

WESTSPHERE ASSET CORP INC  
Form 10QSB  
May 15, 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: March 31, 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.)

1528-9<sup>th</sup> 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 May 14, 2003.

Transitional Small Business Disclosure Format

(check one): Yes No

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESTSPHERE ASSET CORPORATION, INC.

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WESTSPHERE ASSET CORPORATION, INC. Consolidated Balance Sheets				
ASSETS		March 31, 2003		December 31, 2002 (Note 1)
CURRENT ASSETS				
Cash and cash equivalents	\$	145,307	\$	138,219

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Accounts receivable net of \$16,170 allowance for doubtful accounts at March 31, 2003 and \$16,806 at December 31, 2002		315,211		277,933
Accounts receivable - related parties		32,259		30,990
Current portion of finance receivables		7,725		7,209
Inventory		204,380		235,165
Prepaid expense and deposit		59,209		51,579
Current portion of mortgage receivable		38,331		35,771
Total current assets		802,422		776,866
Property and equipment, net		268,614		269,284
Intellectual property		106,766		100,082
Mortgage receivable		249,807		246,803
Deferred site development costs		10,227		10,180
Loans - related parties		139,490		114,943
Finance receivables		2,411		3,771
Future tax benefits		26,959		25,159
Other investments		151,147		164,024
Total assets	\$	1,757,843	\$	1,711,112
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$	583,989	\$	618,079
Accounts payable, related parties		105,442		48,490
Deposits payable		252		647

Total current liabilities		689,683		667,216
Shareholder loans		178,557		206,921
Convertible debentures		98,516		91,937
Non-current lease obligation		12,191		13,507
Total liabilities		978,947		979,581
Minority interest in E-Debit International		8,840		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 March 31, 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		27,461		(28,335)
Accumulated deficit		(732,844)		(690,837)
Total stockholders' equity		770,056		721,369
Total liabilities and stockholders' equity	\$	1,757,843		1,711,112

The accompanying notes are an integral part of these statements.

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WESTSPHERE ASSET CORPORATION, INC

*Consolidated Statements of Operations*

*For the Three Months Ended March 31, 2003 and 2002*  
*(Unaudited)*

		2003		2002
Revenue -				
Equipment and supplies	\$	200,597	\$	149,179
Residual and interchange income		366,466		277,306
Other		28,656		15,893
Total revenue		595,719		442,378
Cost of sales -				
Equipment and supplies		178,173		165,565
Residual and interchange costs		172,522		109,365
Commissions		3,944		9,335
Other		5,264		6,616
Total cost of sales		359,903		290,881
Gross profit		235,816		151,497
Administrative expenses -				
Depreciation and amortization		8,989		25,292
Consulting fees		70,178		43,338
Legal and accounting fees		9,733		6,999
Salaries and benefits		111,127		133,906
Travel, delivery and vehicle expenses		29,353		36,389
Other		70,267		61,594

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Total administrative expenses		299,647		307,518
(Loss) from operations		(63,831)		(156,021)
Other income -				
Interest income		4,254		49,117
Interest expense		(11,428)		(1,269)
Gain on asset sales		30,983		--
Net (loss) before income taxes		(40,022)		(108,173)
Provision for income taxes		(1,985)		--
Net (loss)	\$	(42,007)	\$	(108,173)
Net (loss) per common share	\$	Nil	\$	(.01)
Weighted number of shares outstanding		28,817,265		21,553,793
Other comprehensive income (loss) -				
Net (loss)	\$	(42,007)	\$	(108,173)
Foreign currency translation gain (loss)		55,796		(702)
Total comprehensive income (loss)	\$	13,789	\$	(108,875)

The accompanying notes are an integral part of these statements

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## WESTSPHERE ASSET CORPORATION, INC

*Consolidated Statement of Cash Flows**For the Three Months Ended March 31, 2003 and 2002**(Unaudited)*

		2003		2002
Cash flows from operating activities:				
Net (loss) from operations	\$	(42,007)	\$	(108,173)
Reconciling adjustments -				
Common shares and warrants issued for expenses		3,395		44,462
Depreciation and amortization		8,989		24,590
Gain on sale of assets		(30,983)		
Other non-cash transactions		(319)		
Changes in operating assets and liabilities				
Accounts receivable		(14,813)		(36,738)
Inventory		47,612		42,521
Prepaid expenses and other		(3,939)		2,910
Accounts payable and accrued liabilities		2,213		20,791
Net cash provided by (used for) operations		(29,852)		(9,637)
Cash flows from investing activities:				
Purchase of equipment		(12,525)		(22,240)
Disposal of equipment		15,098		--
Repayments of loans receivable		14,656		(467)

Other investments		(16,322)		(47,016)
Net cash (used for) investing activities		907		(69,723)
Cash flows from financing activities:				
Issuance of common stock and warrants		--		--
Net cash provided by financing activities		--		--
Foreign currency translation adjustment		21,857		(702)
Net change in cash and cash equivalents		7,088		(80,062)
Cash and cash equivalents at beginning of period		138,219		134,004
Cash and cash equivalents at end of period	\$	145,307	\$	53,942
Supplemental schedule of cash flow information				
Interest paid in cash	\$	--	\$	--
Income taxes paid in cash	\$	--	\$	--
Supplemental schedule of noncash investing and financing activities				
Shares issued in settlement of accounts payable	\$	31,503	\$	--

The accompanying notes are an integral part of these statements.

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WESTSPHERE ASSET CORPORATION, INC

*Notes to Financial Statements*

*March 31, 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 three months ended March 31, 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 three months ended March 31, 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.

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

During the three (3) month period of operations ended March 31, 2003, Westsphere and its subsidiaries generated net losses of (\$42,007), while net losses from operations of (\$108,173) were realized for the same period from the previous year. The total revenue in during the first quarter of year 2003 increased by approximately \$153,341 to \$595,719 from total revenue earned during the same period from the previous year of \$442,378. Westsphere's gross margin has increased from 34% to 40%. The total cost of salaries and benefits also decreased from the first quarter of year 2002 from \$133,906 to a total of \$111,127 during the first quarter of year 2003. The decrease in salaries and benefits is due to a reduction in human resources. There was an increase in consulting fees from the first quarter of year 2002 from \$43,338 to a total of \$70,178 during the first quarter of year 2003, which is due to addition of sales and marketing personnel. Other expenses also increase from the first quarter of year 2002 of \$61,594 to \$70,267 during the first quarter of year 2003, which was primarily due to the operations of office and administrative costs.

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 March 31, 2003, Westsphere has raised \$50,965 through the sale of a 5% interest in Trac POS Processing, Inc. The sale transaction was offset against a loan payable. This reduced the Company's holding in Trac POS Processing, Inc. to 31% of the outstanding shares of Trac POS Processing.

During the three month period of operations ended March 31, 2003, Westsphere raised \$50,965.

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, the sale of POS machines and the collection of Finance/Lease charges.

#### Changes in Financial Position

During the three (3) month period ended March 31, 2003, Westsphere's total assets increased to \$1,757,843 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 March 31, 2003, Westsphere's current liabilities totaled \$689,683 and consisted of accounts payable of \$583,989 to suppliers for the purchase of ATM machines and POS machines, accounts payable to related parties in the amount of \$105,442 and \$252 due for deposits payable. Long-term liabilities as at March 31, 2003 consist of \$98,516 in convertible debentures, \$178,557 in shareholders loan and non-current lease obligations of \$12,191.

Shareholders' equity as of March 31, 2003 was \$770,056, inclusive of an accumulated loss from operations of \$732,844, as compared to shareholders equity of \$721,369 as of December 31, 2002. Total issued and outstanding share capital as of the year ended March 31, 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.

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.

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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**

During the quarter ended March 31, 2003, the Company issued a total of 996,500 shares of its common stock to certain members of its Board of Directors and a certain officer. All shares were issued at a price of \$0.035 per share. The Company's President and a member of the Board of Directors, Mr. Douglas Mac Donald, receive 499,000 as consideration for services rendered to the Company through December 31, 2002 for which he had not previously received compensation. Mr. Bob Robins, a member of the Board of Directors, received 400,500 shares as consideration for services to the Company rendered through December 31, 2002 for which he had not previously received compensation. Dr. Roy Queen, a member of the Board of Directors, received 97,000 as a one-time interest charge on a loan that the Company received from Dr. Queen, which has a principal balance of \$20,386 (\$30,000 CDN) as of March 31, 2003. Each of these share issuances were conducted pursuant to Rule 4(2) under the Securities Act of 1933 and Regulation D promulgated thereunder by the Securities and Exchange Commission. No finders' fees or commission was paid in connection with these issuances.

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/ Doug MacDonald

Name: Doug MacDonald

Title: President

Date: May 15, 2003

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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: May 15, 2003

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#### 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

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- 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: May 15, 2003

By: /s/ Doug MacDonald

Name: Doug MacDonald

Title: President (Principal Executive Officer)

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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;

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- 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: May 15, 2003

By: /s/ Kim Law

Name: Kim Law

Title: Vice President (Principal Accounting Officer)

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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 March 31, 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: May 15, 2003

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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 March 31, 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: May 15, 2003

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<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<br>Debenture issued by<br>Westsphere Asset<br>Corporation, Inc. in<br>connection with the offering<br>of \$105,600 convertible<br>debentures | * |
| 10.7 | Sample Loan Agreement and<br>Promissory Note between<br>Westsphere Asset<br>Corporation, Inc. and various<br>investors  | * |

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