

Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

WORLDTEQ GROUP INTERNATIONAL INC  
Form 10QSB  
November 20, 2003

UNITED STATES 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: September 30, 2003
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 000-08835

WORLDTEQ GROUP INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

NEVADA	03-7392107
(State or other jurisdiction of incorporation or organization)	IRS Employer Identification No.)

30 West Gude Drive, Suite 470  
Rockville, MD 20850  
(Address of principal executive offices, including zip code)

(240) 403-2000  
(Registrant's telephone number, including area code)

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 10, 2003, there were 31,561,746 shares of common stock, \$.001 par value, outstanding.

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

WORLDTEQ GROUP INTERNATIONAL, INC. FORM 10-QSB

For the Third Quarter Ended September 30, 2003

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

- a. Consolidated Balance Sheets as of September 30, 2003 (Unaudited)
- b. Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2003 and 2002 (unaudited)
- c. Consolidated Statements of Cash Flows for the nine-month period ended September 30, 2003 and 2002 (Unaudited)
- d. Notes to Consolidated Financial Statements (Unaudited)

## Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Controls and Procedures

### PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

CERTIFICATIONS

### PART I. FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

##### Forward Looking Information

Various forward-looking statements have been made in this Form 10-QSB. Forward-looking statements may also be in the Company's other reports filed under the Securities Exchange Act of 1934, in its press releases and in other documents. In addition, from time to time, the Company, through its management, may make oral forward-looking statements.

Forward-looking statements are only expectations, and involve known and unknown risks and uncertainties, which may cause actual results in future periods and other future events to differ materially from what is currently anticipated. Certain statements in this Form 10-QSB, including those relating to the Company's expected results, the accuracy of data relating to, and anticipated levels of, its future revenues, gross margins and earnings, its anticipated cash requirements and sources, are forward-looking statements. Such statements involve risks and uncertainties, which may cause results to differ materially from those set forth in these statements. Factors which may cause actual results in future periods to differ from current expectations include, among other things, the continued availability of sufficient working capital, the availability of adequate sources of capital, the successful integration of new employees into existing operations, the continued desirability and customer acceptance of existing and future products, the success of competitive products, the success of the Company's programs to strengthen its operational and accounting controls and procedures. In addition to these factors, the economic and other factors identified in this Form 10-QSB, including but not limited to the risk factors discussed herein and in the Company's previously filed public documents could affect the forward-looking statements contained in herein and therein.

Forward-looking statements generally refer to future plans and performance, and are identified by the words "believe", "expect", "anticipate", "optimistic", "intend", "aim", "will" or the negative thereof and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of which they are made. The Company undertakes no obligation to update publicly or revise any forward-looking statements.

##### Financial Statements and Notes

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-QSB reflect all adjustments necessary for a fair

## Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

### ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

	September 30, 2003
Assets	----- (unaudited)
Current Assets	
Cash	\$ -
Restricted cash	55,000
Accounts receivable	44,113
Receivable from affiliate	19,026
Total Assets	118,139
-----	
Current Liabilities	
Accounts payable	\$ 232,419
Accrued expenses	37,631
Note payable	46,136
Total Current Liabilities	316,186
Long Term Liabilities	
Note payable to shareholder	90,847
Total Liabilities	407,033
-----	
Stockholders' Equity	
Convertible preferred stock, \$.001 par value, 5,000,000 shares authorized, 1,115,533 shares issued and outstanding, both periods	1,055
Common stock, \$.001 par value, 100,000,000 shares authorized, 27,561,746 shares issued and outstanding	27,562
Paid in capital	20,668,750
Retained deficit	(20,986,261)
Total Stockholders' Equity	(288,894)
-----	
Total Liabilities and Stockholders' Equity	\$ 118,139
=====	

Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Sales	\$ 174,051	\$ 927,022	\$ 764,896	\$ 3,581,769
Cost of sales	57,573	533,679	371,603	1,742,741
General & administrative	103,504	448,663	540,043	1,534,306
Bad debts	-	92,155	-	208,599
Total operating expenses	161,077	1,074,497	911,646	3,485,646
Income From Operations	12,974	(147,475)	(146,750)	96,123
Other Income				
Interest expense	(3,012)	(9,069)	(22,424)	(31,663)
Gain on acquisition of customer list	-	414,428	-	27,000
Net Income	\$ 9,962	\$ 257,884	\$ (169,174)	\$ 478,888
Other Comprehensive Income				
Unrealized gain on marketable securities	-	27,000	-	27,000
Net comprehensive income	\$ 9,962	\$ 284,884	\$ (169,174)	\$ 505,888
Basic and diluted income (loss) per share	\$ 0.00	\$ 0.02	\$ (0.01)	\$ 0.04
Weighted average shares outstanding	24,763,923	11,730,000	22,586,032	11,415,000

WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30,	
	2003	2002
Cash Flows Used in Operating Activities		

## Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

Net income (loss)	\$ (178,101)	\$ 478,888
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	56,721	83,295
Bad debt expense	-	208,599
Gain on sale of equipment	-	(1,732)
Gain on customer acquisition	-	(414,428)
Changes in:		
Accounts receivable	34,861	(398,194)
Other current assets	12,574	(5,577)
Accounts payable	(59,582)	103,647
Accrued expenses and deferred revenue	18,264	(106,984)
	-----	-----
Net Cash Used By Operating Activities	(115,263)	(52,486)
	-----	-----
Cash Flows Used In Investing Activities		
Purchases of equipment	-	(104,744)
Proceeds from sale of fixed asset	-	1,813
Purchase of available for sale securities	-	(3,000)
Purchase of customer list	-	(1,145)
	-----	-----
Net Cash Used by Investing Activities	-	(107,076)
	-----	-----
Cash Flows Provided By Financing Activities		
Proceeds from shareholder notes payable	87,830	129,528
Payments on shareholder note payable	-	(95,207)
Shareholder contributions to capital	-	171,667
Payments on note payable	(2,567)	(31,250)
	-----	-----
Net Cash Provided By Financing Activities	85,263	174,738
	-----	-----
Net Change In Cash	(30,000)	15,176
Cash - beginning of period	85,000	103,045
	-----	-----
Cash - end of period	\$ 55,000	\$ 118,221
	=====	=====
Non-cash transactions:		
Stock issued for notes payable	\$ 150,000	\$ -
	=====	=====
Liabilities assumed by networld acquiror	\$ 435,666	=====
	=====	=====

WORLDTEQ GROUP INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of WorldTeq Group

## Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

International, Inc. ("WorldTeq") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in WorldTeq's latest Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2002, as reported in the 10-KSB, have been omitted.

### NOTE 2 - SALE OF SUBSIDIARY

In May 2003, Worldteq sold its Networld subsidiary to an entity owned by the majority stockholder and former president for \$1. Worldteq recorded the sale as a credit to additional paid in capital for the net liabilities totaling approximately \$435,000.

### NOTE 3 - COMMON STOCK

In September 2003, the board of directors approved the conversion of \$100,000 of notes payable to stockholder into 5,353,511 shares of common stock. In addition, the board approved the conversion of \$50,000 of the note payable to affiliate into 588,235 shares of common stock.

### NOTE 4 - SUBSEQUENT EVENT

In October 2003, Worldteq's board of directors approved an option plan which authorized 5,000,000 shares of common stock to be issued to employees, directors and consultants. In October, Worldteq issued option to purchase 2,000,000 shares at \$.05 per share to a consultant. The consultant exercised the options and Worldteq received \$100,000.

In October 2003, Worldteq issued a consultant warrants to acquire 1,000,000 shares of common stock at \$.10 for services provided. The warrants will be valued using black scholes.

### ITEM 1 - OTHER INFORMATION:

#### CHANGES TO THE BOARD OF DIRECTORS

We have undergone changes to our board of directors during the reporting period. On October 29, 2003 Mr. Donald Dea resigned from our Board of Directors. The resignation was not motivated in any way by a disagreement with the Company's operations. Mr. Dea served on the Finance Committee. Concurrently with his resignation, the Board appointed board member Mr. Brian Rosinski and Mr. Tim Carnahan

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### RECENT DEVELOPMENTS

While our company has been somewhat stagnant during the last few quarters, we have continued on removing certain unprofitable long distance products and have recently refocused our long distance service to include new business customer

## Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

plans. We are currently focusing on the small and medium sized business market on the telecom side. With monthly revenues on the telecom business are growing, with the addition of three new agent contracts that are currently bringing in customers daily, the newly launched MonEcard product will only enhance this growth.

In order for the company to survive and have the opportunity to prosper we made many tough decisions in the last quarter. We decided to cut certain business segments that did not focus on our long-term growth plans and we cut costs that were not related to these growth plans. The company also felt it was important to reduce debt, both short term and long term. We reduced much of our long-term debt by converting some of the debt into equity. We reduced our monthly costs at WorldTeq Corp by 300% as we identified and dismissed personnel that were not needed for our new direction. We have also outsourced many of our daily functions to competent organizations that specialize in these areas.

### RESULTS OF OPERATIONS

Total net sales for the three months ended September 30, 2003 were \$174,051, as compared to \$927,022 the same 3 months ended September 30, 2002. The decrease in sales were primarily attributable to the loss of revenue generated by NetWorld, which has been sold, market competition and the further increase in focusing away from wholesale customers. Gross profit as a percentage of revenue has increased to 66.9% of sales as compared to 42.4% of sales during the previous period in 2002. This increase in gross profits is due in part to cost cutting measures and lower costs from our vendors.

General and administrative expenses decreased significantly to \$103,504 from \$448,663 for the three months ended September 30, 2003, and September 30, 2002, respectively and to \$540,043 from \$1,543,306 for the nine months ended September 30, 2003 and 2002, respectively; this was primarily due to the continued reduction of support staff that were not used to concentrate on new growth plans. Additionally, the outsourcing of specific functions to specialized organizations helped to bring expenses down.

The recent benefit we have seen from the all around reduction of costs is the net profit of \$9,962 realized during the quarter ending September 30, 2003 as compared to a net loss of (\$32,603) realized during the prior quarter of this year ending June 30, 2003

### LIQUIDITY AND CAPITAL RESOURCES

We are currently seeking additional capital so we may increase our operations and execute our business plan as intended, as outlined in the announcement of our recent agreement with Aero Financial. Although we have no current commitments for capital, we may raise additional funds through: public offerings of equity, securities convertible into equity or debt, private offerings of securities or debt, or other sources.

Our investors should assume that any additional funding will cause substantial dilution to current stockholders. In addition, we may not be able to raise additional funds on favorable terms, if at all.

### PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 31.1 - Certification of Chief Executive Officer and Chief

Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

Financial Officer of WORLDTEQ GROUP INTERNATIONAL required by Rule 13a - 14(1) or Rule 15d - 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 -- Certification of Chief Executive Officer and Chief Financial Officer of Worlteq Group International, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of 18 U.S.C. 63.

(b) Reports on Form 8-K

No Form 8-K (s) were filled during the quarter ending September 30, 2003

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 hereunto duly authorized.

WORLDTEQ GROUP INTERNATIONAL

Date: November 19, 2003

By: /s/ Jeffrey Lieberman

-----  
Jeffrey Lieberman  
Chief Executive Officer and  
President