

WESTSPHERE ASSET CORP INC
Form 10QSB/A
August 15, 2005

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, 2005

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

For the transition period from _____ to _____

Commissions file number 0-32051

WESTSPHERE ASSET CORPORATION, INC.

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

COLORADO
(State or other jurisdiction
of incorporation or organization)

98-0233968
(IRS Employer
Identification No.)

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2140 Pegasus Way N.E.

Calgary, Alberta Canada T2E 8M5

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:

1,768,685 shares of Common Stock, no par value, as of July 26, 2005.

Transitional Small Business Disclosure Format
(check one): Yes No

WESTSPHERE ASSET CORPORATION, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESTSPHERE ASSET CORPORATION, INC.

Consolidated Balance Sheet

ASSETS	June 30, 2005 (Unaudited)	December 31, 2004 (Note 1)
Current Assets:		
Cash	\$ 225,017	\$ 184,944
Accounts receivable, net	173,351	174,759
Accounts receivable related parties	8,119	4,660
Inventory	225,546	134,629
Prepaid expense and deposit	92,681	55,823
	45,909	46,819

Current portion of mortgage receivable		
Total current assets	770,623	601,634
Property and equipment, net	317,394	349,059
Intellectual property	279,688	285,631
Mortgage receivable	132,545	174,355
Future tax benefits	7,624	44,648
Total assets	\$ 1,507,874	\$ 1,455,327

*LIABILITIES AND
STOCKHOLDERS EQUITY*

CURRENT LIABILITIES

Accounts payable	\$ 750,103	\$ 430,433
Accounts payable, related parties	90,786	102,195
Total current liabilities	840,889	532,628
Shareholder loans	232,421	374,243
Bank loan	95,055	123,252
Convertible debentures	117,991	120,332
Non-current lease obligation	4,781	7,889
Total liabilities	1,291,137	1,158,344
Minority interest in subsidiaries	(7,401)	2,531

**COMMITMENTS AND
CONTINGENCIES**

STOCKHOLDERS EQUITY

Common stock - authorized 75,000,000 shares, no par value; 1,768,683 shares issued and outstanding at		
June 30, 2005 and 1,731,183 at December 31, 2004	1,733,291	1,685,063
Accumulated other comprehensive income	(114,791)	122,371
Accumulated deficit	(1,623,944)	(1,512,982)
Total stockholders equity	224,138	294,452

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Total liabilities and stockholders equity	\$	1,507,874	1,455,327
		2005	2004
Revenue -			
Equipment and supplies	\$	246,177	\$ 176,617
Residual and interchange income		1,658,467	1,161,992
Other		36,899	40,525
Total revenue		1,941,543	1,379,134
Cost of sales -			
Equipment and supplies		222,667	152,287
Residual and interchange costs		966,788	629,577
Commissions		2,709	6,418
Other		76,045	7,210
Total cost of sales		1,268,209	795,492
Gross profit		673,334	583,642
Administrative expenses -			
Depreciation and amortization		47,471	47,300
Consulting fees		80,030	50,687
Legal and accounting fees		43,001	34,564
Salaries and benefits		301,837	274,486
Travel, delivery and vehicle expenses		71,302	45,583
Other		293,754	195,243
Total administrative expenses		837,395	647,243
Income (loss) from operations		(164,061)	(64,221)
Other income & expense -			
Interest income		5,467	8,348
Interest expense		(21,624)	(31,776)
Gain on asset sales		67,942	
Minority interest		1,313	7,701
Net income (loss) before income taxes		(110,963)	(79,948)
Provision for income taxes			
Net income (loss)	\$	(110,963)	\$ (79,948)

Net (loss) per common share	\$	(.08)	\$	(.05)
Weighted number of shares outstanding		1,756,183		1,487,297

Other comprehensive income:

Net income (loss)	\$	(110,963)	\$	(79,948)
Foreign currency translation adjustment		(7,580)		(18,144)
Total comprehensive income	\$	(118,543)	\$	(98,092)

WESTSPHERE ASSET CORPORATION, INC.

Consolidated Statements of Operations

For the Six Months Ended June 30,

(Unaudited)

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	2005	2004
Revenue -		
Equipment and supplies	\$ 149,206	\$ 91,926
Residual and interchange income	866,680	606,896
Other	19,245	19,555
Total revenue	1,035,131	718,377
Cost of sales -		
Equipment and supplies	121,805	74,495
Residual and interchange costs	511,073	335,763
Commissions	1,262	3,042
Other	46,404	3,268
Total cost of sales	680,544	416,568
Gross profit	354,587	301,809
Administrative expenses -		
Depreciation and amortization	23,881	24,913
Consulting fees	43,844	25,752
Legal and accounting fees	29,381	27,876
Salaries and benefits	157,372	115,314
Travel, delivery and vehicle expenses	38,683	26,448
Other	169,454	88,829
Total administrative expenses	462,615	309,132
Income (loss) from operations	(108,028)	(7,323)
Other income & expense -		
Interest income	2,589	4,006
Interest expense	(9,902)	(13,430)
Gain on asset sales	69,845	
Minority interest	(74)	
Net income (loss) before income taxes	(45,570)	(16,747)
Provision for income taxes		
Net income (loss)	\$ (45,570)	\$ (16,747)

Net (loss) per common share	\$	(.03)	\$	(.01)
Weighted number of shares outstanding		1,768,683		1,491,830
Other comprehensive income:				
Net income (loss)	\$	(45,570)	\$	(16,747)
Foreign currency translation adjustment		(2,382)		(10,291)
Total comprehensive income	\$	(47,952)	\$	(27,038)

WESTSPHERE ASSET CORPORATION, INC.

Consolidated Statements of Operations

For the Three Month ended June 30,

(Unaudited)

WESTSPHERE ASSET CORPORATION, INC.

Consolidated Statement of Cash Flows

For the Six Months Ended June 30,

(Unaudited)

	2005	2004
Cash flows from operating activities:		
Net (loss) from operations	\$ (110,962)	\$ (79,948)
Reconciling adjustments -		
Common shares issued for expenses		7,313
Depreciation and amortization	46,119	47,300
Gain on sale of assets	(69,845)	
Other non-cash transactions	3,205	(3,824)
Minority interest	(9,760)	
Changes in operating assets and liabilities		
Accounts receivable	(25,405)	78,752

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Inventory	(92,371)	7,612
Prepaid expenses and other	(37,471)	(38,406)
Accounts payable and accrued liabilities	349,858	41,945
Net cash provided by (used for) operations	53,368	60,744
Cash flows from investing activities:		
Purchase of equipment	(22,811)	(104,129)
Disposal of equipment	6,173	59,029
Collection on loans receivable	37,941	33,631
Other investments		5,803
Net cash provided by (used for) investing activities	21,303	(5,666)
Cash flows from financing activities:		
Issuance of debt		20,602
Repayment of debt	(54,849)	(34,980)
Exercise of options	42,196	
Net cash provided by financing activities	12,653	(14,378)
Foreign currency translation adjustment	(21,945)	3,211
Net change in cash and cash equivalents	40,073	43,911
Cash and cash equivalents at beginning of period	184,944	91,398
Cash and cash equivalents at end of period	\$ 225,017	\$ 135,309

Supplemental schedule of cash flow information

Interest paid in cash	\$ 6,128	\$ 2,448
Income taxes paid in cash	\$	\$

Non-cash investing and financing activities:

Stock issued for minority interest in subsidiary		1,333
Stock issued to satisfy debt		48,059

WESTSPHERE ASSET CORPORATION, INC.

Notes to Financial Statements

June 30, 2005 and 2004

(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, 2004 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, 2005, the company received \$45,000 for the exercise of options to purchase 37,500 shares of common stock.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Current Corporate Structure June 30, 2005

WESTSPHERE ASSET CORPORATION, INC.

Subsidiaries CDN

Subsidiaries CDN

Vencash Capital Corporation

100%
Active

Westsphere Systems Inc.
100%
Active

E Debit International Inc.
100%
Inactive

Subsidiaries US

Trac POS Processing Inc.

56%
Active

Cash Direct Financial Services Ltd.
100%
Active

105725 Alberta Ltd.
o/a Personal Financial Solutions
51% owned by Cash Direct Financial
Services Ltd .

Vencash Financial
Systems Inc. (US)
100%
Inactive

Active

Westsphere POS Services Ltd

100%

Active

Kan-Can Resorts Ltd.

99%

Active

Westsphere Capital Group Ltd.

100%

Active

Active = with business activity

Inactive = no business activity

Plan of Operations

During the three (3) month period of operations ended June 30, 2005, Westsphere and its subsidiaries generated a net loss from operations of \$45,570, while a net loss from operations of \$16,747 was realized for the same period from the previous year. The total revenue earned during the second quarter of year 2005 increased by \$316,754 to \$1,035,131 from total revenue earned during the same period from the previous year of \$718,377. This increase in revenue was primarily due to increase in residual and interchange income. The increase in residual and interchange income was due to increase in placement of ATMs.

Westsphere's gross margin during the second quarter of year 2005 decreased to 34.26% from gross margin during the same period from the previous year of 42.01%. Most of such decrease was caused by a decrease in gross margin of residual and interchange income which was primarily due to a reduction in profit for the new placement program.

Other cost of sales also increased from the period of year 2004 of \$3,268 to \$46,404 during the second quarter of year 2005, which was due to increase in costs for the new placement program such as freight, telephone line for ATM, and installation. Westsphere's total administrative expenses for the second quarter of year 2005 increased by \$153,483 to \$462,615 from the previous year of \$309,132. Most of such increase was caused by an increase in other expenses from the previous year 2004 of \$88,829 to \$169,454 which was primarily due to increase in office lease expense and insurance for ATM. Salaries and benefits also increased from the period of year 2004 of \$115,314 to \$157,372 during the second quarter of year 2005 which was primarily due to hiring two staffs for IT department, two staffs for Service department, one receptionist and one junior accountant. Travel, delivery and vehicle expenses also increased from the period of year 2004 of \$26,448 to \$38,683 during the second quarter of year 2005, which was due to increase in travel costs for the new placement program and other marketing program.

On April 1, 2005, Westsphere s concluded its sales of subsidiaries Westsphere Financial Group Ltd., Westsphere Development Corporation and Westsphere Entertainment Corporation to an arm length parties. Again on sale of assets was realized collectively total of \$69,845. The purpose is to remove no business activity company to reduce operating costs and audit fee.

Westsphere and its subsidiaries currently generate sufficient cash flow to cover all of its consolidated operating expenses.

In order to grow Westsphere's businesses of ATM machines, financing/leasing and POS machines, Westsphere is dependent upon a lease program provided by our major ATM supplier and co