

Edgar Filing: GLOBAL YACHT SERVICES INC - Form 10QSB

GLOBAL YACHT SERVICES INC  
Form 10QSB  
May 19, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER 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: 000-49616

Global Yacht Services, Inc.  
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(Exact name of small business issuer as specified in its charter)

Nevada  
-----

88-0488686  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

7710 Hazard Center Drive, Suite E-415, San Diego, California, 92108  
-----

(Address of principal executive offices)

619.990.0976  
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(Issuer's Telephone Number)

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 practical date. As of May 15, 2003, there were 1,917,277 shares of the issuer's \$.001 par value common stock issued and outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENT  
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GLOBAL YACHT SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

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GLOBAL YACHT SERVICES, INC.

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GLOBAL YACHT SERVICES, INC.

CONSOLIDATED BALANCE SHEET

MARCH 31, 2003 AND 2002

(UNAUDITED)

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ASSETS	
-----	
CURRENT ASSETS	
Cash	\$ 73,112
Accounts receivable, net	1,695
Prepaid expenses	17,165
	-----
Total current assets	91,972
	-----
Total assets	\$ 91,972
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
-----	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 14,446
	-----
Total current liabilities	14,446
	-----
CONTINGENCIES	
STOCKHOLDERS' DEFICIT	
Common stock, \$.001 par value;	
Authorized shares-- 50,000,000	
Issued and outstanding shares-- 1,917,277	1,917
Additional paid-in capital	190,398
Accumulated deficit	(114,789)
	-----
Total stockholders' deficit	77,526
	-----
Total liabilities and stockholders' deficit	\$ 91,972
	=====

See accompanying notes to consolidated financial statements.

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GLOBAL YACHT SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2003 AND MARCH 31, 2002

(UNAUDITED)

March 31,

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	2003	2002
REVENUES		
Charter services	\$ ---	\$ 1,240
Yacht management fees	2,820	2,628
Sales commissions	---	25,000
	-----	-----
Net revenues	2,820	28,868
COST OF REVENUES		
Charter expenses	---	787
Yacht management expenses	817	2,008
	-----	-----
Total cost of revenues	817	2,795
	-----	-----
GROSS MARGIN	2,003	26,073
OPERATING EXPENSES		
Legal and professional fees	8,203	10,145
Occupancy	585	585
Office supplies and expense	523	1,076
Outside services	1,500	1,500
Telephone and utilities	266	409
	-----	-----
Total operating expenses	11,077	13,715
	-----	-----
INCOME (LOSS) FROM OPERATIONS	(9,074)	12,358
OTHER INCOME	---	4
	-----	-----
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(9,074)	12,362
PROVISION FOR INCOME TAXES	800	3,000
	-----	-----
NET INCOME (LOSS)	\$ (8,362)	\$ 9,362
	=====	=====
NET INCOME (LOSS) PER COMMON SHARE-- BASIC AND DILUTED	\$ ---	\$ ---
	=====	=====
WEIGHTED AVERAGE OF COMMON SHARES-- BASIC AND DILUTED	1,917,277	1,282,777
	=====	=====

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2003 AND MARCH 31, 2002

(UNAUDITED)

	March 31, 2003
	-----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income (loss)	\$ (9,874)
Adjustments to reconcile net income (loss) to net cash used in operating activities	
Occupancy costs contributed by officer	585
Changes in operating assets and liabilities	
(Increase) in accounts receivable	(1,695)
(Increase) in prepaid expenses	(17,165)
(Decrease) Increase in accounts payable and accrued expenses	4,012
Increase in income taxes payable	---
	-----
Net cash used in operating activities	(24,137)
	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,137)
CASH AND CASH EQUIVALENTS, beginning of period	97,249
	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 73,112
	=====
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Income taxes paid	\$ 800
	=====
Interest paid	\$ ---
	=====

See accompanying notes to consolidated financial statements.

GLOBAL YACHT SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

(UNAUDITED)

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the

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accounts of the Global Yacht Services, Inc. and its majority owned subsidiary, Global Yacht Services, Ltd. All significant intercompany transactions have been eliminated, if any. The unaudited consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 301(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month periods ended March 31, 2003 and 2002 are not necessarily indicative of the results that may be expected for the years ended December 31, 2003 and 2002. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-KSB.

### NOTE 2 - COMMON STOCK

On May 10, 2002, the Company issued 634,500 shares of its common stock at a selling price of \$0.20 per share pursuant to its prospectus as filed with its registration statement on Form SB-2. The net proceeds were \$126,900.

### NOTE 3 - RELATED PARTY TRANSACTIONS

The Company occupies office space provided by its officer. Accordingly, occupancy costs have been allocated to the Company based on the square foot percentage assumed multiplied by the officer's total monthly costs. These amounts are shown in the accompanying consolidated statement of operations for the three-month periods ended March 31, 2003 and 2002, respectively, and are considered additional contributions of capital by the officer and the Company.

### ITEM 2. PLAN OF OPERATION

This following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "will", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed

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on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

CRITICAL ACCOUNTING POLICY AND ESTIMATES. Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to them consolidated financial statements included in our Quarterly Report on Form 10-QSB for the period ended March 31, 2003.

We provide a broad range of yacht services in the global marketplace. Our services include yacht rental and charter, yacht sales and yacht services, such as the provision of captain, crew, supplies, maintenance, delivery as well as full-scale contracted care of yachts. Our president, Mitch Keeler, is an experienced captain and possesses a captain certification from the U.S. Coast Guard. Mr. Keeler provides professional advice and consultation for all aspects of yacht lease, purchase and ownership and is available for on site assistance anywhere in the world.

We currently generate revenues from our charter services, which range from day charters to full week charters. We currently offer private yacht charters in San Diego, usually of up to one week in duration as well as corporate charters, which are typically 3 to 5 hours and short range. We have very few charters that are longer than one week, however, they do occur. Our officers act as captain and crew for our charter services, but we often utilize outside businesses for services such as catering and bartending.

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We have also generated revenues from our yacht management services and our delivery services. Yacht management services include managing the yacht for the owners including routine maintenance, repairs and electronics installation. Regular maintenance includes services such as exterior and interior cleaning, bottom cleaning, waxing and zinc replacement. Delivery services include delivering newly purchased yachts to various locations around the world.

FOR THE THREE MONTHS ENDED MARCH 31, 2003.

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Liquidity and Capital Resources. Our total assets were \$91,972 as of March 31, 2003. Of those assets, we had cash of \$73,112, accounts receivable of \$1,695, and prepaid expense of \$17,165 as of March 31, 2003. Therefore, our total current assets were \$74,807 as of March 31, 2003. We believe that our available cash is sufficient to pay our day-to-day expenditures.

Our current liabilities were \$14,446 as of March 31, 2003, and were represented solely by accounts payable and accrued expenses. We had no other liabilities and no long term commitments or contingencies as of March 31, 2003.

### RESULTS OF OPERATIONS.

REVENUE. For the three months ended March 31, 2003, we realized revenues of \$2,820 from yacht management fees, compared to revenues of \$28,868 generated for the three months ended March 31, 2002, which resulted from receiving \$1,240 in charter services, \$2,628 in yacht management fees and \$25,000 we received from sales commissions. The difference in our revenues is accounted for the fact that we had no revenues from sales commissions during the three months ended March 31, 2003. Our cost of revenues was \$817 for the three months ended March 31, 2003, which was represented by yacht management expenses. This is compared to \$2,795 for the same period ended March 31, 2002, which was represented by \$787 in charter expenses and \$2,008 in yacht management expenses. Therefore, our gross margin for the three months ended March 31, 2003 was \$2,003, compared to \$26,073 for three months ended March 31, 2002. We hope to generate more revenues as we expand our customer base.

OPERATING EXPENSES. For the three months ended March 31, 2003, our total operating expenses were approximately \$11,077, compared to \$13,715 for the three months ended March 31, 2002. For the three months ended March 31, 2003, the majority of our total operating expenses were represented by legal and professional fees of \$8,203. We also had occupancy expenses of \$585, office supplies and expense of \$523, outside services expenses of \$1,500, and \$266 for telephone and utilities. Our operating expenses for the three month period ending March 31, 2002 totaled \$13,715, most of which were represented by legal and professional fees of \$10,145. We also had occupancy expenses of \$585, office supplies and expense of \$1,076, outside services expenses of \$1,500, and \$409 for telephone and utilities. Our operating expenses were lower because we incurred fewer professional and legal fees during the three month period ending March 31, 2003 as compared to the three months ending March 31, 2002, because during 2002 we were preparing a registration statement.

For the three months ended March 31, 2003, we experienced a net loss of approximately \$9,874 compared to a net income of \$9,362 the three months ended March 31, 2002, because we generated less in commissions and fees during the three months ended March 31, 2003. We anticipate that we will continue to incur significant general and administrative expenses, but hope to continue generating income as we expand our operations.

OUR PLAN OF OPERATION FOR THE NEXT TWELVE MONTHS. In our management's opinion, to effectuate our business plan in the next twelve months, the following events should occur or we should reach the following milestones in order for us to become profitable:

1. We must conduct marketing activities to promote our services and obtain additional customers to increase our customer base. We currently market



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our business primarily through referrals and our website. Our president, Mitch Keeler, had a large foundation of business and a strong reputation in the industry, which we believe has been transferred to us. We believe that referrals comprise approximately 70% of our business and business generated from our website is approximately 30% of our business. Future marketing will include articles and advertisements in industry publications, such as: Yachting, Motor Boating, and Sea. We hope to continue to increase our customer base.

2. We must continue to develop relationships with various parties including yacht owners, sellers, brokers, lessors, charter agents, maintenance suppliers, industry professionals and specialists, captains, crew, engineers, designers, insurance agents, legal advisors, and government agents. We believe that these parties will help supply some of our services and they may become sources of referrals. We hope to continue to develop relationships with several of those parties who provide some of the services that we offer as well as be sources of referrals.
3. We must develop our website so that it will function as a means for global clients to access our range of services and communicate with us for support services as well as for use as a marketing tool to inform and persuade customers to engage our services. We intend to develop our website so that we utilize a database set up on the backend, which will capture customer information and allow us to process information concerning our clients and potential clients. One objective for our website is to interact with clients in "real time" so that they feel that their needs are being taken care of professionally and on a personal level. Within six to twelve months, we should have developed our website to provide those services.

We have cash of \$73,112 as of March 31, 2003. In the opinion of management, available funds will satisfy our working capital requirements for the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could fail as a result of a number of factors. In order to expand our operations, we do not currently anticipate that we will need to raise additional capital in addition to the funds raised in this offering. If we do not raise adequate funds from this offering, then we may not be able to conduct marketing activities and expand our operations.

We are not currently conducting any research and development activities, other than the development of our website. We do not anticipate conducting such activities in the near future. In the event that we expand our customer base, then we may need to hire additional employees or independent contractors as well as purchase or lease additional equipment.

### ITEM 3. CONTROLS AND PROCEDURES

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(a) Evaluation of disclosure controls and procedures. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were adequate.

(b) Changes in internal controls. There were no significant changes in our

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internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the chief executive officer and principal financial officer.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.  
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None.

ITEM 2. CHANGES IN SECURITIES.  
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None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES  
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None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS  
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None.

ITEM 5. OTHER INFORMATION  
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None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

None.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Global Yacht Services, Inc.,  
a Nevada corporation

May 15, 2003

By: /s/ Mitch Keeler  
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Mitch Keeler

Its: president, principal executive officer, director

CERTIFICATIONS  
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I, Mitch Keeler, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Global Yacht Services, Inc.

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 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 statements, 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 officers 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 and have:

a) 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 this quarterly report is being prepared;

b) 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

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) 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 weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers 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

/s/ Mitch Keeler  
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Mitch Keeler  
Chief Executive Officer

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CERTIFICATIONS  
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I, Melissa Day, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Global Yacht Services, Inc.

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 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 statements, 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 officers 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 and have:

a) 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 this quarterly report is being prepared;

b) 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

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) 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 weaknesses in internal controls; and

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b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers 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

Melissa Day

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Melissa Day

Chief Financial Officer