent ranging from $4,825 for the first year increasing to $4,985 for the second year. The average monthly rent for the two-year period is $4,905. This space is adequate to meet our foreseeable future needs.

ITEM 3. LEGAL PROCEEDINGS.

None.

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

On July 24, 2006, we provided an Information Statement to stockholders of record as of June 15, 2006 in which we provided information related to a change in the name of the corporation to Brendan Technologies, Inc. and the adoption of the 2006 Equity Incentive Plan. The Information Statement is hereby incorporated by reference.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PRUCHASES OF EQUITY SECURITIES.

Our Common Stock is traded in the over-the-counter market and is quoted on the NASD OTC Bulletin Board system maintained by the National Association of Securities Dealers, Inc. Prices reported represent prices between dealers, do not include markups, markdowns or commissions and do not necessarily represent actual transactions. The market for our shares has been sporadic and at times very limited.

The following table sets forth the high and low closing price for the Common Stock for the fiscal years ended June 30, 2006 and 2005. Closing prices previous to the reverse merger date of December 29, 2005, are reflective of the closing prices for the predecessor corporation.

	Closing Price	
	High	Low
Fiscal Year Ended June 30, 2006		
First Quarter	$ 1.85	$ 1.36
Second Quarter	$ 1.75	$ 1.10
Third Quarter	$ 1.20	$ 0.60
Fourth Quarter	$ 0.68	$ 0.25
Fiscal Year Ended June 30, 2005		
First Quarter	$ 2.00	$ 1.01
Second Quarter	$ 2.35	$ 1.11
Third Quarter	$ 2.33	$ 1.30

Fourth Quarter	$	1.75	$	0.91

We had approximately 250 shareholders of record as of September 15, 2006. Because most of our common stock is held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners represented by these record holders. We have never paid a cash dividend on our common stock and do not expect to pay one in the foreseeable future.

Recent Sale of Unregistered Securities

Information concerning the sales of unregistered securities during fiscal year 2006 have been previously provided on Current Reports on Form 8-K.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Overview

The Company completed a reverse merger transaction on December 29, 2005 with Brendan Sub, a Michigan corporation formed in October 1997. Prior to the merger, Omni, through its wholly-owned subsidiary, Omni U.S.A., Inc., a Washington corporation ("Omni-Washington") and Omni-Washington's wholly-owned subsidiary, Omni Resources, Ltd., a Hong Kong company ("Omni Resources"), through its wholly-owned manufacturing facility, Shanghai Omni Gear Co., Ltd.("Shanghai Omni Gear"), designed, developed, manufactured and distributed power transmissions (also known as "gearboxes" or "enclosed gear drives") for use in agricultural, industrial, "off-highway" and construction equipment. Omni, through another wholly-owned subsidiary, Butler Products Corporation, designed, developed, manufactured and distributed trailer and implement jacks and couplers, which included light and heavy-duty jacks and couplers used in a variety of trailers. Immediately following the closing of the merger, the subsidiaries of Omni were sold to its founders and Brendan Sub became the only wholly owned subsidiary of Omni, the public company. The directors and management of Brendan Sub became the directors and management of Omni. For a more complete description of the reverse merger transaction and sale of the subsidiaries in which Omni received approximately $498,000 in gross proceeds, see our current report on Form 8-K, dated December 29, 2005 and filed with the SEC on January 5, 2006.

On September 15, 2006, we changed the name of our company from Omni U.S.A., a Nevada corporation, to Brendan Technologies, Inc., a Nevada corporation. Brendan Sub continues to be the only operating subsidiary of Brendan Technologies, Inc.

Brendan Sub was incorporated on October 31, 1997 in the state of Michigan. Brendan Sub develops and markets scientific computer software for applications in the pharmaceutical/biotechnical research, clinical diagnostic, environmental, and other life and physical science markets.

Since our business is that of Brendan Sub only, the management of Brendan Sub became the management of the Company and the former Brendan Sub stockholders and note holders received a majority of the total common stock of the Company in the reverse merger, the merger was accounted for as a recapitalization of Omni and the information in this Form 10-KSB is that of Brendan Sub.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates, including those related to our product returns, bad debts, intangible assets, long-lived assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified two accounting policies that we believe are key to an understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

1. Revenue Recognition

The Company recognizes revenues related to software licenses and software maintenance in accordance with the American Institute of Certified Public Accountants ("AICPA") Statements of Position ("SOP") No. 97-2, "Software Revenue Recognition," as amended by SOP No. 94-4 and SOP No. 98-9. We follow the guidance established by the SEC in Staff Accounting Bulletin No. 104, as well as generally accepted criteria for revenue recognition, which require that, before revenue is recorded, there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection is reasonably assured, and delivery to our customer has occurred. In addition, our invoices may include multiple elements that identify vendor specific objective evidence of fair value for each of those elements. The Company recognizes revenue as follows:

Software- our software is sold with an indefinite license period, and as such, product revenue is recorded at the time of the customer's acceptance (generally 30 days after shipment which allows for a 30 day return guarantee if the customer is not satisfied with the product), net of estimated allowances and returns.

Post-contract customer support- ("PCS") obligations are generally for annual services and are recognized over the period of service. Revenues for which payment has been received are treated as deferred revenue until services are provided and revenues have been earned.

Training and service calls- recognized at the time training or service calls are provided.

Royalties- we recognize revenue from royalties only after the cash has been collected (typically 30 days after the end of the quarter on which the royalty payment is based.)

Licensing- we also derive license revenue from fees for the transfer of proven and reusable intellectual property components. Generally, these payments will include a nonrefundable technology license fee, which will be payable upon the transfer of intellectual property. License fees will be recognized upon the execution of the license agreement and transfer of intellectual property provided no further significant performance obligations exist and collectibility is deemed probable.

Customization revenue- fees related to software service contracts to aid customers in adapting such intellectual property to their particular instruments, which will be performed on a best efforts basis and for which we will receive periodic milestone payments, will be recognized as revenue over the estimated development period, using a cost-based percentage of completion method.

2. Going Concern

The financial statements have been prepared on a going concern basis. However, during the year ended June 30, 2006 and the transition six month period ended June 30, 2005, the Company incurred net losses of $845,393 and $164,772, respectively, and had an accumulated deficit of $6,241,709 and $5,396,316, at June 30, 2006 and 2005, respectively. In addition, the Company had a working capital deficit of $1,559,809 and is in default on $333,217 of debt and interest. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and as such raise substantial doubt as to the Company's ability to continue as a going concern. Since inception, the Company has satisfied its capital needs through debt and equity financings and expects to fund the Company from these sources until profitability is achieved. There can be no assurance that funds will be available at terms favorable to the Company or that future profitability can be achieved.

Results of Operations

On December 29, 2005, the Company completed the acquisition of substantially all the assets of Brendan Sub pursuant to the Merger Agreement and completed the disposition of substantially all the assets of Omni-Washington and Butler pursuant to the Stock Purchase Agreement. As a result of these transactions and the issuance of common stock to the shareholders, noteholders and individuals who assisted in the merger, Brendan Sub, a now wholly-owned subsidiary of the Company, became the accounting acquirer and the transaction was accounted for as a reverse merger acquisition.

As a result of Brendan Sub being the accounting acquirer and the post acquisition financial statements being the historical statements of Brendan Sub, the fiscal year end of Brendan Sub was changed from December 31 to June 30. The Company’s transition period is the six months ended June 30, 2005.

Year Ended June 30, 2006 Compared to the Six Months Ended June 30, 2005 (transition period)

Selected Financial Information

	Year Ended June 30, 2006	Six Months Ended June 30, 2005	Increase (Decrease)	%
Statements of Operations				
Revenues	$ 681,337	$ 419,526	$ 261,811	62.4%
Selling expenses	103,190	65,173	38,017	58.3%
General and administrative expenses	1,215,966	352,614	863,352	244.8%
Interest expense	207,574	166,511	41,063	-24.7%
Total expenses	1,526,730	584,298	942,432	-161.3%
Net (loss)	$ (845,393)	$ (164,772)	$ (680,621)	413.1%
Net (loss) per basic and diluted share	$ (0.06)	$ (0.04)	$ (0.02)	50.0%

Revenue

Revenue for the year ended June 30, 2006 increased $261,811, 62.4%, to $681,337 compared to $419,526 for the transition period ended June 30, 2005. The primary reason for the sales increase was the initial order for a segment of our upgraded version of the StatLIA software, version 4.0, which amounted to approximately $127,000 and the change in the accounting period which compared six months for the transition period ended June 30, 2005 to twelve months for the year ended June 30, 2006.

Selling Expenses

Selling expenses for the year ended June 30, 2006 increased $38,017, 58.3%, to $103,190 compared to $65,173 for the transition period ended June 30, 2005. The increase reflects the change in the accounting period from six months for the transition period ended June 30, 2005 compared to twelve months for the year ended June 30, 2006.

Operating Expenses

Operating expenses increased by $863,352, a 244.8% increase, to $1,215,966 for the year ended June 30, 2006 from $352,614 for the transition period ended June 30, 2005. The primary reasons for the increase were approximately $106,000 increase in consulting expenses associated with becoming a public company which included the retaining of a chief financial officer, $148,000 increase in legal and accounting expenses related to becoming a public company, and $275,000 related to an increase in personnel and infrastructure related to upgrading our StatLIA software to version 4.0. In addition, the above comparative amounts reflect the change in the accounting period from six months for the transition period ended June 30, 2005 compared to twelve months for the year ended June 30, 2006.

Interest Expense

Interest expense increased by $41,063, a 24.7% increase, to $207,574 for the year ended June 30, 2006 from $166,511 for the transition period ended June 30, 2005. The primary reason for the increase was the change in the accounting period from six months for the transition period to twelve months for the year ended June 30, 2006 offset by a reduction in interest expense as a result of the conversion of notes payable into common stock of Omni in December 2005.

Capital Resources

Working Capital	As of June 30, 2006	June 30, 2005	Increase (Decrease)
Current assets	$ 205,920	$ 104,967	$ 100,953
Current liabilities	1,765,729	4,326,255	(2,560,526)
Working capital deficit	$ (1,559,809)	$ (4,221,288)	$ 2,661,479
Long-term debt	$ 117,650	$ 9,836	$ 107,814
Stockholders' deficit	$ (1,596,529)	$ (4,210,955)	$ 2,614,426

Statements of Cash Flows Select Information	Year Ended June 30, 2006	Six Months Ended June 30, 2005	Increase (Decrease)
Net cash provided (used) by:			
Operating activities	$ (637,191)	$ (13,854)	$ (623,337)
Investing activities	$ (67,039)	$ (312)	$ (66,727)
Financing activities	$ 821,238	$ 25,000	$ 796,238

Balance Sheet Select Information	As of June 30, 2006	June 30, 2005	Increase (Decrease)
Cash and cash equivalents	$ 149,512	$ 32,504	$ 117,008
Accounts receivable	$ 56,107	$ 71,751	$ (15,644)
Accounts payable and accrued expenses	$ 1,348,419	$ 1,380,208	$ (31,789)

Liquidity

Brendan has historically financed its operations through debt and equity financings. At June 30, 2006, we had cash holdings of $149,512, an increase of $117,008 compared to June 30, 2005. Our net working capital deficit at June 30, 2006, was $1,559,809 compared to $4,221,288 as of June 30, 2005. In June and July 2006, we issued 8% convertible debentures with attached common stock purchase warrants for $125,000 and $900,000, net of costs, respectively.

These financial statements have been prepared on a going concern basis. However, during the year ended June 30, 2006 and the transitional period ended June 30, 2005, the Company incurred net losses of $845,393 and $164,772, respectively, and had an accumulated deficit of $6,241,709 and $5,396,316, at June 30, 2006 and 2005, respectively. The Company’s ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time. Since inception, the Company has satisfied its capital needs through debt and equity financings.

On December 29, 2005, Omni, immediately following the reverse merger, sold its operating subsidiaries to their original founders for a note receivable of $770,000. The note was subsequently discounted to $498,000 of which $98,000 was advanced to Brendan to cover a portion of the costs associated with the reverse merger and $398,498 was received in cash as of June 30, 2006. In addition, Brendan's noteholders converted $2,654,198 of notes payable and accrued interest into 4,352,879 common shares of Omni. Brendan's shareholders converted 4,754,709 shares of common stock into 19,018,836 common shares of Omni. An additional 900,000 shares of Omni's common stock was issued to individuals who participated in the reverse merger. The cash proceeds from the sale of the note will be insufficient to meet the Company's ongoing liquidity requirements. Therefore, the Company will need to seek additional financing to meet its liquidity requirements. In June and July 2006 we issued 8% convertible debentures with attached common stock purchase warrants for $125,000 and $900,000, net of costs, respectively.

Management plans to continue to provide for its capital needs during the twelve months ending June 30, 2007, by increasing sales through the continued development of its products and by debt and/or equity financings. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

New Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and a correction of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company in the first quarter of fiscal 2007. The Company is currently evaluating the effect that the adoption of SFAS 154 will have on its consolidated results of operations and financial condition.

In December 2004, the FASB issued SFAS No. 123R, “Share Based Payment". This Statement is a revision of FASB Statement No. 123, “Accounting for Stock-Based Compensation”. This Statement supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, “Employers’ Accounting for Employee Stock Ownership Plans”. The Company adopted this standard on January 1, 2006. The adoption of this standard did not have a material impact on our historical financial statements but could have a material impact on our financial statements issued after January 2006.

Risk Factors

You should consider the following discussion of risks as well as other information regarding our common stock. The risks and uncertainties described below are not the only ones. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business could be harmed.

We have a limited operating history.

Brendan commenced operations in November, 1997 and has a limited operating history. The success of the Company will be dependent upon its ability to successfully exploit its unique proprietary technology. The Company's success will depend in large part on its ability to deal with the problems, expenses, and delays frequently associated with developing and marketing its software technology. Losses are likely to continue before the Company's operations will become profitable. There is no assurance that the Company's operations will prove profitable.

The market for our products is unproven and acceptance of the Company's products is crucial.

The market for the Company's software and services has only recently begun to develop, is rapidly evolving and could be subject to an increasing number of competitive market entries. While the Company believes that its software products offer significant advantages for quality assurance, regulatory compliance and reliability in the clinical, pharmaceutical, environmental, and manufacturing industries, there can be no assurance that its products will become widely adopted for use in those industries.

Because a market for the Company's products and services is new and evolving, it is difficult to predict the future growth rate, if any, and size of this market. There can be no assurance that the market for the Company's products and services will develop or that its products and services will be used in the marketplace. If the market fails to develop, develops more slowly than expected, or becomes saturated with competitors, or if the Company's products do not achieve market acceptance, the Company's business, operating results and financial condition will be materially adversely affected.

We depend on new products and development to generate revenues.

Substantially all of the Company's revenues have been derived, and substantially all of the Company's future revenues are expected to be derived, from the license of the software and sale of its associated services, and the development and sale of future products. Accordingly, broad acceptance of the Company's software products and services by customers is critical to the Company's future success as is