

WESTSPHERE ASSET CORPORATION, INC  
Form 10-Q  
May 28, 2009

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended: **March 31, 2009**

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 registrant as specified in charter)

COLORADO  
(State or other jurisdiction  
of incorporation or organization)

98-0233968  
(IRS Employer  
Identification No.)

#12, 3620 29 Avenue NE  
Calgary, Alberta Canada T1Y 5Z8  
(Address of principal executive offices)(Zip Code)

Telephone (403) 290-0264  
(Issuer's telephone number)

NOT APPLICABLE  
(Former name, former address and former  
fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No



**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes // No //

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 25, 2009, there were 591,726 outstanding shares of the Registrant's Common Stock, no par value and 1,417,118 shares of Preferred Stock, no par value.

---

WESTSPHERE ASSET CORPORATION, INC.

INDEX TO THE FORM 10-Q

For the quarterly period ended March 31, 2009

	<u>PAGE</u>
<b>PART I FINANCIAL INFORMATION</b>	
<b>ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Balance Sheets	4
Consolidated Statements of Operations	5
Consolidated Statements of Changes in Stockholders' (Deficit) Equity	6
Consolidated Statements of Cash Flows	7
Notes to Financial Statements	8
<b>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>	11
<b>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.</b>	15
<b>ITEM 4. CONTROLS AND PROCEDURES</b>	15
<b>Part II OTHER INFORMATION</b>	
<b>ITEM 1. LEGAL PROCEEDINGS</b>	16
<b>ITEM 2. CHANGES IN SECURITIES</b>	16
<b>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</b>	16
<b>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</b>	16
<b>ITEM 5. OTHER INFORMATION</b>	16
<b>ITEM 6. EXHIBITS</b>	16

## PART I - FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

WESTSPHERE ASSET CORPORATION, INC.  
Consolidated Balance Sheet

	March 31, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 299,222	\$ 87,880
Accounts receivable net of allowance for doubtful accounts of \$154,259 and \$157,640, respectively	252,726	248,893
Accounts receivable - related parties	8,081	5,416
Inventory	195,174	192,962
Prepaid expense and deposit	37,848	56,407
	<hr/>	<hr/>
Total current assets	793,051	591,558
Property and equipment, net of depreciation	197,701	223,797
Note receivable	7,084	9,512
Deferred Costs	153,577	146,769
	<hr/>	<hr/>
Total assets	<b>\$ 1,151,413</b>	<b>\$ 971,636</b>
	<hr/>	<hr/>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 632,251	\$ 465,784
Current portion of loans	65,226	85,662
Accounts payable, related parties	670,254	485,768
	<hr/>	<hr/>
Total current liabilities	1,367,731	1,037,214
Shareholder loans	205,169	205,363
Loans payable, less current portion	184,867	188,918
	<hr/>	<hr/>
Total liabilities	1,757,767	1,431,495
Minority interest in subsidiaries		
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock - authorized 75,000,000 shares, no par value, 1,417,118 shares issued and outstanding at March 31, 2009 and December 31, 2008	1,400,855	1,400,855
Common stock - authorized 75,000,000 shares, no par value; 591,726 shares issued and outstanding at March 31, 2009 and December 31, 2008	558,824	558,824
Accumulated other comprehensive income	187,826	181,131
Accumulated deficit	(2,753,859)	(2,600,669)
	<hr/>	<hr/>
Total stockholders' equity (Deficit)	(606,354)	(459,859)
	<hr/>	<hr/>

Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

Total liabilities and stockholders' equity (Deficit)	\$ 1,151,413	971,636
--	--------------	---------

See accompanying notes to consolidated financial statements

*WESTSPHERE ASSET CORPORATION, INC.*  
*Consolidated Statements of Operations*  
*For the Three Months Ended March 31,*  
*(Unaudited)*

	2009	2008
	<u>          </u>	<u>          </u>
Revenue -		
Equipment and supplies	\$ 32,237	\$ 24,994
Residual and interchange income	696,577	943,689
Other	6,605	14,889
	<u>          </u>	<u>          </u>
Total revenue	735,419	983,572
	<u>          </u>	<u>          </u>
Cost of sales -		
Equipment and supplies	38,262	27,523
Residual and interchange costs	445,285	553,441
Commissions	2,011	5,341
Other	31,517	38,767
	<u>          </u>	<u>          </u>
Total cost of sales	517,075	625,072
	<u>          </u>	<u>          </u>
Gross profit	218,344	358,500
Operating expenses -		
Depreciation and amortization	21,457	27,712
Consulting fees	43,719	43,182
Legal and accounting fees	11,226	206
Salaries and benefits	155,461	236,826
Travel, delivery and vehicle expenses	36,419	30,635
Other	85,323	115,030
	<u>          </u>	<u>          </u>
Total operating expenses	353,605	453,591
	<u>          </u>	<u>          </u>
(Loss) from operations	(135,261)	(95,091)
Other income (expense) -		
Interest income	261	951
Interest expense	(18,190)	(23,534)
	<u>          </u>	<u>          </u>
Net (loss) before income taxes	(153,190)	(117,674)
Provision for income taxes		
	<u>          </u>	<u>          </u>
Net (loss)	\$ (153,190)	\$ (117,674)
	<u>          </u>	<u>          </u>
Basic net (loss) per common share	\$ (.26)	\$ (.20)
Weighted number of shares outstanding	591,726	592,785
Other comprehensive income (loss) -		
Net (loss)	\$ (153,190)	\$ (117,674)
Foreign currency translation adjustment	6,695	(4,367)

Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

Total comprehensive (loss)	<u>\$ (146,495)</u>	<u>\$ (122,041)</u>
----------------------------	---------------------	---------------------

See accompanying notes to consolidated financial statements



Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

*WESTSPHERE ASSET CORPORATION, INC.*  
*Consolidated Statements of Changes in Stockholders (Deficit) Equity*  
*(Unaudited)*

	Preferred Stock		Common Stock		Foreign Currency Translation Adjustment	Accumulated (Deficit)	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2008	1,417,118	\$ 1,400,855	591,726	\$ 558,824	\$ 181,131	\$ (2,600,669)	\$ (459,859)
Net loss for the three months ended March 31, 2009					6,695	(153,190)	(146,495)
Balance, March 31, 2009	1,417,118	\$ 1,400,855	591,726	\$ 558,824	\$ 187,826	\$ (2,753,859)	\$ (606,354)

See accompanying notes to consolidated financial statements

*WESTSPHERE ASSET CORPORATION, INC.*  
*Consolidated Statement of Cash Flows*  
*For the Three Months Ended March 31,*  
*(Unaudited)*

	2009	2008
Cash flows from operating activities:		
Net (loss) from operations	\$ (153,190)	\$ (117,674)
Reconciling adjustments -		
Depreciation and amortization	21,457	27,712
Changes in operating assets and liabilities		
Accounts receivable	(6,498)	14,263
Inventory	(2,212)	1,109
Prepaid expenses and other	18,559	5,065
Accounts payable and accrued liabilities	146,031	(23,523)
	24,147	(93,048)
Net cash (used for) provided by operations		
Cash flows from investing activities:		
Purchase of equipment	(10,781)	(24,914)
Disposal of equipment	775	24,192
Collections of loans receivable	2,428	3,271
	(7,578)	2,549
Net cash (used for) provided by investing activities		
Cash flows from financing activities:		
Proceeds from loans	184,486	53,755
Repayments of loans	(4,245)	(47,708)
	180,241	6,047
Net cash provided by financing activities		
Foreign currency translation adjustment	14,532	10,163
Net change in cash and cash equivalents	211,342	(74,289)
Cash at beginning of period	87,880	211,710
	\$ 299,222	\$ 137,421
Cash at end of period		
<b><i>Supplemental schedules:</i></b>		
Cash paid for interest	\$ 13,958	\$ 17,786
Cash paid for income taxes	\$	\$

See accompanying notes to consolidated financial statements

WESTSPHERE ASSET CORPORATION, INC.  
Notes to Financial Statements  
March 31, 2009 and 2008  
(Unaudited)

**Note 1 Basis of Presentation and Nature of Operations**

The accompanying consolidated balance sheet as of December 31, 2008 has been derived from audited financial statements and the accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial information and the interim reporting requirements of Regulation S-X. 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-Q. In management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. 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, 2008 audited financial statements and the accompanying notes thereto contained in the Annual Report on Form 10-K 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.

The Company's primary business is the sale and operation of cash vending (ATM) and point of sale (POS) machines in Canada.

There is no provision for dividends for the quarter to which this quarterly report relates.

**Note 2 Recent Accounting Pronouncements**

**EITF No. 03-6-1** In June 2008, the FASB issued Staff Position No. EITF 03-6-1 ( EITF No. 03-6-1 ), *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore, need to be included in the earnings allocation in calculating earnings per share under the two-class method described in Statement of Financial Accounting Standards No. 128, *Earnings per Share*. EITF No. 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the potential effect of EITF No. 03-6-1 on its financial statements.

**SFAS No. 162** In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162 ( SFAS No. 162 ), *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS No. 162 will become effective 60 days following Securities and Exchange Commission ( SEC ) approval of the Public Company Accounting Oversight Board ( PCAOB ) amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The Company does not anticipate the adoption of SFAS No. 162 to have a material impact on its financial statements.

**FSP No. 142-3** In April 2008, the FASB issued Staff Position No. 142-3 ( FSP No. 142-3 ), *Determination of the Useful Life of Intangible Assets*. FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is currently assessing the potential effect of FSP No. 142-3 on its financial statements.

## Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

**SFAS No. 161** In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ( SFAS No. 161 ), *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging*. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company believes that the adoption of this standard will not have a material impact on its financial statements.

The above pronouncements are not currently expected to have a material effect on the Company's financial statements.

### **Note 3 - Accounts Receivable**

Accounts receivable consist of amounts due from customers. The Company considers accounts more than 180 days old to be past due. The Company uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance.

### **Note 4 Inventory**

Inventory consists primarily of cash vending and POS machines, which are valued at the lesser of cost (on a first-in, first-out method) or net realizable value.

### **Note 5 Deferred Costs**

In order for Westsphere's subsidiaries to remain competitive in the marketplace, Westsphere, through its subsidiary Westsphere Systems Inc. has successfully gained membership into the Canadian Interac Association as an Acquirer. This will enable the direct processing of ATM, POS and other transactions for its other subsidiaries, Vencash and Trac POS. Westsphere has sourced out an industry leader, ACI Worldwide, and invested in the development and ongoing support required to facilitate the processing of transactions. Westsphere Systems Inc. will process all transactions through its association with ACI thereby eliminating the costs, restrictions, and potential risks of relying on third party processors. Most importantly, the investment in the processor, or switch, will also enable Westsphere's direct entry into new and emerging markets such as card management and processing.

### **Note 6 Related Party**

The following table summarizes the Company's accounts receivable - related party transactions as at March 31, 2009:

<b>Revenue</b>	<b>Amount</b>
Sales of ATM parts and accessories to:	
Directors' 100% owned company	\$ 5,857
<b>Shareholder loan from:</b>	
49% shareholder's of Personal Financial Solution	2,224
<i>The shareholder loan is payable on demand.</i>	
Total	\$ 8,081

## Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

The Company expensed \$19,207 (\$24,000 CDN) during the first quarter of 2009 for consulting and management services to an affiliated company that is controlled by the Company's president.

The following table summarizes the Company's accounts payable - related party transactions as at March 31, 2009:

<b>Payable to:</b>	<b>Amount</b>
A loan advanced from Westsphere's Directors to support the switch development project	\$ 124,006
Officers' and Directors' bonuses payable carried forward from year 2002	53,715
Deposits advanced from Westsphere's President to support the switch development project	211,415
A loan advanced from Westsphere's President for working capital.	100,330
A loan advanced from Westsphere's vice President for working capital.	21,208
A deposit from Westsphere's vice president to purchase cash for ATMs.	80,030
A loan advance from Westsphere's vice president bearing interest at 12% per annum, blended monthly payment of interest only for working capital.	79,550
Total	\$ 670,254

### *Note 7 Subsequent event*

On May 4, 2009 Westsphere's majority controlled subsidiary TRAC was served with a Notice of Intention to Enforce a Security Form 86 (Rule 124) which is basically a notice to place TRAC into insolvency by the trustees of the estate of June Barr of \$165,155 has an interest rate of 18% per annum.

The outstanding claim being initiated by the Barr trustees is for \$357,729 (\$447,000 CDN) which represents compounded interest on principal of \$93,572 (\$116,923 CDN). In addition Westsphere Asset Corporation, Inc. will also be filing a Notice of Intention to Enforce a Security Form 86 (Rule 124) for \$158,716 reflecting simple interest on its loans to TRAC of \$102,235 (\$127,748 CDN).

Currently there are six (6) additional TRAC Shareholders. These Shareholders are non claimants holding loans to TRAC of \$6,002 (\$7,500 CDN). TRAC incapable of meeting its repayment responsibilities is currently insolvent. As a result and in order to ensure continued customer connectivity and support, the TRAC distribution network took over the service and operations of the Point of Sale business directly. Based on the termination of business operations of TRAC the Board of Directors resigned, and TRAC ceased to do business.

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

*Current Corporate Structure March 31, 2009*

Vencash POS Services Inc.  
(Formerly Westsphere POS  
Services Ltd.)

100%  
**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 ending March 31, 2009, Westsphere and its subsidiaries generated a net loss from operations of \$153,190, while a net loss from operations of \$117,674 was realized for the same period from the previous year. The increase in net loss of \$35,516 over the same period from the previous year was caused by a decrease in net of residual and interchanges income of \$247,112, an increase in legal and accounting fees of \$11,020, and an increase in travel, delivery and vehicle expenses of \$5,874. The increase in net loss is partially offset against a decrease in residual and interchange costs of \$108,156, a decrease in salaries and benefits of \$81,365, a decrease in other expenses of \$29,707, and a decrease in interest expense of \$5,344 over the same period from the previous year.

The decrease in net of residual and interchange income was mainly caused by a decrease in the number of placements of ATMs in the latter part of year 2007 to present. The decrease in the number of placements was due to Westsphere's subsidiary Vencash no longer having the finance/lease program available offered by an ATM supplier to place more ATMs in the market place at a lower cost. This is due to changes within the organization of a major Vencash ATM supplier, equipment and supply agreements along with related transaction processing agreements signed in the latter part of year 2006 that are presently in dispute.

The increase in legal and accounting fees was mainly due to the SEC filing services of \$3,820, switch audit fees of \$3,383, and Westsphere's subsidiary Vencash involved in civil claims which have arisen in the normal course of business of \$3,817. These claims are of minor issues and will not cause any significant material changes to the business.

The increase in travel, delivery and vehicle expenses was mainly due to the rollover of ATMs commencing in January 2009 to the switch that was managed under Westsphere's subsidiary Westsphere Systems.

The decrease in salaries and benefits was primarily due to the deletion of three positions during the year 2008: Sale manager, and two junior accountants.

The decrease in other expenses was primarily due to a decrease in telephone expenses of \$11,908, office supplies of \$3,690, repairs and maintenance of \$4,967, and various general and administrative expenses of \$9,142. The decreases are caused by the reorganization of the company which took place in January 2009.

The decrease in interest expense was due to the pay down of the balance owed to the loans payable during the year.

In January 2009, Westsphere, through its subsidiary Westsphere Systems Inc. has officially launched its switch and commence rollover of ATMs to process all transactions through its association with ACI. The rollover will eliminate the costs, restrictions, and potential risks of relying on third party processors. Most importantly, the investment in the processor, or switch, will also enable Westsphere's direct entry into new and emerging markets such as card management and processing. As of May 25, 2009, 198 ATM's were under Westsphere Systems processing.

As of May 25, 2009, 778 ATM and 452 POS sites are being processed between three switches.

Westsphere and its subsidiaries currently on the border of generate sufficient revenues to meet overhead needs. This is due to Westsphere continues experiencing a steady decrease in gross profit; specifically in the residual and interchange income. Management recognizes that the Company must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt financing and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining a prolonged growth in its strategy phases. However, no assurance can be given that the Company will be successful in raising additional capital.

Furthermore, Westsphere's management is in the process of restructuring, reorganization and consolidation of all its operations as a whole in order to save costs.

## Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

Westsphere believes that the Corporations subsidiaries upon restructuring, reorganization and consolidation combined with continued investment from related parties and outside investors will continue to produce sufficient ongoing funding to meet its current and future financial requirements. The completion of the reorganization and restructuring is expecting to be completed by the end of second quarter this year.

### Changes in Financial Position

During the Three (3) month period ending March 31, 2009, total assets increased to \$1,151,413 primarily due to an increase in cash on hand of \$211,342. The increase in cash was due to the cash settlement collected on behalf of customers which is payable for the return of surcharge and interchange of \$126,478 (\$158,040 CDN), and \$110,440 (\$138,000 CDN) is payable for the return of vault cash. The increase in total assets is partially offset against a decrease in prepaid expense and deposit of \$18,559.

Westsphere's current liabilities consist of accounts payable of \$632,251, accounts payable to related parties of \$670,254, and current portion of loans payable of \$65,226.

Accounts payable includes payables of \$26,906 to suppliers for the purchase of ATM machines and POS machines, \$289,031 is payable for the return of surcharge and interchange, accounting and legal payables in the amount of \$124,438, telephone expenses in the amount of \$17,569, vacation payable in the amount of \$34,205, \$30,411 is payable for the return of vault cash, switch expense in the amount of \$34,225, commission in the amount of \$5,754, and \$69,712 due for consulting services, office expenses and various other general fees and charges.

Accounts payable to related parties consists of Officers' and Directors' bonuses payable carried forward from year 2002 in the amount of \$53,715 (\$67,118 CDN), a loan advanced from Westsphere's President in the amount of \$85,286 (\$106,569 CDN), deposits advanced from Westsphere's President to support the switch development project in the amount of \$226,460 (\$282,974 CDN), a loan advance from Westsphere's directors of \$124,006 (\$154,952 CDN), a loan advance from Westsphere's Vice President to support the switch development project in the amount of \$21,208 (\$26,500 CDN), a deposit from Westsphere's Vice President to purchase cash in the amount of \$80,029 (\$100,000 CDN), and a loan advance from Westsphere's vice president bearing interest at 12% per annum in the amount of \$79,550 (\$99,402 CDN).

Westsphere's subsidiary Vencash entered into two loan agreements with its major ATM supplier in July of 2006. The first loan agreement of \$150,519 (\$188,080 CDN) bearing interest at 6% per annum requires blended monthly payments of principal and interest of \$4,452 to March 2009. As of March 31, 2009, the balance is \$4,299 (\$5,372 CDN). The second loan agreement of \$33,815 (42,254 CDN), bearing interest at 18% per annum, requires blended monthly payments of principal and interest of \$1,226 to July 2011; with a final payment of \$90 in August 2011. As of March 31, 2009, the balance is \$21,260 (\$26,565 CDN). These loans are reflected in the accompanying consolidated balance sheet as current portion of loans.

In May 2007, Westsphere's subsidiary Vencash entered into a loan agreement with its major ATM supplier, bearing interest at 18% per annum, requiring blended monthly payments of principal and interest of \$852 (\$869 CDN) to May 2012; with a final payment of \$90 in May 2012. As of March 31, 2009, the balance is \$19,635 (\$24,536 CDN). This loan is reflected in the accompanying consolidated balance sheet as current portion of loans.

In June 2007, Westsphere's subsidiary Vencash entered into a loan agreement with its major ATM supplier, bearing interest at 18% per annum, requiring blended monthly payments of principal and interest of \$852 (\$869 CDN) to June 2012; with a final payment of \$90 in June 2012. As of March 31, 2009, the balance is \$20,032 (\$25,030 CDN). This loan is reflected in the accompanying consolidated balance sheet as current portion of loans.

Long term liabilities as at March 31, 2009 consisted of a shareholder loan totaling \$205,169, and loans payable, less current portion of \$184,867.

Westsphere's shareholder loans related to TRAC of \$165,155 has an interest rate of 18% per annum. This is a demand loan. The remaining balance of shareholder loans total \$40,014 with no specific terms of repayment.



## Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

In September 2007, Westsphere's subsidiary Vencash entered into a loan agreement totaling \$80,029 (\$100,000 CDN) with an external arms-length investor, bearing interest at 12% per annum, blended monthly payments of interest only of \$800 (\$1,000 CDN) to September 2008 with an automatic extension for a further 6 month term. The principle is to be repaid in a maximum of 18 months. The purpose of the loan is to supply vault cash to Westsphere's wholly owned subsidiary Vencash's customers' ATM equipment and site locations. As of March 31, 2009, the balance is \$80,029 (\$100,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

On November 5, 2007, Westsphere's subsidiary Westsphere Systems Inc. raised \$104,838 (\$131,000 CDN) through a loan agreement with an external arms-length investor, bearing interest at 12% per annum, blended monthly payments of interest only of \$1,048 (\$1,310 CDN) to October 2009, with an automatic extension for a further 12 month term. As of March 31, 2009, the balance is \$104,838 (\$131,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable, less current portion.

Shareholders' deficit as of March 31, 2009 was \$606,354; inclusive of an accumulated loss from operations of \$2,753,859, as compared to shareholders deficit of \$459,859 as of December 31, 2008. Total issued and outstanding share capital as of the three (3) months ending March 31, 2009 was 591,726 common shares and 1,417,118 preferred shares as compared to a total of 591,726 common shares and 1,417,118 preferred shares as of December 31, 2008.

### **Liquidity and Capital Resources**

#### *Summary of Working Capital and Stockholders' Equity*

As of March 31, 2009, the Company had working capital deficit of \$574,680 and Stockholders' Deficit of \$606,354 compared with working capital deficit of \$445,656 and Stockholders' Deficit of \$459,859 as of December 31, 2008. The Company's working capital deficit has increased principally as a result of an increase in accounts payable to related parties of \$184,486.

The increase in accounts payable to related parties is from Westsphere's directors and officers advanced deposits to support the switch development project.

Stockholders' Deficit increased as a result of a net loss for the three (3) months ended March 31, 2009 of \$153,190 and an increase in accumulated other comprehensive income of \$6,695.

The Company's consolidated operations provided of net cash of \$24,147, compared to the use of net cash in the amount of \$93,048 during the same period from the previous year. This decrease in the use of net cash flow from operations was the result of an increase in accounts payable and accrued liabilities of \$169,554. The decrease in the use of net cash is partially offset against an increase in accounts receivable of \$20,761 and other various activities of \$31,598.

Investing activities during the three (3) month period resulted in the use of net cash of \$7,578, which was caused by the purchase of equipment of \$10,781. The use of net cash is partially offset against the disposal of equipment of \$775 and collection of loan receivable of \$2,428.

Financing activities during the three (3) month period resulted in the provided of net cash of \$180,241, which was caused by the proceeds from loans of \$184,486, and partially offset against the repayment of debt of \$4,245.

#### *Liquidity*

As of March 31, 2009, Westsphere was able to raise \$114,875 (\$143,542 CDN) from directors and officers: A loan advanced from Westsphere's President in the amount of \$47,445 (\$59,284 CDN), a loan advanced from Westsphere's Vice President in the amount of \$21,201 (\$26,492 CDN), and a loan advance from Westsphere's arms-length directors in the amount of \$46,229 (\$57,766 CDN). The cash is used to support the switch development project.

## Edgar Filing: WESTSPHERE ASSET CORPORATION, INC - Form 10-Q

WestspHERE did not raise funds this year to facilitate ATMs growth opportunities due to the condition of Corporations financial market.

WestspHERE expects that its need for liquidity will increase this year in anticipation of expending funds to develop its growth and upgrade plan. The need is due to the finance/lease requirements to replace an aged estate of ATM equipment which is under VenCash management and/or ownership. Due to changes within the organization of a major Vencash ATM supplier, equipment and supply agreements along with related transaction processing agreements signed in the latter part of year 2006 are presently in dispute. This has resulted in a requirement to find additional financial recourses related to growth in its ATM business and to determine whether or not Vencash s current ATM equipment supplier can meet the upgrade requirements as set forth in regards to meet ongoing regulatory compliance.

On a short term basis, WestspHERE and its subsidiaries are currently on the border of generating sufficient revenues to meet overhead needs. This is due to WestspHERE continues experiencing a steady decrease in gross profit; specifically in the residual and interchange income.

Management recognizes that the Company must generate additional resources to enable it to continue operations. Management intends to raise additional funds through debt financing and equity financing or through other means that it deems necessary, with a view to moving forward and sustaining a prolonged growth in its strategy phases. However, no assurance can be given that the Company will be successful in raising additional capital.

Furthermore, WestspHERE s management commenced the process of restructuring, reorganization and consolidation of all its operations as a whole in order to save costs. WestspHERE believes that the Corporations subsidiaries upon restructuring, reorganization and consolidation combined with continued investment from related parties and outside investors will continue to produce sufficient ongoing funding to meet its current and future financial requirements.

On May 4, 2009 WestspHERE s majority controlled subsidiary TRAC was served with a Notice of Intention to Enforce a Security Form 86 (Rule 124) which is basically a notice to place TRAC into insolvency by the trustees of the estate of June Barr of \$165,155 has an interest rate of 18% per annum.

The outstanding claim being initiated by the Barr trustees is for \$357,729 (\$447,000 CDN) which represents compounded interest on principal of \$93,572 (\$116,923 CDN). In addition WestspHERE Asset Corporation, Inc. will also be filing a Notice of Intention to Enforce a Security Form 86 (Rule 124) for \$158,716 reflecting simple interest on its loans to TRAC of \$102,235 (\$127,748 CDN).

Currently there are six (6) additional TRAC Shareholders. These Shareholders are non claimants holding loans to TRAC of \$6,002 (\$7,500 CDN). TRAC incapable of meeting its repayment responsibilities is currently insolvent. As a result and in order to ensure continued customer connectivity and support, the TRAC distribution network took over the service and operations of the Point of Sale business directly. Based on the termination of business operations of TRAC the Board of Directors resigned, and TRAC ceased to do business.

### *Capital Resources*

The primary capital resources of WestspHERE are its consolidated business operations as well as equity funds raised, joint venture arrangements and/or loan proceeds.

### *Off-Balance Sheet Arrangements*

The Company does not have any off-balance sheet arrangements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

N/A

**ITEM 4. CONTROLS AND PROCEDURES**

The Company's Chief Executive Officer, Mr. Douglas Mac Donald, and its Chief Financial Officer, Mr. Kim Law, have implemented the Company's disclosure controls and procedures to ensure that material information relating to the Company is made known to Mr. Mac Donald and Mr. Law. These executive officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2009 (the Evaluation Date).

Based on such evaluation, Messrs. Mac Donald and Law have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company that is required to be included in our reports filed or submitted under the Securities Exchange Act of 1934. Moreover, there were no significant changes in internal controls or in other factors that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

There are no changes since the filing of the 10K on December 31, 2008.

**ITEM 1A. RISK FACTORS**

N/A

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There are no changes since the filing of the 10K on December 31, 2008.

**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**

(a) The following exhibits are filed with this report.

- 31.1 Certification by Chief Executive Officer pursuant to Sarbanes Oxley Section 302.
- 31.2 Certification by Chief Financial Officer pursuant to Sarbanes Oxley Section 302.
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350

**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: May 26, 2009

By: /s/ Kim Law

\_\_\_\_\_  
Name: Kim Law  
Title: Principal Financial Officer and Accounting Officer  
Date: May 26, 2009