QUINTEK TECHNOLOGIES INC
Form 10QSB
February 20, 2007

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

FORM 10-QSB
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 2006

or

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

Commission File Number 0-28541

QUINTEK TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

California	77-0505346
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

17951 Lyons Circle
Huntington Beach, CA 92647
(Address of principal executive offices)

Registrant's telephone number: 714-848-7741

Check 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. Yes [X] No [ ]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

At February 12, 2007, a total of 152,449,773 shares of registrant's Common Shares were outstanding.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

QUINTEK TECHNOLOGIES, INC.
FORM 10-QSB

For the Fiscal Quarter Ended December 31, 2006

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

QUINTEK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
as of December 31, 2006
(Unaudited)

ASSETS

Current assets:		
Cash and cash equivalents	$	79,951
Accounts receivable, net of allowance for doubtful accounts of $4,496		275,497
Employee receivable, net		4,238
Total current assets		359,686
Property and equipment, net		373,872
Other assets:		
Deposits		108,935
Other assets		1,024,096
Total other assets		1,133,031
	$	1,866,588

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Accounts payable and accrued expenses	$	1,484,794
Factoring payable		136,722
Payroll and payroll taxes payable		73,188
Payroll taxes assumed in merger		96,661
Advances from lenders		36,736
Loans payable		223,695
Convertible bonds		62,495
Convertible debentures		210,674
Convertible notes		45,450
Beneficial conversion feature		143,880
Deferred revenue		10,104
Dividend payable		40,661
Total current liabilities		2,565,060
Long-term debt		831,812
Stockholders' deficit:		
Preferred stock, convertible, no par value, 50,000,000 shares authorized, 4,154,750 shares issued and outstanding		1,281,605

Common stock, $0.001 par value, 500,000,000 shares authorized, 152,449,773 shares issued and outstanding		152,449
Additional paid-in capital		32,853,323
Shares to be issued		5,000
Stock subscription receivable		(776,250)
Accumulated deficit		(35,046,412)
Total stockholders' deficit		(1,530,284)
Total liabilities and stockholders' deficit	$	1,866,588

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QUINTEK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three month periods ended December 31, 2006	2005	For the six month periods ended December 31, 2006	2005
Net revenue	$ 397,283	$ 535,521	$ 809,011	$ 1,228,880
Cost of revenue	328,997	346,808	647,486	826,432
Gross margin	68,284	188,713	161,524	402,448
Operating expenses:				
Selling, general and administrative	577,412	537,997	1,368,299	1,203,585
Stock-based compensation	-	313,686	600,000	383,975
Stock-based consulting fees	41,728	-	135,955	-
Total operating expenses	619,138	851,683	2,104,253	1,587,559
Loss from operations	(550,854)	(662,969)	(1,942,729)	(1,185,112)
Non-operating income (expense):				
Realized gain (loss) on investment	(120,040)	-	(120,040)	113,700
Other income	3,067	2,959	6,162	9,631
Uncollectible from former officers	(2,747)	(2,409)	(5,467)	(5,026)
Beneficial conversion feature	(66,468)	(44,159)	(129,736)	(96,966)
Change in Fair Value of Warrants	82,327	-	704,075	-
Interest Income	136	1,344	2,728	2,667
Interest expense	(34,136)	(31,770)	(95,481)	(175,036)
Total non-operating income (expense)	(137,861)	(74,034)	362,241	(151,030)
Loss before provision for income taxes	(688,715)	(737,004)	(1,580,487)	(1,336,141)
Provision for income taxes	-	-	800	800
Net loss	(688,715)	(737,004)	(1,581,287)	(1,336,941)
-				
Dividend requirement for preferred stock	4,015	4,015	8,029	8,029
Net loss applicable to common shareholders	(692,729)	(741,019)	(1,589,316)	(1,344,970)
-				

Other comprehensive loss:		-						
Reclassification adjustment		120,151		-		120,151		(4,080)
Unrealized gain/(loss) for the period		-		(19,590)		-		9,317
Comprehensive loss	$	(572,578)	$	(760,609)	$	(1,469,165)	$	(1,339,733)
Basic and diluted net loss per share	$	(0.00)	$	(0.01)	$	(0.01)	$	(0.01)
Basic and diluted weighted average shares outstanding		154,095,924		122,264,778		151,445,900		111,580,803

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QUINTEK TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Six months periods ended December 31, 2006	2005
OPERATING ACTIVITIES		
Net loss	$ (1,581,287)	$ (1,336,941)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	93,794	85,540
Discount on factor	-	4,796
Expenses paid by a note payable	-	36,478
Issuance of shares for consulting services	135,955	238,697
Stock based compensation	600,000	-
Bad Debts	12,012	-
Gain on the sale of the investment	120,040	(113,700)
Change in Fair value of Warrants	(704,075)	-
Beneficial conversion feature expense	129,736	96,966
Amortization of the Unamortized discount	-	77,489
Warrants granted to consultant	-	206,798
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	(59,890)	49,522
(Increase) decrease in prepaid expenses	(4,238)	(3,192)
Increase (decrease) in accounts payable	494,057	121,788
Increase (decrease) in payroll taxes payable	(108,377)	116,696
Increase (decrease) in deferred revenue	1,683	(23,056)
Net cash used in operating activities	(870,591)	(442,120)
INVESTING ACTIVITIES		
Acquisition of equipment	(13,218)	(13,429)
Increase in restricted cash	-	(2,666)
Proceeds from sale of marketable securities	10,821	238,018
Net cash provided by/ (used in) investing activities	(2,397)	221,923
FINANCING ACTIVITIES		
Payments on factoring payable	-	(95,279)
Proceeds from factor	-	155,816
Payments on leases	(64,428)	(60,620)
Proceeds from issuance of debentures	750,000	-
Expenses related to Issuance of Debenture	(75,000)	-
Proceeds from sale of stocks	-	80,000
Prepayments for exercise of warrants	-	125,000
Proceeds from issuance of common stock upon exercise of warrants	-	59,400
Payments of notes payable	(67,640)	(10,150)
Net cash provided by financing activities	542,932	254,167
	(330,056)	33,970

Net increase (decrease) in cash and cash equivalents				
Cash and cash equivalents, beginning balance		410,007		12,669
Cash and cash equivalents, ending balance	$	79,951	$	46,639

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QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

The Company was originally incorporated under the laws of the State of California on April 16, 1993, as Quintek Electronics, Inc. On January 14, 1999, the Company merged with Pacific Diagnostic Technologies, Inc. in a business combination accounted for as a purchase. The acquisition took place under a plan of reorganization. Quintek Electronics, Inc. ("QEI") became public when it was acquired by Pacific Diagnostic Technologies, Inc. ("PDX") through a reverse merger and Chapter 11 Plan of Reorganization. Under the plan, all assets of QEI were sold to PDX, all PDX management resigned once the Plan was confirmed, and QEI's management and operating plan were adopted by the new operating entity. Shortly after the confirmation of the plan, the name of the reorganized debtor was changed to Quintek Technologies, Inc. ("QTI"). QTI assumed the assets, liabilities, technology and public position of both QEI and PDX.

On February 24, 2000, the Company acquired all of the outstanding common stock of Juniper Acquisition Corporation ("Juniper"). For accounting purposes, the acquisition was treated as a capitalization of the Company with the Company as the acquirer (reverse acquisition).

On May 5, 2005, the Company formed Sapphire Consulting Services to focus its efforts on the Supply Chain Services market. Sapphire provides back office services and solutions to improve efficiencies within organizations. The Company accomplishes this through out-sourcing/in-sourcing services, consulting services and solution sales.

Quintek provides business process outsourcing services to Fortune 500, Russell 2000 companies and public sector organizations. The Company’s business process includes outsourcing services range from consulting, digitizing, indexing, and uploading of source documents through simple customer-specific, rules-based decision making. .

2. BASIS OF PRESENTATION

The accompanying unaudited financial statements of Quintek have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited financial statements of the Company include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly its financial position as of December 31, 2006, the results of operations for the six months ended December 31, 2006 and 2005, and cash flows for the six months ended December 31, 2006 and 2005. The operating results for the six month period ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007. The audited financial statements for the year ended June 30, 2006 were filed on September 28, 2006 with the Securities and Exchange Commission and is hereby referenced. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Company's 2006 Form 10-KSB.

Use of Estimates

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.

Cash and Cash Equivalents

The Company considers all liquid investments with a maturity of three months or less from the date of the purchase that are readily convertible into cash to be cash equivalents.

Accounts Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded primarily on a specific identification basis. Allowance for doubtful debts amounted to $4,496 as at December 31, 2006.

Property & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line over the estimated useful lives (3-7 years) of the assets.

QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

Long-lived Assets

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

Accounts Payable & Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2006:

Accounts payable	$ 533,038
Accrued interest	395,165
Accrued legal fees	33,250
Accrued Litigation Liability	414,254
Other accrued expenses	109,087
	$ 1,484,794

Income Taxes

Deferred taxes are provided for on a liability method for temporary differences between the financial reporting and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. For the year ended June 30, 2006, such differences were insignificant.

Marketable securities and realized loss due to decline in market value

On July 29, 2004, the Company entered into an Agreement with Langley Park Investments Plc, a London Investment Company to issue 14,000,000 shares of the Company's common stock to Langley in return for 1,145,595 shares of Langley. Fifty percent of Langley shares, or 572,798 shares, issued to the Company under this agreement were to be held in escrow for two years. At the end of two years if the market price for the Company's common stock was at or greater than the Initial Closing Price, the escrow agent would release the full amount of shares. In the event that the market price for the Company's common stock is less than the Initial Closing Price the amount released would be adjusted.

Langley attained listing with the United Kingdom Listing Authority. The Company's shares are to be held by Langley for a period of at least two years. Langley shares issued to the Company are to be free trading.

The Company's marketable securities (Langley's shares) were classified as available-for-sale and, as such, were carried at fair value. Securities classified as available-for-sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. The investment in marketable securities represents less than twenty percent (20%) of the outstanding common stock and stock equivalents of the investee. As such, the investment is accounted for in accordance with the provisions of SFAS No. 115.

Unrealized holding gains and losses for marketable securities are excluded from earnings and reported as a separate component of stockholder's equity. Realized gains and losses for securities classified as available-for-sale are reported in earnings based upon the adjusted cost of the specific security sold. On October 7, 2006, the Langley Escrow shares held as Protection Shares (as defined in the Escrow Agreement) were repurchased by Langley from the Company these were limited to the number of Langley escrow shares held or 572,798 shares. The purchase price was calculated as follows: the number of Langley Consideration Shares multiplied by the Percentage Decrease. The Percentage Decrease equals Market Value/the Closing Price. “Market Value” shall be the average of the ten (10) closing bid prices per share of the Company common stock during the ten (10) trading days immediately preceding the two year anniversary of the closing. “Closing Price” shall be the closing bid price of the Company’s common stock on the day of closing. The Company received funds totaling $10,821 pursuant to the repurchase of these shares and realized a loss totaling $120,040 in the accompanying financial statements as of December 31, 2006.

QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

Stock-based compensation

The Company adopted SFAS No. 123 (Revised 2004), *Share Based Payment* ("SFAS No. 123R"), under the modified-prospective transition method on January 1, 2006. SFAS No. 123R requires companies to measure and recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. Share-based compensation recognized under the modified-prospective transition method of SFAS No. 123R includes share-based compensation based on the grant-date fair value determined in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation,* for all share-based payments granted prior to and not yet vested as of January 1, 2006 and share-based compensation based on the grant-date fair-value determined in accordance with SFAS No. 123R for all share-based payments granted after January 1, 2006. SFAS No. 123R eliminates the ability to account for the award of these instruments under the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and allowed under the original provisions of SFAS No. 123. Prior to the adoption of SFAS No. 123R, the Company accounted for our stock option plans using the intrinsic value method in accordance with the provisions of APB Opinion No. 25 and related interpretations.

There were no stock options granted during the six months ended December 31, 2006.

Fair Value of Financial Instruments

Statement of financial accounting standard No. 107, Disclosures about fair value of financial instruments, requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for assets and liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Basic and diluted net loss per share

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net loss per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Revenue Recognition

Revenue is recognized when earned. The Company recognizes its revenue in accordance with the Securities and Exchange Commissions ("SEC") Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" ("SAB 104") and The American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended as amended by SOP 98-4 and SOP 98-9.

Issuance of shares for service

The Company accounts for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

Derivative Instruments

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow and foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. After adoption, the Company is required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate.

QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

Reporting segments

Statement of financial accounting standards No. 131, Disclosures about segments of an enterprise and related information (SFAS No. 131), which superseded statement of financial accounting standards No. 14, Financial reporting for segments of a business enterprise, establishes standards for the way that public enterprises report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performances. Currently, SFAS 131 has no effect on the Company's financial statements as substantially all of the Company's operations are conducted in one industry segment.

Reclassifications

Certain comparative amounts have been reclassified to conform to the current period presentation.

Recent Pronouncements

In February 2006, FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments”. SFAS No. 155 amends SFAS No 133, “Accounting for Derivative Instruments and Hedging Activities”, and SFAF No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”. SFAS No. 155, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interest in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on the qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of the Company’s first fiscal year that begins after September 15, 2006. Management believes that this statement will not have a significant impact on the financial statements.

In March 2006 FASB issued SFAS 156 ‘Accounting for Servicing of Financial Assets’ this Statement amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Statement:

1. Requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract.

2. Requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable.

3. Permits an entity to choose ‘Amortization method’ or Fair value measurement method’ for each class of separately recognized servicing assets and servicing liabilities:

4. At its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale

securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value.

5. Requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities.

This Statement is effective as of the beginning of the Company's first fiscal year that begins after September 15, 2006. Management believes that this statement will not have a significant impact on the financial statements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Management has not determined the effect, if any, the adoption of this statement will have on the financial statements.

QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

In September 2006, FASB issued SFAS 158 'Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)' This Statement improves financial reporting by requiring an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

1. A brief description of the provisions of this Statement
2. The date that adoption is required
3. The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008.

The management is currently evaluating the effect of this pronouncement on financial statements.

3. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements for the three months and six months ended December 31, 2006 and 2005 included the accounts of Quintek Technologies, Inc. and its wholly owned subsidiary Sapphire Consulting Services. All significant inter-company accounts and transactions have been eliminated in consolidation.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2006, consists of the following:

Computer and office equipment	$ 830,377
Other depreciable assets	102,881
Furniture and fixture	40,653
	973,911
Accumulated depreciation	(600,039)
	$ 373,872

The depreciation expense was $87,544 and $85,540 for the six month periods ended December 31, 2006 & 2005 respectively.

5. EMPLOYEE RECEIVABLES

Employee receivables comprised of following at December 31, 2006:

Notes receivable from employees, unsecured, due on June 30, 2019, interest at 4% per annum	$	260,254
Notes receivable from employees, unsecured, due on April 7, 2007		4,238
Interest receivable in connection with the above employee receivables		44,659
		309,151
Valuation allowance		(304,913)
	$	4,238

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QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

6. OTHER ASSETS

Other assets comprised of following at December 31, 2006:

Subscription Receivable	$ 58,349
Allowance on Subscription Receivable	(57,466)
Derivative on issuance of Debenture	1,023,213
	$ 1.024,096

7. NOTE PAYABLE

On April 10, 2006, the Company executed a note payable to a third party for $62,590. The term of the note was for a period of six months bearing an annual interest at 11.5%. The note carries a repayment provision wherein the Company will repay the third party from proceeds in the event of funding capital totaling a cumulative amount of one million dollars is received. This principal on the note was paid in full as of December 31, 2006. The interest accrual of $3,865 is recorded as an accrued expense in the accompanying financial statements as of December 31, 2006.

8. FACTORING PAYABLE

The Company entered into an agreement with a factoring company ("the Factor") to factor purchase orders with recourse. The Factor funded 97% or 90% based upon the status of the purchase order. The Factor agreed to purchase up to $4,800,000 of qualified purchase orders over the term of the agreement; however, the Factor did not have to purchase more than $200,000 in any given month. The term of the agreement term was from June 2, 2003 to June 2, 2005. The Company agreed to pay a late fee of 3% for payments not made within 30 days and 5% for those not made in 60 days. At the option of the Factor, the late fees may be paid with Company stock. If paid by Company stock, the stock bid price would be discounted 50% in computing the shares to be issued in payment of the late fee.

Pursuant to the terms of the factor agreement, the Factor is entitled to receive two (2) bonus warrants for each dollar of purchase orders purchased. The bonus warrants will be exercisable at the average closing price of the Company's common stock for the 90 days prior to the purchase order transactions they represent or a 50% discount to the closing price of the Company's stock at the time exercised at the option of the Factor. The warrants are exercisable over a five year period. The Company has not issued any bonus warrants during the six months ending December 31, 2006.

There were no purchases of purchase orders during the six months ended December 31, 2006. At December 31, 2006, the Company had a factoring payable balance of $116,722 associated with this factor. The Company has accrued $142,361 interest for late payments of this factor payable as of December 31, 2006.

At December 31, 2006, the Company had a factoring balance associated with two individual factors of $20,000. The Company has accrued $13,006 for interest of these factoring payables as of December 31, 2006.

9. PAYROLL TAXES-ASSUMED IN MERGER

The Company assumed $205,618 of payroll tax liabilities in the merger with Pacific Diagnostic Technologies, Inc. The balance was $96,661at December 31, 2006. The Company is delinquent on payments of these payroll tax liabilities.

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QUINTEK TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

10. LOANS PAYABLE

Loan Payable as of December 31, 2006, consists of the following:

Leases payable, interest at 7.9% to 20%, due various dates in 2005 to 2008	$ 218,466
Lease payable, interest at 17.8%, due in 2007	9,346
Note payable, interest at 5.75%, due July 30, 2006 (the company is in default and default interest is 12%)	6,080
Notes payable, interest at 8%, due 2006 (the company is in default of these notes)	27,061
Note payable, interest at 5 ¾%, due Jan, 2007	1,300
	262,253
Less : Current Portion	223,695
Long-term debt	$ 38,558

Principal payments on these leases payable are as follows:

Year ending June 30,		
2007	$	178,365
2008		79,829
2009		4,059
	$	262,253

11. ADVANCES FROM LENDER

On August 2, 2004 the Company signed a convertible debenture agreement with an accredited investor whereby the Company has received an advance totaling $905,000 for prepayment of warrants to be exercised as of December 31, 2006. The agreement expired on August 2, 2006. The accredited investor has exercised 868,264 warrants into common shares valued at $868,264 as of the twelve month period ended June 30, 2006. The remaining balance of $36,736 is recorded as advances from lender in the accompanying financial statements as of December 31, 2006.

12. CONVERTIBLE BONDS

Convertible bonds at December 31, 2006, consist of the following:

Bonds payable with interest at 9%, due on October 2001convertible to shares of common stock in increments of $1,000 or more	$ 21,354
Bonds payable with interest at 12%, due July 2001, convertible to shares of common stock in increments of $500 or more.	41,141
	$ 62,495

The above convertible bonds have matured as of July 2001 and October 2001. The holders of the matured bonds do not wish to renew the bonds and have asked for payment; however, the Company does not have the cash to repay these bonds. The Company has recorded the $62,495 as convertible bonds as a current liability in the accompanying financial statements as of December 31, 2006.

13. CONVERTIBLE DEBENTURES

The Company raised $300,000 through the issuance of convertible debentures in June of 2004. The term of the convertible debentures are as follows: pursuant to the terms of conversion, debenture in the amount of $300,000 pays interest at 5 ¾% interest and includes 3,000,000 warrants to purchase common stock for a period of three years at the exercise price of $1.00. The “Conversion Price shall be equal to the lesser of (i) $0.50, or (ii) 75% of the average of the 5 lowest Volume Weighted Average Prices during the 20 trading days prior to Holder’s election to convert, or (iii) 75% of the Volume Weighted Average Price on the trading day prior to the Holders election to convert market price of the Company’s common stock prior to conversion. Upon conversion of the debenture, the holder is obligated to simultaneously exercise the $1.00 warrants providing added funding to the Company. The warrant must be exercised concurrently with the conversion of this debenture in an amount equal to ten times the dollar amount of the Debenture conversion. Upon execution of the securities purchase agreement, $225,000 of the purchase price was due and paid to the Company. The remaining $75,000 was paid to the Company on February 7, 2005 upon effectiveness of the Securities and Exchange Commission’s Registration Statement. As of December 31, 2006, the Holder of the debenture converted $89,326 of the debenture amount into 14,555,964 common shares of the Company and exercised 893,264 warrants.

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The Company allocated the proceeds from the debenture between the warrant and the debt based on relative fair value of the warrant and the debt. The value of the warrant was calculated using the Black-Scholes model using the following assumptions: Discount rate of 3.4%, volatility of 100% and expected term of one year. The amount allocated to the warrant is being amortized over the term of the debt. The Company calculated a beneficial conversion feature of $279, 652. The Company amortized the beneficial conversion feature in accordance with the conversion terms of the note. At December 31, 2006, the convertible debenture of $210,674 is presented in the accompanying financial statements with the unamortized beneficial conversion feature and unamortized discount fully amortized.

On May 17, 2006, the Company entered into a Securities Purchase Agreement with Cornell Capital Partners, LP ("Cornell"). The Company entered into a convertible debenture with a total commitment value of $2,000,000 of which $750,000 was disbursed May 19, 2006, a debenture for $150,000 was entered into on September 15, 2006 and a debenture for $600,000 was entered into on October 18, 2006. The term for each of the convertible debenture is 36 months from the date of each issuance. The conversion price in effect on any Conversion Date shall be, at the sole option of the Holder, equal to either (a) $0.0662 (the "Fixed Conversion Price") or (b) ninety five percent (95%) of the lowest Volume Weighted Average Price of the Common Stock during the thirty (30) trading days immediately preceding the Conversion Date as quoted by Bloomberg, LP (the "Market Conversion Price"). The Investor shall not be able to convert the debentures into an amount that would result in the Investor beneficially owning in excess of 4.99% of the outstanding shares of common stock of the Company. Pursuant to the terms of debenture, the debenture bears interest at 10% interest per year and includes 17,857,000 warrants to purchase common stock at an exercise price of $0.07 re-priced at $0.05, 15,625,000 warrants to purchase common stock at an exercise price of $0.08 re-priced at $0.055, 12,500,000 warrants to purchase common stock at an exercise price of $0.10 re-priced at $0.065, and 10,415,000 warrants to purchase common stock at an exercise price of $0.12 re-priced at $0.08, all warrants are for a term of five years. The exercise of the attached warrants is at the sole option of the Holder. Upon execution of the securities purchase agreement, $750,000 of the purchase price was due and paid to the Company on May 19, 2006. On September 18, 2006, an additional $150,000 was paid to the Company upon the signing of the second debenture. On October 24, 2006 an additional $600,000 was disbursed to the Company prior to the filing of the Securities and Exchange Commission's Registration Statement and the final $500,000 will be disbursed upon effectiveness of the Securities and Exchange Commission's Registration Statement. As of December 31, 2006, the convertible debenture of $793,254, net of unamortized discount and unamortized debt raising expense, is presented in the accompanying financial statements.

Per EITF 00-19, paragraph 4, these convertible debentures do not meet the definition of a "conventional convertible debt instrument" since the debt is not convertible into a fixed number of shares. The debt can be converted into common stock at a conversions price that is a percentage of the market price; therefore the number of shares that could be required to be delivered upon "net-share settlement" is essentially indeterminate. Therefore, the convertible debenture is considered "non-conventional," which means that the conversion feature must be bifurcated from the debt and shown as a separate derivative liability. This beneficial conversion liability has been calculated to be $143,880 at December 31, 2006. In addition, since the convertible debenture is convertible into an indeterminate number of shares of common stock, it is assumed that the Company could never have enough authorized and unissued shares to settle the conversion of the warrants into common stock. Therefore, the warrants issued in connection with this transaction have been reported as an asset at December 31, 2006 in the accompanying balance sheet with a fair value of $1,037,499. The value of the warrant was calculated using the Black-Scholes model using the following assumptions: Discount rate of 3.93%, volatility of 100% and expected term of five year. The fair value of the beneficial conversion feature and the warrant liability will be adjusted to fair value each balance sheet date with the change being shown as a component of net income.

The fair value of the beneficial conversion feature and the warrants at the inception of these convertible debentures were $NIL and $1,935,904, respectively. $750,000 of the discounts has been recorded as a discount to the convertible debentures which will be amortized over the term of the debentures and the excess of $1,185,904 was recorded as financing costs.

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Principal payments on these convertible debentures are as follows:

Year ending June 30,		
2007	$	210,670
2008		-
2009		750,000
2010		750,000
	$	1,710,670

14. CONVERTIBLE NOTE

The Company raised capital through the issuance of a convertible note for $50,500 issued on May 10, 2006. The note bears interest at the rate of 10% per annum compounded annually. All principal and interest was due and payable at the earlier of occurrence of Company's first round of financing (whether debt or equity) after May 31, 2006 involving the receipts of at least $200,000 or more, or on November 10, 2006. The note holder will receive such number of fully paid and non assessable common stock as shall equal the outstanding amount of principal and interest due under this note being converted, divided by 80% of the price per share at which the Company next sells the shares of its common stock. The note holder has agreed to extend the note pursuant upon 10% of the principal and accrued interest through November 10, 2006 being paid. On December 27, 2006, these funds were forwarded to the note holder. The remaining principal balance of the note of $45,450 is recorded in the accompanying financial statements as of December 31, 2006

15. STOCKHOLDERS' DEFICIT

a. Common Stock and Warrants

The Company has increased its authorized common stock from 200 million shares to 500 million shares and reduced the par value from $0.01 to $0.001 per share. The Company received the acceptance from the State of California, for the reduction in the par value of shares, on October 20, 2006. Each share entitles the holder to one vote. There are no dividend or liquidation preferences, participation rights, call prices or rates, sinking fund requirements, or unusual voting rights associated with these shares.

During the six month period ended December 31, 2006, the Company issued 2,000,000 common shares upon exercise of warrants from a prior period; 750,000 common shares to consultants for services valued at $22,500; 1,529,169 common shares pursuant to conversion of note from a prior period.

b. Outstanding Warrants:

	Number of Warrants		Weighted Average Exercise Price		Aggregate Intrinsic Value
Outstanding June 30, 2006	80,110,137	$	0.1106	$	73,383
Issued during the period	---		---		
Expired	(242,857)	$	0.1424		
Exercised	---		---		
Outstanding December 31, 2006	79,867,280	$	0.0904	$	---

Warrants to be issued	4,639,842
Total	84,507,122

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Following is a summary of the status of warrants outstanding at December 31, 2006:

Range of Exercise Prices	Total Warrants Outstanding	Weighted Average Remaining Life (Years)	Total Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercise Price of Exercisable Warrants
\$0.01 - \$0.09	47,435,476	2.40	0.040	47,435 476	0.040
\$0.10 - \$0.20	30,325,068	1.41	0.044	30,325,068	0.044
\$0.20 - \$1.00	2,106,736	0.02	0.026	2,106,736	0.026
	79,867,280	3.83	0.110	79,867,280	0.110

c. Common Stock Reserved

At December 31, 2006, common stock was reserved for the following reasons:

Outstanding convertible bonds 151,918 shares

d. Stock Option Agreements

The number and weighted average exercise prices of options granted by the Company are as follows:

.	Options Outstanding		Weighted Average Exercise Price		Aggregate Intrinsic Value
Outstanding June 30, 2006	16,303,943	$	0.045	$	-----
Granted during the year	-				
Exercised	-				
Expired/forfeited	-				
Outstanding December 31, 2006	16,303,943	$	0.045	$	-----

Following is a summary of the status of options outstanding at December 31, 2006:

Range of Exercise Prices	Total Options Outstanding	Weighted Average Remaining Life (Years)	Total Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$0.01 - \$0.09	13,000,881	3.35	0.024	13,000,881	0.024
\$0.10 - \$0.20	3,303,062	0.48	0.021	3,303,062	0.021
	16,303,943	3.83	0.045	16,303,943	0.045

2,380,000 three year options calculated using the Black Scholes option pricing model using the following assumptions

Risk-free interest rate	3.40%
Dividend yield	0%
Volatility	100%

13,611,943 five year options calculated using the Black Scholes option pricing model using the following assumptions

Risk-free interest rate	3.40%
Dividend yield	0%
Volatility	100%

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312,000 three year options calculated using the Black Scholes option pricing model using the following assumptions

Risk-free interest rate	3.93%
Dividend yield	0%
Volatility	100%

For periods presented prior to the adoption of SFAS No. 123R, pro forma information regarding net income and earnings per share as required by SFAS No. 123R has been determined as if we had accounted for our employee stock options under the original provisions of SFAS No. 123. The fair value of these options was estimated using the Black-Scholes option pricing model. There were no options granted for the six months ended December 31, 2006 and 2005

e. Stock transactions approved by the shareholders

At the Annual Meeting of the shareholders held on September 7, 2006, the shareholders approved by a majority vote to increase the authorized share capital to 500,000,000 shares and reduce the par value from $0.01 to $0.001 per share.

Series A Preferred Stock

The general terms of the Series A Preferred Stock is as follows: No par value; Liquidation Preference - $0.25 per share plus any unpaid accumulated dividends; Dividends - cumulative annual rate of $0.005 per share when and as declared by the Board of Directors; Conversion Rights - convertible to common stock at a 1:1 ratio ; Redemption Rights - the Company has the right to redeem part or all of the stock upon 30 days written notice at a rate of $0.25 per share plus all accumulated and unpaid dividends thereon at the dividend rate of $0.005 annually per share; Voting Rights - one vote per share on all matters requiring shareholder vote. At December 31, 2006, the Company had 3,047,531 shares of Series A Preferred stock outstanding valued at $526,506. The Company has recorded a cumulative dividend of $40,434 for the Series A Preferred stockholders as of December 31, 2006 in the accompanying financial statements.

Series B Preferred Stock

The general terms of the Series B Preferred Stock is as follows: No par Value; Liquidation Preference - $0.25 per share plus any unpaid accumulated dividends; Dividends - cumulative annual rate of $0.0005 per share when and as declared by the Board of Directors; Conversion Rights - convertible to common stock at a 1:5 ratio (i.e. 1 share of Series B Preferred stock is convertible into 5 shares of common stock); Redemption Rights - the Company has the right to redeem part or all of the stock upon 30 days written notice at a rate of $0.25 per share plus all accumulated and unpaid dividends thereon at the dividend rate of $0.0005 annually per share; Voting Rights - one vote per share on all matters requiring shareholder vote. At December 31, 2006, the Company had 89,271 shares of Series B Preferred Stock outstanding valued at $86,888. The Company has recorded a cumulative dividend of $206 for the Series B Preferred Stockholders as of December 31, 2006 in the accompanying financial statements.

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Series C Preferred Stock

The general terms of the Series C Preferred Stock is as follows: No par value; Liquidation Preference - $1.00 per share plus any unpaid accumulated dividends; Dividends - cumulative annual rate of $0.0005 per share when as declared by the Board of Directors; Conversion Rights - 1:20 ratio (i.e. 1 share of Preferred Series C stock is convertible into 20 shares of common stock); Redemption Rights - the Company has the right to redeem part or all of the stock upon 30 days written notice at the rate of $1.00 per share plus all accumulated and unpaid dividends thereon at the dividend rate of $0.0005 annually per share.; Voting Rights - one vote per share on all matters requiring shareholder vote. At December 31, 2006, the Company had 17,948 shares of Series C Preferred Stock outstanding valued at $68,211. The Company has recorded a cumulative dividend of $21 for the Series C Preferred Stockholders as of December 31, 2006 in the accompanying financial statements.

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Series D Preferred Stock

The general terms of the Series D Preferred Stock is as follows: No par value; Liquidation Preference - $0.10 per share plus any unpaid accumulated dividends; Dividends - if declared by the Board of Directors, holders shall be entitled to receive dividends as if they had converted such preferred stock into common stock as of the dividend date; Conversion Rights - 1:20 ratio (i.e. 1 share of Preferred Series D stock is convertible into 20 shares of common stock) so long as the closing bid price of our common stock is at least $0.10 on any date subsequent to issuance; Redemption Rights - none; Voting Rights - fifty votes per share on all matters requiring shareholder vote. At December 31, 2006, the Company had 1,000,000 shares of Series D Preferred Stock outstanding valued at $600,000. The Company has recorded no accumulative dividend for the Series D Preferred Stockholders as of December 31, 2006 in the accompanying financial statements.

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The Company has recorded a cumulative dividend of $8,029 for the preferred stockholders for the six month period ended December 31, 2006, in the accompanying financial statements.

16. SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Company prepares its statements of cash flows using the indirect method as defined under the Financial Accounting Standard No. 95. The Company paid $800 for income tax during the six month period ended December 31, 2006. The Company paid $95,481 interest during the six month period ended December 31, 2006.

17. COMMITMENTS AND CONTINGENCIES

a) Operating Leases

Effective July 1, 2004 the Company relocated their executive offices to Huntington Beach, California and entered into a four year lease agreement. The agreement contains a base rent escalation clause. The Company leases its Idaho office facility under a month-to-month rental agreement at $675 per month. For the six months ended December 31, 2006 rent expense for these operating leases totaled $52,312.

The future minimum lease payments under non-cancelable leases are as follows:

2007	$ 94,066
2008	47,456
	$ 141,522

b) Litigation

The Company was served with a summons as a defendant in a case filed on September 15, 2006 in Superior court of California, County of San Diego. The complaint was filed by Golden Gate Investors (GGI) for Breach of Contract relating to the financing agreements executed between the Company and Golden Gate Investors in August 2004. GGI is claiming damages in excess of $675,736 in relation to the case. The Company has retained counsel to defend itself in this matter and has filed a counter suit against GGI. The Company has recorded payables and an accrued legal expense totaling $675,736 in the accompanying financial statements.

The Company was served with a summons as a defendant in a case filed on October 24, 2006 in Superior court of California, County of Orange by Single Source Partners (SSP) for failure to pay commissions and installment payments. SSP is seeking judgment in the amount of $51,206. The Company has retained counsel to defend itself in this matter and filed a counter suit seeking damages for misrepresentation and commissions paid and not due to SSP. The Company has recorded payables and an accrued partnership fee totaling $56,605 in the accompanying financial statements.

18. BASIC AND DILUTED NET LOSS PER SHARE

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share." Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Weighted average number of shares used to compute basic and diluted loss per share for the six month period ended December 31, 2006 and 2005 are the same since the effect of dilutive securities is anti-dilutive.

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19. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. Through December 31, 2006, the Company had incurred cumulative losses of $35,046,412 including a net loss of $1,581,287 and $1,336,941 for the six month periods ended December 31, 2006 and 2005, respectively. In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. Management devoted considerable effort during the period ended December 31, 2006, towards (i) obtaining additional equity financing and (ii) evaluation of its distribution and marketing methods.

20. SUBSEQUENT EVENTS

On February 6, 2007, a party related to Andrew Haag, an officer and director, returned to the Company the $4,500 finder’s fee for financial funding which was paid on May 16, 2006.

On February 15, 2007, funding pursuant to a convertible debenture totaling $500,000 was disbursed to the Company from Cornell Capital Partners upon effectiveness of the Securities and Exchange Commission’s Registration Statement.

Item 2. Management's Discussion and Analysis

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our services, fluctuations in pricing for materials, and competition.

Overview

We address the growing needs of industry's desire for timely access to relevant information. We do this by designing and providing a service-based solution for the customer around our core competencies of high speed high volume document scanning, inbound mailroom outsourcing, data capture, ASP hosting, workflow automation, and consulting services.

We charge our customers for deliverable services, consultative services and products. Products are invoiced upon shipping to our customer. Services are billed upon completion of a project or on a monthly basis, whichever is sooner. Many of our projects are for customers under long-term service agreements.

Deliverable services include scanned documents, captured data and hosted images. These are delivered to the customer in electronic format via electronic transmission via email or encrypted FTP transfer or physical media such as CD ROMs or Microfilm. Consultative services include document preparation, systems integration, software configuration, automated workflow design, and maintenance.

In the opinion of management, the following relationship, trends, events or uncertainties are important in understanding our operations and results as they have had, or can reasonably be expected to have a material effect on the net sales and/or income from operations.

- Over the past decade, businesses have invested considerable capital in technology hardware and software. Receiving relevant information into these systems in a timely manner is becoming more valuable and important to companies. We provide services to capture data and images and transfer them into information systems. Larger organizations are focused on enterprise wide systems to shorten turnaround time, lower cost of doing business and increase management analytics. Smaller organizations are finding it more difficult to compete unless they adopt similar strategies. This is creating increased demand for the services we provide to large and small organizations alike.

- The expansion of the internet to a worldwide resource has made workers available to process and catalogue information in other countries. This has made the labor arbitrage of outsourcing of information services overseas a growing and attractive business. It is a growing business to outsource from areas in the world where there is a high cost for educated labor to areas of the world where there is a lower cost of educated labor. We provide timely access to relevant information to the overseas information worker. A shift in this trend could impact our business

· Sapphire Consulting Service, our wholly owned subsidiary, accounted for 36% of our revenue and totaled $289,351 for the six months ending December 31, 2006. Sapphire was formed in May 2005 and had limited operation for the 12 months ending June 30, 2005. The loss of key personnel or relationships needed to fulfill and obtain new business could adversely impact our financial results.

· Fed-Ex/Kinko—We are a subcontractor for services to FedEx Kinko’s customers. Revenue from our relationship with FedEx Kinko’s totaled $307,881 and represents 38% of the total revenue for the six months ended December 31, 2006. The loss of this relationship could adversely impact our financial results.

- Manhattan Data, Inc - We entered into a partnership agreement with Manhattan Data whereas the two companies sell and resell their respective services separately and as a combined solution. For the six months ended December 31, 2006, revenue from this relationship totaled $19,359 and represented 2% of our total revenue. At this time we are seeing increased demand from our customers for the services we offer through this partnership. If this relationship develops as planned this could represent a material portion of our revenues.

- Increased Sales and Marketing -We have been applying funds raises from a recent financing with Cornell Capital to increase sales and marketing efforts. The result has been an increased awareness of us and our services. This increased awareness has led to an increasing amount of new proposals we have submitted for new business. Management believes that we will be able to convert a portion of these proposals into new business although there are no assurances that we will be able to obtain contracts with any of these potential clients. The inability to obtain new business could adversely impact our financial results.

- We had a master services agreement to deliver on-site mortgage processing services for GMAC Residential Mortgage at their Ditech.com facility in Costa Mesa, CA. We are no longer providing services to this customer. The loss of this customer represents a material loss and will adversely affect our revenues and/or income from operations unless we are able to obtain one or more new customers to offset this loss.

Results of Operations for the Three Months ended December 31, 2006 Compared to the Three Months Ended December 31, 2005

Revenues

Our revenues totaled $397,283 and $535,521 for the three months ended December 31, 2006 and 2005, respectively, a decrease of $138,238 for the three months ended December 31, 2006. The decrease in revenues was primarily due to the loss of a major sales contract from the services business.

Cost of Revenue

Cost of revenue for the three months ended December 31, 2006 and 2005 were $328,997 and $346,808, respectively, a decrease of $17,811. The decrease in cost of revenue consisted primarily of lower outsourced professional and outsourced services of $17,430.

Expenses

Operating expenses totaled $619,138 and $851,683 for the three month period ended December 31, 2006 and 2005, respectively, a decrease of $232,545. The decrease resulted primarily from a decrease of approximately $203,534 in stock-based compensation for officers, directors, employees and consultants.

Non-operating expense totaled $137,861 and $74,034 for the three months ended December 31, 2006 and December 31, 2005, respectively, an increase of $63,827. The increase was primarily due to changes in the fair value of issued warrants.

Interest expense totaled $34,136 and $31,770 for the three months ended December 31, 2006 and 2005, respectively. The increase in interest was due to an increase in the amount of debt we have issued.

Net Loss

The net loss for the three months ended December 31, 2006 and 2005 were $688,715 and $737,004, respectively, a decrease of $48,289. The decreased net loss resulted from decreased costs and decreased operating expenses.

Results of Operations for the Six Months ended December 31, 2006 Compared to the Six Months Ended December 31, 2005

Revenues

Our revenues totaled $809,011 and $1,228,880 for the six months ended December 31, 2006 and 2005, respectively, a decrease of $491,869 for the six months ended December 31, 2006. The decrease in revenues was primarily due to the loss of a major sales contract from the services business.

Cost of Revenue

Cost of revenue for the six months ended December 31, 2006 and 2005 were $647,486 and $826,432, respectively, a decrease of $178,946. The decrease in cost of revenue consisted primarily of lower labor costs of $97,185 and occupation fees of $39,856 both resulting from the loss of a major sales contract.

Expenses

Operating expenses totaled $2,104,253 and $1,587,559 for the six month period ended December 31, 2006 and 2005, respectively, an increase of $516,694. The increase resulted primarily from an increase of approximately $351,980 in stock-based compensation for officers, directors, employees and consultants and an accrual of $414,529 for litigation.

Non-operating income totaled $362,241 for the six months ended December 31, 2006 and non-operating expense of $151,030 for the six months ended December 31, 2005, an increase of $513,271 for the six months ended December 31, 2006. The increase was primarily due to changes in the fair value of issued warrants.

Interest expense totaled $95,481 and $175,036 for the six months ended December 31, 2006 and 2005, respectively. The decrease in interest was due to an decrease in the amount of debt we have issued.

Net Loss

The net loss for the six months ended December 31, 2006 and 2005 were $1,581,287 and $1,336,941, respectively, an increase of $244,346. The increased net loss resulted from increased operating expenses and decreased revenues.

Liquidity and Capital Resources

At December 31, 2006, our total assets were $1,866,588 compared to $1,417,374 as of June 30, 2006. Total current liabilities at December 31, 2006 were $2,565,060 compared to $2,196,415 as of June 30, 2006. We owe $96,661 in payroll withholding taxes that were assumed in a merger and are past due. Also, we are currently in default on two outstanding convertible bonds totaling $62,495. Interest continues to accrue against the principal. The notes are unsecured. The holders of the bonds that are in default have indicated that they do not want to convert their debt to stock and wish to be repaid in cash. At present, we do not have the funds to repay the indebtedness. It is not known whether we will be able to repay or renegotiate this debt. Additionally, our current liabilities exceeded our current assets by $2,205,374 at December 31, 2006. As a result of recurring losses from operations ($4,560,311), including net losses of $2,945,710 and $7,417,687 for the fiscal years ending June 30, 2006 and 2005 our auditors, in their report dated September 15, 2006, have expressed substantial doubt about our ability to continue as going concern. We continue to experience losses from operations.

Net cash used in operating activities for the six months ended December 31, 2006 was $870,591, primarily attributable to the increase in accounts receivable and prepaid expenses of $64,128, an increase in accounts payable and accrued expenses of $494,057, a decrease in payroll taxes payable of $108,377, and an increase in deferred revenue of $1,683.

Net cash provided by or used in investing activities for the six months ended December 31, 2006, was $2,397.attributable to acquisition of equipment offset by proceeds form sale of marketable securities.

Net cash provided by financing activities for the six months ended December 31, 2006 was $542,932, which was from the issuance of $750,000 in convertible debentures. In addition, we made $64,428 in lease payments, payments of $67,640 toward notes payable and recorded $75,000 in debenture expenses.

As a result of the above activities, we experienced a net decrease in cash and cash equivalents of $330,056 as of December 31, 2006 as compared to a $33,970 net increase in cash as of December 31, 2005. Our ability to continue as a going concern is still dependent on our success in obtaining additional financing from institutional investors or by selling our common shares and fulfilling our business plan. Other than as described below, we do not have any commitments for capital and we cannot give any assurances that capital will be available on terms we deem favorable or at all.

Our principal capital requirements during the fiscal year 2007 are to fund our internal operations and possibly make strategic acquisitions. We currently do not have any agreements or commitments for any acquisitions. We will need to obtain additional capital in order to expand operations. If we decide to make any acquisitions, we may need additional financing. In order to obtain capital, we may need to sell additional shares of our common stock or borrow funds from private lenders. We cannot assure you that we will be successful in obtaining additional funding. We have historically financed operations from the sale of our common stock and the conversion of common stock warrants. At December 31, 2006, we had cash on hand of $79,951 as compared cash on hand of $410,007 at June 30, 2006.

Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

To obtain funding for our ongoing operations, we entered into a Securities Purchase Agreement with Cornell Capital Partners L.P., an accredited investor, on May 17, 2006, and amended on September 15, 2006, for the sale of $2,000,000 in secured convertible debentures and warrants. The investors provided us with an aggregate of $2,000,000 as follows:

$750,000 was disbursed on May 17, 2006;

$150,000 was disbursed on September 15, 2006;

$600,000 was disbursed on October 23, 2006; and

$500,000 was disbursed on February 15, 2007.

Out of the $2 million in gross proceeds we received from Cornell Capital upon issuance of the secured convertible debentures, the following fees payable in cash have been or will be deducted in connection with the transaction:

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- $200,000 fee payable to Yorkville Advisors LLC, the general partner of Cornell Capital;
- $20,000 fee payable to Yorkville Advisors LLC, the general partner of Cornell Capital;
- $20,000 structuring fee payable to Yorkville Advisors LLC, the general partner of Cornell Capital; and
- $5,000 due diligence fee payable to Cornell Capital.

Thus, we expect to receive net proceeds of $1,755,000 from the issuance of secured convertible debentures to Cornell Capital, prior to any other expenses we have or will incur in connection with the transaction.

The secured convertible debentures bear interest at 10%, mature three years from the date of issuance, and are convertible into our common stock, at the investor's option, at the lower of (i) $0.0662 or (ii) 95% of the lowest daily volume weighted average price of our common stock, as quoted by Bloomberg, LP, during the 30 trading days immediately preceding the date of conversion. Accordingly, there is no limit on the number of shares into which the secured convertible debentures may be converted. As of February 13, 2007, the lowest intraday trading price for our common stock during the preceding 30 trading days as quoted by Bloomberg, LP was $0.02 and, therefore, the conversion price for the secured convertible debentures was $0.019. Based on this conversion price, the $2,000,000 in secured convertible debentures, excluding interest, were convertible into 105,263,158 shares of our common stock. The conversion price of the secured convertible debentures will be adjusted in the following circumstances:

- If we pay a stock dividend, engage in a stock split, reclassify our shares of common stock or engage in a similar transaction, the conversion price of the secured convertible debentures will be adjusted proportionately;
- If we issue rights, options or warrants to all holders of our common stock (and not to Cornell Capital) entitling them to subscribe for or purchase shares of common stock at a price per share less than $0.0662 per share, other than issuances specifically permitted be the securities purchase agreement, then the conversion price of the secured convertible debentures will be adjusted on a weighted-average basis;
- If we issue shares, other than issuances specifically permitted be the securities purchase agreement, of our common stock or rights, warrants, options or other securities or debt that are convertible into or exchangeable for shares of our common stock, at a price per share less than $0.0662 per share, then the conversion price will be adjusted to such lower price on a full-ratchet basis;
- If we distribute to all holders of our common stock (and not to Cornell Capital) evidences of indebtedness or assets or rights or warrants to subscribe for or purchase any security, then the conversion price of the secured convertible debenture will be adjusted based upon the value of the distribution as a percentage of the market value of our common stock on the record date for such distribution;
- If we reclassify our common stock or engage in a compulsory share exchange pursuant to which our common stock is converted into other securities, cash or property, Cornell Capital will have the option to either (i) convert the secured convertible debentures into the shares of stock and other securities, cash and property receivable by holders

of our common stock following such transaction, or (ii) demand that we prepay the secured convertible debentures; and

- If we engage in a merger, consolidation or sale of more than one-half of our assets, then Cornell Capital will have the right to (i) demand that we prepay the secured convertible debentures, (ii) convert the secured convertible debentures into the shares of stock and other securities, cash and property receivable by holders of our common stock following such transaction, or (iii) in the case of a merger or consolidation, require the surviving entity to issue to a convertible debenture with similar terms.

In connection with the securities purchase agreement, as amended, we agreed to issue Cornell warrants to purchase an aggregate of 56,397,000 shares of our common stock, exercisable for a period of five years; including warrants to purchase 17,857,000 shares at an exercise price of $0.05, warrants to purchase 15,625,000 shares at an exercise price of $0.055, warrants to purchase 12,500,000 shares at an exercise price of $0.065 and warrants to purchase 10,415,000 shares at an exercise price of $0.08. All of the warrants were issued upon closing. We have the option to force the holder to exercise the warrants, as long as the shares underlying the warrants are registered pursuant to an effective registration statement, if the closing bid price of our common stock trades above certain levels. In the event that the closing bid price of our common stock is greater than or equal to $0.10 for a period of 20 consecutive days prior to the forced conversion, we can force the warrant holder to exercise the $0.05 warrants. In the event that the closing bid price of our common stock is greater than or equal to $0.11 for a period of 20 consecutive days prior to the forced conversion, we can force the warrant holder to exercise the $0.055 warrants. In the event that the closing bid price of our common stock is greater than or equal to $0.13 for a period of 20 consecutive days prior to the forced conversion, we can force the warrant holder to exercise the $0.065 warrants. In the event that the closing bid price of our common stock is greater than or equal to $0.16 for a period of 20 consecutive days prior to the forced conversion, we can force the warrant holder to exercise the $0.08 warrants.

We have the right, at our option, with three business days advance written notice, to redeem a portion or all amounts outstanding under the secured convertible debentures prior to the maturity date if the closing bid price of our common stock, is less than $0.0662 at the time of the redemption. In the event of a redemption, we are obligated to pay an amount equal to the principal amount being redeemed plus a 20% redemption premium, and accrued interest.

In connection with the securities purchase agreement, we also entered into a registration rights agreement providing for the filing, by September 29, 2006, of a registration statement with the Securities and Exchange Commission registering the common stock issuable upon conversion of the secured convertible debentures and warrants. We are obligated to use our best efforts to cause the registration statement to be declared effective no later than 90 days after September 29, 2006 and to insure that the registration statement remains in effect until the earlier of (i) all of the shares of common stock issuable upon conversion of the secured convertible debentures have been sold or (ii) May 17, 2008. In the event of a default of our obligations under the registration rights agreement, including our agreement to file the registration statement no later than September 29, 2006, or if the registration statement is not declared effective by December 29, 2006, we are required pay to Cornell Capital, as liquidated damages, for each month that the registration statement has not been filed or declared effective, as the case may be, either a cash amount or shares of our common stock equal to 2% of the liquidated value of the secured convertible debentures. The registration statement was declared effective on February 14, 2007, and we incurred liquidated damages between December 29, 2006 and February 14, 2007.

In connection with the securities purchase agreement, we, and each of our subsidiaries, executed a security agreement in favor of the investor granting them a first priority security interest in all of our goods, inventory, contractual rights and general intangibles, receivables, documents, instruments, chattel paper, and intellectual property. The security agreement states that if an event of default occurs under the secured convertible debentures or security agreements, the investor has the right to take possession of the collateral, to operate our business using the collateral, and have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under these agreements.

The investor has contractually agreed to restrict its ability to convert the debentures or exercise the warrants and receive shares of our common stock such that the number of shares of common stock held by it and its affiliates after such conversion does not exceed 4.99% of the then issued and outstanding shares of common stock.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of September 30, 2006. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-QSB that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except as disclosed below, we are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

Index Number: GIC872522 - Superior Court of California, County of San Diego

We were served with a summons as a defendant in a case filed on September 15, 2006 in Superior Court of California, County of San Diego. The complaint was filed by Golden Gate Investors for Breach of Contract relating to the financing agreements executed between us and Golden Gate Investors in August 2004. Golden Gate Investors is claiming damages in excess of $589,758 in relation to the case. We have retained counsel to defend ourself in this matter and we have filed a response and counter claim for undisclosed damages. We have recorded payables and an accrued legal expense totaling $589,758.

Index Number: 06CC11306 - Superior Court of California, County of San Diego

We were served with a summons as a defendant in a case filed on October 24, 2006 in Superior Court of California, County of Orange by Single Source Partners for failure to pay commissions and installment payments. Single Source Partners is seeking judgment in the amount of $51,206. We have retained counsel to defend ourself in this matter and we have filed a response and counter claim for undisclosed damages. We have recorded payables and an accrued partnership fee totaling $56,605.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

On August 3, 2004, we entered into a financing arrangement with Golden Gate Investors, Inc. and executed a two year convertible debenture for $300,000. We are in default of the debenture balance in the amount of $210,674.

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

None

Item 5. Other Information

None

Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended

31.2

Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

Signatures

Pursuant to 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.

QUINTEK TECHNOLOGIES, INC.

Date: February 20, 2007	By: /s/ ROBERT STEELE Robert Steele Chief Executive Officer (Principal Executive Officer) and Director
Date: February 20, 2007	By: /s/ ANDREW HAAG Andrew Haag Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) and Director