

WESTSPHERE ASSET CORP INC
Form 10QSB
August 14, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-32051

WESTSPHERE ASSET CORPORATION, INC.

(Exact name of small business issuer
as specified in its charter)

COLORADO	98-0233968
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1528-9th Ave S.E.

Calgary, Alberta Canada T2G 0T7

Telephone (403) 290-0264

(Issuer's telephone number)

NOT APPLICABLE

(Former name, former address and former
fiscal year, if changed since last report)

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 No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date:

29,564,640 shares of Common Stock, no par value, as of July 29, 2003.

Transitional Small Business Disclosure Format

(check one): Yes No

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESTSPHERE ASSET CORPORATION, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

	Page
Consolidated Financial Statements:	
Consolidated Balance Sheets	F - 2
Consolidated Statements of Operations	F - 3 to F - 4
Consolidated Statements of Cash Flows	F - 5
Notes to Financial Statements	F - 6

F-1

WESTSPHERE ASSET CORPORATION, INC. Consolidated Balance Sheets				
ASSETS		June 30, 2003 (Unaudited)		December 31, 2002 (Note 1)
CURRENT ASSETS				
Cash	\$	106,631	\$	138,219
Accounts receivable net of \$16,170 allowance for doubtful accounts at June 30, 2003 and \$16,806 at December 31, 2002		387,778		277,933

Edgar Filing: WESTSPHERE ASSET CORP INC - Form 10QSB

Accounts receivable - related parties		38,988		30,990
Current portion of finance receivables		8,436		7,209
Inventory		203,006		235,165
Prepaid expense and deposit		84,935		51,579
Current portion of mortgage receivable		41,861		35,771
Total current assets		871,635		776,866
Property and equipment, net		275,526		269,284
Intellectual property		116,077		100,082
Mortgage receivable		256,637		246,803
Deferred site development costs		10,424		10,180
Loans - related parties		161,001		114,943
Finance receivables		827		3,771
Future tax benefits		29,442		25,159
Other investments		164,554		164,024
Total assets	\$	1,886,123	\$	1,711,112
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$	364,353	\$	618,079
Accounts payable, related parties		134,071		48,490
Deposits payable		275		647
Bank loan		180,496		--

Total current liabilities		679,195		667,216
Shareholder loans		204,278		206,921
Convertible debentures		107,589		91,937
Non-current lease obligation		10,935		13,507
Total liabilities		1,001,997		979,581
Minority interest in subsidiaries		9,904		10,162
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY				
Common stock - authorized 75,000,000 shares, no par value; 19,564,640 shares issued and outstanding at June 30, 2003 and 28,568,140 at December 31, 2002		1,285,154		1,250,256
Common stock warrants		190,285		190,285
Accumulated other comprehensive income		99,485		(28,335)
Accumulated deficit		(700,702)		(690,837)
Total stockholders' equity		874,222		721,369
Total liabilities and stockholders' equity	\$	1,886,123		1,711,112

The accompanying notes are an integral part of these statements.

F-2

WESTSPHERE ASSET CORPORATION, INC.

Consolidated Statements of Operations

For the Three Months Ended June 30, 2003 and 2002
(Unaudited)

		2003		2002
Revenue -				
Equipment and supplies	\$	199,283	\$	347,865
Residual and interchange income		468,671		297,945
Other		38,001		27,769
Total revenue		705,955		673,579
Cost of sales -				
Equipment and supplies		148,038		267,112
Residual and interchange costs		234,478		123,426
Commissions		1,892		7,140
Other		6,970		18,199
Total cost of sales		391,378		415,877
Gross profit		314,577		257,702
Administrative expenses -				
Depreciation and amortization		9,841		24,740
Consulting fees		16,498		18,344
Legal and accounting fees		25,136		30,791
Salaries and benefits		139,280		45,993
Travel, delivery and vehicle expenses		32,859		33,236
Other		58,904		87,889

Edgar Filing: WESTSPHERE ASSET CORP INC - Form 10QSB

Total administrative expenses		282,518		240,993
Income from operations		32,059		16,709
Other income -				
Interest income		12,175		2,581
Interest expense		(9,947)		(5,485)
Gain on asset sales		--		--
Net income before income taxes		34,287		13,805
Provision for income taxes		(2,145)		--
Net income	\$	32,142	\$	13,805
Net income per common share	\$	nil	\$	nil
Weighted number of shares outstanding		29,564,640		21,592,960
Other comprehensive income:				
Net income	\$	32,142	\$	13,805
Foreign currency translation adjustment		72,084		27,623
Total comprehensive income	\$	104,226	\$	41,428

The accompanying notes are an integral part of these statements.

F-3

WESTSPHERE ASSET CORPORATION, INC.				
<i>Consolidated Statements of Operations</i>				
<i>For the Six Months Ended June 30, 2003 and 2002</i>				
<i>(Unaudited)</i>				
		2003		2002
Revenue -				
Equipment and supplies	\$	399,880	\$	497,044
Residual and interchange income		835,137		575,251
Other		66,657		43,662
Total revenue		1,301,674		1,115,957
Cost of sales -				
Equipment and supplies		326,211		432,678
Residual and interchange costs		407,000		232,791
Commissions		5,836		16,475
Other		12,234		24,815
Total cost of sales		751,281		706,759
Gross profit		550,393		409,198
Administrative expenses -				
Depreciation and amortization		18,830		50,032
Consulting fees		86,676		61,682

Edgar Filing: WESTSPHERE ASSET CORP INC - Form 10QSB

Legal and accounting fees		34,869		37,790
Salaries and benefits		250,407		179,899
Travel, delivery and vehicle expenses		62,212		69,625
Other		129,171		149,481
Total administrative expenses		582,165		548,509
(Loss) from operations		(31,772)		(139,311)
Other income -				
Interest income		16,429		51,698
Interest expense		(21,375)		(6,754)
Gain on asset sales		30,983		--
Net (loss) before income taxes		(5,735)		(94,367)
Provision for income taxes		(4,130)		--
Net (loss)	\$	(9,865)	\$	(94,367)
Net (loss) per common share	\$	nil	\$	nil
Weighted number of shares outstanding		29,190,953		21,164,365

Other comprehensive income (loss):				
Net (loss)	\$	(9,865)	\$	(94,367)
Foreign currency translation adjustment		127,820		25,921
Total comprehensive income (loss)	\$	117,955	\$	(68,446)

The accompanying notes are an integral part of these statements.

F-4

WESTSPHERE ASSET CORPORATION, INC.				
<i>Consolidated Statements of Cash Flows</i>				
<i>For the Six Months Ended June 30, 2003 and 2002</i>				
<i>(Unaudited)</i>				
		2003		2002
Cash flows from operating activities:				
Net (loss) from operations	\$	(9,865)	\$	(94,367)
Reconciling adjustments -				
Common shares and warrants issued for expenses		3,395		46,894
Depreciation and amortization		18,830		50,043
Gain on sale of assets		(30,983)		--
Other non-cash transactions		1,602		--
Changes in operating assets and liabilities				
Accounts receivable		(75,366)		(79,826)
Inventory		62,122		(40,224)
Prepaid expenses and other		(26,784)		(113,546)
Accounts payable and accrued liabilities		(229,474)		36,273
Net cash provided by (used for) operations		(286,523)		(194,753)

Edgar Filing: WESTSPHERE ASSET CORP INC - Form 10QSB

Cash flows from investing activities:				
Purchase of equipment		(18,885)		(123,316)
Disposal of equipment		18,643		161,872
Repayments of loans receivable		20,080		--
Other investments		(31,413)		(86,411)
Net cash (used for) investing activities		(11,575)		(47,855)
Cash flows from financing activities:				
Issuance of debt		185,529		181,044
Repayment of debt		(5,033)		--
Net cash provided by financing activities		180,496		181,044
Foreign currency translation adjustment		86,014		(4,649)
Net change in cash and cash equivalents		(31,588)		(66,213)
Cash and cash equivalents at beginning of period		138,219		134,004
Cash and cash equivalents at end of period	\$	106,631	\$	67,791
Supplemental schedule of cash flow information				
Interest paid in cash	\$	1,062	\$	--
Income taxes paid in cash	\$	--	\$	--
Supplemental schedule of noncash investing and financing activities				
Stock and options issued for investment in subsidiary	\$	--	\$	66,258

The accompanying notes are an integral part of these statements.

F-5

WESTSPHERE ASSET CORPORATION, INC.

Notes to Financial Statements

June 30, 2003 and 2002

(Unaudited)

Note 1 - Financial Statements

The accompanying consolidated financial statements included herein have been prepared by Westsphere Asset Corporation, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-QSB. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and Westsphere Asset Corporation, Inc. believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the December 31, 2002 audited financial statements and the accompanying notes thereto contained in the Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. While management believes the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by Westsphere Asset Corporation, Inc. later in the year. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. In management's opinion all adjustments necessary for a fair presentation of the Company's financial statements are reflected in the interim periods included.

Note 2 - Common Stock

During the six months ended June 30, 2003, the Company issued an additional 996,500 shares of its common stock at an average price of \$0.035 for settlement of accrued interest and salaries.

Note 3 - Settlement of debt

During the six months ended June 30, 2003, the Company settled debt in the amount of \$50,965 by exchanging a 5% interest in Trac POS Processing, Inc. This reduced the Company's holding in Trac POS Processing, Inc. to 31% of the outstanding shares of Trac POS Processing, Inc.

Note 4 - Bank loan

During May 2003, the Company's subsidiary, Westsphere Financial Group, Ltd. borrowed CAD\$250,000 (US\$185,000) from a bank. The loan bears interest at the bank's prime rate plus 2% (currently 6.75%). The loan is secured by the assets of the subsidiary, and is also guaranteed by the Company's subsidiary Vencash Capital Corporation and Douglas N. Mac Donald, President/CEO.

F-6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

During the three (3) month period of operations ended June 30, 2003, Westsphere and its subsidiaries generated net income of \$32,142, while income from operations of \$13,805 were realized for the same period from the previous year. The total revenue earned during the second quarter of year 2003 increased by approximately \$32,376 to \$705,955 from total revenue earned during the same period from the previous year of \$673,579. This increased revenue was primarily due to an increase in residual and interchange income. Westsphere's gross margin has increased from 38% to 45%. The total cost of salaries and benefits also increased from the second quarter of year 2002 from \$45,993 to a total of \$139,280 during the second quarter of year 2003. The increase in salaries and benefits is due to the settlement of employee contracts totaling \$39,270 in the second quarter of year 2002 and an addition to sales and marketing and service personnel to support the increase in total revenue. There was a decrease in consulting fees from the second quarter of year 2002 from \$18,344 to a total of \$16,498 during the second quarter of year 2003, which is due to a decrease in equipment sales. Other expenses also decreased from the second quarter of year 2002 of \$87,889 to \$58,904 during the second quarter of year 2003, which was primarily due to a decrease in sales and marketing and office and administrative costs related to lower sales and placement in the market during the second quarter of year 2003 as compared to the second quarter of year 2002.

Westsphere and its subsidiaries currently generate sufficient cash flow to cover all of its consolidated operating expenses. During the three month period of operations ended June 30, 2003, Westsphere raised \$185,000 from a bank to pay down its accounts payable. The loan is a demand loan with a maximum term of 48 months with monthly payments of \$3,865.00, bears interest at prime plus two (2%) and is repayable at any time without penalty. The Company's President and CEO, Douglas N. MacDonald has provided his unlimited liability personal guarantee for the loan.

In order to grow Westsphere's businesses of ATM machines, Financing/Leasing and POS machines, Westsphere is dependent upon private placements, loans and/or joint venture arrangements. Westsphere's profit is expected to be generated by the surcharges collected from ATM machines, the sale of ATM machines, sale of POS machines and the collection of Finance/Lease charges.

Changes in Financial Position

During the three (3) month period ended June 30, 2003, Westsphere's total assets increased to \$1,886,123 from \$1,711,112 as at December 31, 2002. This increase is primarily due to the increase in accounts receivable, prepaid expenses and loan receivables. As of June 30, 2003, Westsphere's current liabilities totaled \$679,195 and consisted of accounts payable of \$364,353 to suppliers for the purchase of ATM machines and POS machines, accounts payable to related parties in the amount of \$134,071, a bank loan in the amount of \$180,496 and \$275 due for deposits payable. Long-term liabilities as at June 30, 2003 consist of \$107,589 in convertible debentures, \$204,278 in shareholders loan and non-current lease obligations of \$10,935.

Shareholders' equity as of June 30, 2003 was \$874,222, inclusive of an accumulated loss from operations of \$700,702, as compared to shareholders equity of \$721,369 as of December 31, 2002. Total issued and outstanding share capital as of the year ended June 30, 2003 was 29,564,640 common shares as compared to a total of 28,568,140 common shares as of December 31, 2002.

REPORT OF MANAGEMENT'S RESPONSIBILITY

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's 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.

Within 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the foregoing, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective in connection with the filing of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

2

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

Prior to the filing date of this quarterly report, the Company had not adopted a complete set of written policies, controls and procedures. The Company is now developing such written document and expects that in the process of such undertaking it will discover internal control policies and practices that the Company should implement and follow that are not part of its current practice.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2.

CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- Exhibits - See Exhibit Index below.
- Reports on Form 8-K - none.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTSPHERE ASSET CORPORATION, INC.

By: /s/ Douglas MacDonald

Name: Douglas MacDonald

Title: President

Date: August 14, 2003

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Kim Law

Name: Kim Law

Title: Principal Financial Officer and Accounting Officer

Date: August 14, 2003

SECTION 302 CERTIFICATIONS

I, Doug Mac Donald, certify that:

1. I have reviewed this quarterly report of Westsphere Asset Corporation, Inc. (the "Registrant").
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statement, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The Registrant's other certifying officer and I:

- are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant:

- we have designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the quarterly report is being prepared;

- we have evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

- we have presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and to the Registrant's board of directors:

- all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weakness in internal controls; and

- any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls.

6. The Registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003

By: /s/ Douglas MacDonald

Name: Douglas MacDonald

Title: President (Principal Executive Officer)

5

I, Kim Law, certify that:

1. I have reviewed this quarterly report of Westsphere Asset Corporation, Inc. (the "Registrant").

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

3. Based on my knowledge, the financial statement, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The Registrant's other certifying officer and I:

- are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant:

- we have designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the quarterly report is being prepared;

- we have evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

- we have presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):

- all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weakness in internal controls; and

- any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls.

6. The Registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003

By: /s/ Kim Law

Name: Kim Law

Title: Vice President (Principal Accounting Officer)

6

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES - OXLEY ACT OF 2002

In connection with the Quarterly Report of Westsphere Asset Corporation, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the

"Report"), I, Douglas MacDonald, President/CEO of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Douglas MacDonald

Name: Douglas MacDonald

Title: President/CEO

Dated: August 14, 2003

7

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES - OXLEY ACT OF 2002

In connection with the Quarterly Report of Westsphere Asset Corporation, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kim Law, Vice-President of Finance and CFO of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kim Law

Name: Kim Law

Title: Vice-President of Finance/CFO

Dated: August 14, 2003

<u>Exhibit Number</u>	<u>Description</u>	<u>Reference</u>
3.1(i)	Articles of Incorporation filed and all amendments thereto filed with the Secretary of the State of Colorado July 21, 1998	*
3(i)(a)	By-Laws of Westsphere Asset Corporation, Inc.	*
3(i)(b)	By-Laws of Vencash Capital Corporation	*
4	Specimen Stock Certificate	*
10.1	Agreement dated December, 1998 by and between Westsphere Asset Corporation, Inc. and 3 Ocean Investment Corporation	*
10.2	Share Exchange Agreement dated December 7, 1998 by and between Westsphere Asset Corporation, Inc. MacDonald Venture Corporation, Mr. Joseph Bowser and Mr. Robert L. Robins	*
10.3	Sample Conversion Agreement by and among Westsphere Asset Corporation, Inc. and various shareholders of Vencash Capital Corporation	*
10.4	ABS Processing Agreement dated October 28, 1998 by and between Vencash Capital Corporation and TNS Smart Network Inc.	*
10.5	Agreement dated June 24, 1999 by and between Vencash Capital Corporation	*

and TCS (Canada) Limited

- | | | |
|------|---|----------------|
| 10.6 | Sample Convertible
Debenture issued by
Westsphere Asset
Corporation, Inc. in
connection with the offering
of \$105,600 convertible
debentures | * |
| 10.7 | Sample Loan Agreement and
Promissory Note between
Westsphere Asset
Corporation, Inc. and various
investors | * |
| 10.8 | Loan Agreement between
Westsphere Asset
Corporation, Inc. and the
Canadian Western Bank | Filed herewith |

* Previously filed as Exhibits for the Registrant's Annual Report on Form 10-KSB April 26, 2001