

Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

WORLDTEQ GROUP INTERNATIONAL INC  
Form 10QSB  
August 22, 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: June 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  
(State or other jurisdiction  
of incorporation or organization)

03-7392107  
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 August 15, 2003, there were 21,630,000 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 June 30, 2003

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

- a. Consolidated Balance Sheets as of June 30, 2003 (Unaudited) and December 31, 2002
- b. Consolidated Statements of Operations for the three and six month periods ended June 30, 2003 and 2002
- c. Consolidated Statements of Cash Flows for the six month period ended June 30, 2003 and 2002
- d. Notes to Consolidated Financial Statements

## 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 SHEETS -----

Assets	June 30, 2003	December 31, 2002
	-----	-----
	(unaudited)	
Current Assets:		
Restricted cash	\$ 55,000	\$ 85,000
Accounts receivable	41,220	78,974
Other current assets	12,285	12,574
	-----	-----
Total Current Assets	108,505	176,548
	-----	-----
Equipment	405,284	405,284
Accumulated depreciation	(384,192)	(330,711)
	-----	-----
Net fixed assets	21,092	74,573
	-----	-----
Total Assets	\$ 129,597	\$ 251,121
	=====	=====
Current Liabilities		
Accounts payable	\$ 274,430	\$ 646,263
Accrued expenses	33,292	15,717
Deferred revenue	25,763	51,616
Note payable to shareholder	232,038	144,208
Note payable	96,136	98,703
	-----	-----
Total Current Liabilities	661,659	956,507
	-----	-----
Commitments and Contingencies	-	-
Stockholders' Deficit		
Series A convertible preferred stock, \$.001 par; 4,749,989 liquidation value 5,000,000 shares authorized; 1,055,553 shares issued and outstanding	1,055	1,055
Common stock, \$.001 par value, 100,000,000 shares authorized, 21,630,000 shares issued and outstanding	21,630	21,630
Paid in capital	20,441,476	20,089,016
Retained deficit	(20,996,223)	(20,817,087)
	-----	-----
Total Stockholders' Deficit	(532,062)	(705,386)
	-----	-----

Edgar Filing: WORLDTEQ GROUP INTERNATIONAL INC - Form 10QSB

Total Liabilities and Stockholders' Deficit	\$ 129,597	\$ 251,121
	=====	=====

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

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Sales	\$ 208,401	\$ 1,502,636	\$ 590,845	\$ 2,654,747
Cost of sales	104,970	628,459	314,030	1,209,062
Selling, general and administrative	126,328	720,348	436,539	1,202,086
Income (loss) from operations	(22,897)	153,829	(159,724)	243,599
Interest expense	9,706	12,156	19,412	22,594
Net income (loss)	\$ (32,603)	\$ 141,673	\$ (179,136)	\$ 221,005
Basic and diluted income (loss) per share	\$ (0.00)	\$ 0.01	\$ (0.01)	\$ 0.01
Weighted average shares outstanding	21,630,000	17,830,000	21,630,000	17,830,000

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

(UNAUDITED)

	Six Months Ended June 30,	
	2003	2002
Cash Flows Used in Operating Activities		
Net income (loss)	\$ (179,136)	\$ 221,005

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

Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	53,484	32,872
Bad debt expense	-	116,444
Change in:		
Accounts receivable	37,754	(384,147)
Other current assets	289	(7,231)
Accounts payable	(19,373)	97,332
Accrued expenses and deferred revenue	(8,281)	(38,201)
	-----	-----
Net Cash Provided By Operating Activities	(115,263)	38,074
	-----	-----
Cash Flows Used In Investing Activities		
Purchases of equipment	-	(104,744)
Cash Flows Provided By Financing Activities		
Proceeds from shareholder notes payable	87,830	126,528
Payments on shareholder note payable	-	(114,457)
Shareholder contributions to capital	-	171,667
Payments on note payable	(2,567)	(48,797)
	-----	-----
Net Cash Provided By Financing Activities	85,263	134,941
	-----	-----
Net change in cash	(30,000)	68,271
Cash - beginning of period	85,000	103,045
	-----	-----
Cash - end of period	\$ 55,000	\$ 171,316
	=====	=====
NON-CASH FINANCING ACTIVITIES:		
-----		
Liabilities assumed by Networld acquiror	\$ 352,560	\$ -
	=====	=====

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

#### NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of WorldTeq Group 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

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

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 \$352,000.

### 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 discontinued certain unprofitable business segments and sold Networld in order to focus on some exciting new opportunities. We are currently focusing on the small and medium sized business market on the telecom side, while leveraging some new and unique technologies with our billing system and financial services products. Recently we sold NetWorld of Ohio Inc., our Internet arm, to a company owned by the majority stockholder and former president of Worldteq.

#### RESULTS OF OPERATIONS

Total net sales for the three months ended June 30, 2003 were \$208,401, as compared to \$1,502,636 the same 3 months ended June 30, 2002. Net decreased from \$141,673 and 221,005 for the three and six months ended June 30, 2002, respectively to a net loss of \$32,603 and \$179,136 for the three and six months ended June 30, 2003. This decrease was primarily attributable to market competition and a change in focus for the company away from wholesale customers

Gross profit as a percentage of revenue has decreased slightly to 49.5% of sales as compared to 58% of sales during the same 3-month period in 2002 due primarily to an increase in sales compensation and increased competition during the quarter.

General and administrative expenses decreased significantly to \$126,328 from \$720,348 for the three months ended June 30, 2003, and June 30, 2002, respectively and to \$436,539 from \$1,202,086 for the six months ended June 30, 2003 and 2002, respectively; this was primarily due to the reduction of support staff and cost containment in various departments.

#### LIQUIDITY AND CAPITAL RESOURCES

During the quarter ending June 20, 2003 we eliminated non-productive assets and pared down our workforce to reduce overhead.

Net cash used in operating activities for six months ended June 30, 2003 was 115,263. The negative cash provided by operating activities was primarily attributable to the decrease in sales. Net financing activities provided \$85,830 for the six months ended June 30, 2003 which resulted from advances from the majority stockholder.

Cash at end of June 2003 amounted to \$55,000. Our current assets for June 30, 2003 are lower than our current liabilities. We believe our current cash position June 30, 2003 of \$55,000 should be sufficient along with anticipated operating cash flow to fund our operations in the next 12 months.

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

We are currently seeking additional capital so we may increase our operations and execute our business plan as intended. 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 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

The Company filed Form 8-K on February 6, 2003 relating the former CEO taking a leave of absence after being convicted in the United States District Court in Miami.

The Company filed Form 8-KA on May 27, 2003 containing Item 5 - Completion of Subsidiary Sale, disclosing the sale of Networld.

### 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: August 21, 2003

By: /s/ Jeffrey Lieberman

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

