

WESTSPHERE ASSET CORP INC
Form 10KSB
April 14, 2004

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-32051

WESTSPHERE ASSET CORPORATION, INC.

(Name of small business issuer in its charter)

COLORADO

98-0233968

(State or other jurisdiction of
incorporation or organization)

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

2140 Pegasus Way NE

CALGARY, ALBERTA, CANADA T2E 8M5

Telephone: (403) 290-0264

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(Address, including zip code, and telephone number, including area code,

of registrant's principal executive offices)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

Name of each exchange on which registered

None

None

Securities registered under Section 12(g) of the Exchange Act:

75,000,000 Common Stock, No Par Value

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. X Yes

 No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

X

State issuer's revenues for its most recent fiscal year: \$ 2,841,509

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

\$889,494 as of March 31, 2004,

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST 5 YEARS)

Check whether the issuer has 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 REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 29,738,460 shares as of March 17, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g. Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 31, 2003).

Transitional Small Business Disclosure Format (Check one): Yes

No

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

General Description and Development of Business

Unless otherwise noted, all dollar references are in U.S. Dollars.

On July 21, 1998, Westsphere Asset Corporation, Inc., a Colorado corporation was incorporated under the laws of the State of Colorado, under the name of Newslink Networks TDS, Inc. On April 23, 1999, the Corporation changed its name to Westsphere Asset Corporation, Inc. Westsphere Asset Corporation is referred to herein as Westsphere, the Company we and our.

Since 2000, the Company's business focus has been on opportunities afforded in the non-conventional banking industry and sought out opportunities available to the Company that through acquisitions of equity positions within operating corporations or the establishment of wholly owned subsidiary companies that would assist in the asset growth of the Company. Consequently, the Company commenced a review of the opportunities afforded by Vencash Capital Corporation.

Non-Conventional Banking Business is described as business related activities which would be normally associated in Canada with a registered chartered bank or bank affiliated financial institution but is privately owned and operated and not affiliated with a Canadian Chartered Bank.

Westsphere has no ongoing business operations other than acting as a holding company.

General Description and Development of Subsidiary Company Business

VENCASH CAPITAL CORPORATION

Vencash Capital Corporation was incorporated in the province of Alberta, Canada on October 2, 1996. In July 1998 Vencash Capital Corporation entered into the non-conventional banking industry otherwise known in the industry as the white label ATM market place. Vencash Capital became the seventhth Canadian channel authorized to participate within the Canadian INTERAC system.

The white label ATM market place is described as privately owned and operated Automated Teller Machines that dispense cash for a fee, which are not affiliated by ownership or operation to Canadian Registered Chartered Banks.

A channel is described as a provider of audit control to ATM customers, ATM equipment owners and ATM site providers by channeling the fee revenues generated through customer usage of the ATM equipment to the settlement accounts of the contracted site holder and equipment suppliers.

On December 4, 1998 after a review of opportunities in the Canadian market, available due to the deregulation of the Canada Bank Act and the privatization of ATMs (Automated Teller Machines) and POS (point-of-sale) electronic transfer transaction processing, Westsphere entered into an option agreement with an arms-length shareholder of Vencash Capital, 3 Oceans Investment Corporation, a Belize corporation, to acquire a minority interest in Vencash Capital Corporation (Vencash Capital).

The option agreement called for the exchange by the Company of a total of 4,800,000 shares of its common stock for 8 shares of the issued and outstanding common stock of Vencash Capital, which related to 8% of the common stock of Vencash Capital. The option agreement included the assignment of a promissory note in the amount of \$30,720 (\$48,000 CDN). The Company exercised its right under the option agreement on December 12, 1998 and exchanged 4,800,000 shares of its common stock with 3 Oceans Investment Corporation.

On December 7, 1998, the Company executed a share exchange with Mac Donald Venture Corporation, Mr. Joseph Bowser and Mr. Robert L. Robins to exchange a total of 4,800,000 shares of the Company's common stock in exchange for a 33% interest in Vencash Capital. The share exchange included the assignment of a promissory note in the amount of \$3,480 (\$6,000 CDN). The exchange of shares was completed on December 12, 1998. See ***Certain Relationships and Related Party Transactions***. At the

time of this transaction, Westsphere had no operations or significant assets. Prior to such agreement, Westsphere's only affiliation with Vencash was through Mr. Mac Donald and Mr. Robins, who were officers and directors of both companies.

On December 17, 1999, Westsphere acquired the remaining fifty-nine percent (59%) of Vencash Capital from various arms-length shareholders of Vencash Capital by way of a share exchange whereby Westsphere issued a total of 1,770,000 common shares in exchange for 59 shares of the common stock of Vencash Capital.

Vencash Capital maintains offices at 2140 Pegasus Way N.E., Calgary, AB T2E 8M5. As of December 31, 2003, Vencash Capital has sites located nationally across Canada and holds under management 865 automated teller machines (ATMs) in Canada, most notably in the Provinces of British Columbia and Alberta, Saskatchewan, Ontario and Maritimes. A site is described as a location where an ATM has been placed, and has contracted with Vencash Capital to provide monitoring, reporting and distribution of financial surcharge transaction revenues.

Of the 865 ATM s managed by Vencash, 68 are owned by Vencash Capital and Westsphere Financial Group and the balance are owned by private purchases or investors. Vencash Capital is one of several nation-wide companies involved in the private ATM market in Canada and presently has two distributors in the Maritime region in Canada, three independent distributors in the Metro Toronto area of Ontario, Canada, one distributor in the Province of Saskatchewan, one distributor in Kamloops, British Columbia and one distributor in the Greater Vancouver, British Columbia area.

Vencash s head office operations are located in Calgary, Alberta with seven contracted sales persons and three service and system technicians.

The expansion of the present operations of Vencash Capital have allowed for some horizontal integration of other opportunities for the Company to supply financial services and packages, which have been marketed in conjunction with the ATM placement network. (See *-Business of Vencash Capital Corporation* below.)

VENCASH FINANCIAL CORPORATION

On September 23, 1998, Vencash Capital incorporated a wholly owned subsidiary, Vencash Financial Corporation ("Vencash Financial"), as a federal corporation under the laws of Canada, in order to secure and protect the "Vencash" name in all Provincial jurisdictions in Canada. Vencash Financial conducts no actual business activities.

WESTSPHERE FINANCIAL GROUP LTD.

On May 18, 1999, Westsphere formed a wholly owned subsidiary, Westsphere Financial Group Ltd., to lease ATMs to Vencash Capital clients. (See *"-Business of Westsphere Financial Group Ltd."* below.)

KAN-CAN RESORTS LTD.

On June 1, 1999, Westsphere acquired a 10% interest in Kan-Can Resorts Ltd. from Lee Beasley and William Beasley by way of a share exchange whereby Westsphere exchanged a total of 290,000 common shares of Westsphere for 69,500 common shares of Kan Can Resorts Ltd. ("Kan-Can") The shares of Kan Can have anti-dilution provisions which require that any shares issued in Kan-Can will be issued on a pari-parsu basis so as not to dilute Westsphere's share holdings below 10% of the total issued and outstanding common shares of Kan-Can.

In a settlement of the legal proceeding between Kan Can and Alpine Resort Ltd. discussed below under **Item 3 Legal Proceeding**, on December 5, 2001 Kan-Can Resorts Ltd. sold its head lease and all assets for total of \$465,087 to Banff Gate Mountain Resort Association. The owners of Banff Gate Mountain Resort are some of the timeshare owners of Alpine Resort Ltd. The terms of the sale are a deposit of \$106,844 and a six year loan of \$358,243 at 4.25% per annum with monthly payments of \$5,646 commencing on May 1, 2002. Banff Gate Mountain Resort Association agreed to return 32% of Kan-Can Resorts Ltd. for cancellation and with the purchase of group of minority Kan-Can shareholders Westsphere has become a 99% owner of Kan-Can Resorts Ltd.

(See "*-Business of Kan-Can Resorts Ltd.*" and "**ITEM 3. LEGAL PROCEEDINGS**" below.)

WESTSPHERE POS SERVICES LTD.

On May 16, 2000, Westsphere incorporated Vencash ATM/POS Services Inc. ("Services") under the laws of the Province of Alberta for the purpose of providing servicing for ATM machines and sales and servicing for the point of sale market. "Point of Sale" is described as an electronic terminal that accepts bank debit cards and credit cards to pay by way of direct settlement to the retailers account from the customers banking or credit card provider on a daily basis for a purchase of goods or services. On May 9, 2003 Services changed its name to **WESTSPHERE POS SERVICES LTD.** (See "*-Business of Westsphere POS Services Ltd.*" below.)

WESTSPHERE SYSTEMS INC.

On May 16, 2000, Westsphere incorporated Westsphere System Inc. under the laws of the Province of Alberta. In January 2002, Westsphere Systems Inc. began business in the areas of hosting web sites, leasing disk space and network services. (See "*-Business of Westsphere Systems Inc.*" below.)

WESTSPHERE ENTERTAINMENT CORPORATION

On January 8, 2003, Westsphere Entertainment Corporation was incorporated under the laws of the Province of Alberta. It was incorporated solely to conduct business in a proposed casino, the company is currently inactive.

WESTSPHERE DEVELOPMENT CORPORATION

On January 8, 2003, Westsphere Development Corporation was incorporated under the laws of the Province of Alberta. It was incorporated solely to develop a convention inn, hotel and casino, the Company is currently inactive.

E-DEBIT INTERNATIONAL INC.

Westsphere owns a ninety (90%) percent interest in E-Debit International Inc. E-Debit International Inc. is a provider of pre-paid debit cards. On February 11, 2004 Westsphere entered into a purchase agreement to acquire a further ten (10%) percent interest in E-Debit International Inc. from a non affiliated third party E-Debit shareholder. (See "*-Business of E-Debit International Inc.*" below.)

TRAC POS Processing Inc.

Westsphere owns a thirty- one (31%) percent interest in TRAC POS Processing Inc. TRAC POS Processing Inc. is a distributor and financial processor of "POS" (point of sale) terminals. On November 28, 2003 the Westsphere Board of Directors passed a resolution authorizing the purchase of a further ten (10%) percent interest in TRAC POS Processing Inc. from a non affiliated third party TRAC shareholder

and a further twelve (12%) percent interest in TRAC POS Processing Inc. from a wholly owned corporation controlled by Mr. Bernd Reuscher, who is a member of Westsphere's Board of Directors. Negotiations pertaining to the purchase are ongoing. (See "*-Business of TRAC POS Processing Inc.*" below.)

CAMROSE CONVENTION INN INC.

Westsphere holds a ten percent (10%) interest in this newly formed corporation, which is currently inactive.

Westsphere Asset Corporation Business

Westsphere's principal place of business and its executive offices are located at 2140 Pegasus Way, N.E. Calgary, Alberta, Canada T2E 8M5. Westsphere's agent for service of process is located at 5801 West 11th Street Suite 101 Greeley, Colorado 80634.

Westsphere provides financial services and packages to its subsidiaries and intends to conduct its operations through its wholly-owned subsidiaries, Vencash Capital, Westsphere Financial, Services and Westsphere Systems Inc. and through its 99% owned subsidiary, Kan-Can and through its 90% owned subsidiary E Debit. (See "**-General Description and Development of Business**".)

a. Business of Vencash Capital Corporation

Vencash Capital has been in the past and is presently the Company's major subsidiary operation producing the majority of the Company's consolidated revenues.

Vencash Capital has contracted for switching services allowing Vencash Capital to participate within the Canadian INTERAC system as a channel. Vencash also contracts with Triton Systems, Inc. who supplies ATM equipment. (See "***Other Requested Information - Card Capital Corporation. contract - Data West Solutions,-Contract, Calypso Canada Ltd. Contract - Triton Systems, Inc. contract***").

ATM Business in Canada

(a) Background of the ATM Business

In the latter part of 1997 the Canadian Banking and Financial sectors of Canadian industry commenced a government deregulation program in which under deregulation of the Canada Bank Act allowed for the release of certain segments of proprietary control involving banking institutions. One of the preliminary results of deregulation was the allowance of private operation of Automated Teller Machines not associated with Canadian Banking financial institutions. This private ownership and operation of ATM equipment has been described within the industry as the "white label ATM" market.

Canadian Banking Institutions have been participating in the development of new technology particularly in regard to online computer banking. Advances originating from the introduction of credit card and debit card services evolved to the installation of commercial point of sale management systems across the country and the development of the Canadian INTERAC system which allowed for complete online banking services for 24-hour customer banking availability between the various existing banking institutions. This also provided for full bank service availability

from remote site locations throughout Canada.

Evolving online financial technology being pursued by the institutional banking financial sectors has been confronted by growth of computer-based commerce. The Internet and the expansion of computer generated online commerce shifted a significant amount of consumer financial services from conventional banking and financial institutions to non traditional and new and innovative virtual based methods of conducting financial transactions. This on-line or Interac connecting the conventional banking institutions was a significant factor for the profits being produced by Canadian conventional banking and financial institutions in the past five years.

In late 1997 "non-conventional banking" participation and private ownership of automated teller machines (ATMs) was authorized, through the deregulation process within the Canada Bank Act that allows for private participation within the Canadian INTERAC system. The implications of private ownership and participation within this technologically based commerce have been significant.

Many Canadian companies pursued participation in the burgeoning field of marketing, distribution, selling, and leasing cash dispensing equipment recognized in the market place as "ATMs" (automated teller machines), "ABMs" (automated banking machines), "white label machines" (a cash dispensing machine which is not owned or operated by a Conventional Banking institution but is privately owned and operated).

A "switch" is a computer system that receives requests for financial transactions from ATM terminals, "point-of-sale" or electronic transfer terminals in retail businesses, and routes those transaction requests to and from ATM devices and financial institutions for final transaction processing and/or authorization. In Canada, the Canadian INTERAC network coordinates this activity. Under recent deregulation, non-financial institutions that are members of INTERAC are allowed to be an indirect connector. They provide switching services for shared cash dispensing, data processing, and other associated services in connection with the network. Pursuant to the rules and regulations set out by INTERAC and current switch technology, a switch can process up to 10,000 transactions at any given time.

The Entry of Vencash into the ATM Business

Vencash Capital identified the opportunities brought about by the privatization of the ATM business. During December 1997, the first privately owned ATMs were placed in Western Canada. In July 1998, Vencash Capital entered the "white label" ATM market place. Vencash contracted with TNS Smart Network Inc. of Etobicoke, Ontario, a company providing switching services to the industry and became the 7th Canadian Channel authorized to participate within the "white label" ATM business.

By March 1999, Vencash Capital had placed and held under its management 90 ATMs across Canada, primarily in the Provinces of Ontario, British Columbia and Alberta. Westsphere reached an agreement with Vencash Capital to fund by way of lease and loan agreements the expansion of Vencash's placement of ATMs. By the year-end of 1999, through Westsphere's financial assistance, Vencash expanded management and ownership of ATMs across Canada, increasing its network to the Maritime Provinces by establishing two new distributorships, one in Prince Edward Island and one in New Brunswick.

By December 2002, Vencash Capital had sites located nationally across Canada and holds under management 569 automated teller machines ("ATMs") in Canada, most notably in the Provinces of Ontario, British Columbia and Alberta. Of these 569 ATMs, which were processed by Vencash, 47 were owned by Vencash Capital and Westsphere Financial Group and the balance are owned by private purchasers and investors.

As of December 31, 2003, Vencash Capital has sites located nationally across Canada and holds under management 865 automated teller machines (ATMs) in Canada, most notably in the Provinces of British Columbia and Alberta, Saskatchewan, Ontario and Maritimes. Of the 865 ATM s managed by Vencash, 68 are owned by Vencash Capital and Westsphere Financial Group and the balance are owned by private purchases or investors.

Vencash Capital is one of several nation-wide companies involved in the private ATM market in Canada and presently has two distributors in the Maritime region in Canada, three independent distributors in the Metro Toronto area of Ontario, Canada, one distributor in the Province of Saskatchewan, one distributor in Kamloops, British Columbia and one distributor in the Greater Vancouver, British Columbia area.

At present, Vencash Capital acts as a "channel" which contracts its financial electronic transfer responsibilities with two "switches" (Data West Solutions and Calypso Canada Ltd.).

Vencash Capital intends to continue its expansion of existing ATM business with a view to grow its ATM terminal placement network to the point where after completion of a thorough cost-benefit analysis

Vencash Capital has the capability to develop its own self sufficient "switch" associated directly with the Canadian INTERAC network. A "switch" is described as a financial currency processor of moneys including customer deposits being dispensed by ATM equipment combined with all fees charged associated to the dispensing of the money from the ATM at the request of a customer, and provides settlements to Interac Direct Payment and credit card transactions. The "switch" supplies the financial information to the "channel" in relationship to the processing of all surcharge fees that are associated with the customer use of the ATM. The opportunities for Vencash to become a switch are of foremost importance to management and they have given this project the highest priority.

Current Stage of Corporate Development

Vencash Capital continues to generate significant positive revenues and returns and remains the financial engine driving the expansion of both Vencash Capital and other Westsphere subsidiaries from its cash flow. Westsphere will focus on supplying the required funding for the growth of its placement and ownership of equipment to Vencash customers through its relationship with its equipment supplier and its wholly owned subsidiary Westsphere Financial Group Ltd. (*See - Business of Westsphere Financial Group Ltd.*) to allow for the growth of the Vencash distribution network.

Growth Strategy & Market Niche

Vencash management's plan is to capture immediate dramatic growth within the ATM market place as follows:

a. After Vencash exceeded its previous year's forecast of placements and sales of ATM's in 2003, we again forecast continued business expansion throughout the year in 2003. It is anticipated that as a result of restructuring, reorganization, and business relocation, growth in excess of 20% as experienced in the last two years will not be experienced in 2004. We are anticipating an over-all growth of ATM's managed by Vencash in excess of 10% but feel that a significant increase in financial returns will be achieved through restructuring and reorganization, and to date we are on schedule and meeting all targets.

b. To work with our equipment manufacturer in order to obtain the financing for further site placement through leasing and financing contracts which will allow the Company to meet its goals to place units and to capture the front end revenues.

c. To continue to expand Vencash's management of and placement of ATM equipment in order justify its effort to become a non-financial institutional member of INTERAC and an indirect connector either directly or through a joint venture. This will allow Vencash to provide switching services for shared cash dispensing, data processing and other associated services in connection with the network, switches, gateways and operation of electronic data capture equipment, including but not limited to ATMs and point of sales terminals. One of the advantages is to allow Vencash to act as the switch for the 865 ATM's that are managed by Vencash.

d. To continue to grow the regional distribution network in both sales and servicing of ATM's and POS.

e. To source potential merger candidates, strategic alliances and joint venture partners in like businesses in the industry.

The Canadian ATM's Market

In late 1997 "non-conventional banking" participation and private ownership of automated teller machines (ATMs) was authorized allowing for participation within the "Canadian INTERAC system". The "Canadian Interac Association" is a national organization linking enterprises that have proprietary

networks to communicate with each other for the purposes of exchanging electronic financial transactions. Five (5) Canadian Banking and Financial Institutions founded the association in 1984. As of December 2003 there were 107 member organizations. Interac is the organization responsible for the development of a national network of shared electronic financial services: Interac Shared Cash Dispensing Service (SCD) at Automated Banking Machines and Interac Direct Payment Services (IDP), Canada's national debit service. Interac Direct Payment is Canada's national debit card service, available in excess of 365,616 merchants across the country.

WestspHERE's management continues to consider the business opportunities originating from Canada Bank Act deregulation to be very significant. The Canadian market has only been available since deregulation in 1998, which allowed for private ownership and operation of ATM within the Interac system and although past its infancy, market saturation is not yet comparable to the United States market experience.

The United States market has developed over the past fifteen years and has reached its present mature levels, making it very difficult for expansion. The Canadian market, enhanced by national access to all regions within Canada through the Interac System allows for the opportunity for WestspHERE to grow Vencash expansion through sales and distribution networks. Combined with acquisition and shared services opportunities, WestspHERE's management view the growth potential within the ATM and point of sale business in Canada to be very viable and one to be pursued aggressively.

Competitors

(a) Direct Cash - is one of Canada's largest ATM companies in operation. They have offices and distribution centers in all of the major cities across Canada. Direct cash sells and services Triton, Cross and NCR equipment.

(b) Frisco Bay - a large ATM corporation with integrated business operations, supplying security systems to major financial corporations and the banking industry. They sell and service Triton, DiBold, and NCR equipment.

(c) Laser Cash - is another large operator in service. This company also has distribution across Canada with head office in Mississauga, Ontario. The majority of their market is in Eastern Canada. They primarily sell the DiBold line of equipment.

(d) Cash-Line - A Victoria, B.C. based company with ATM machines in service primarily across Western Canada.

(e) Ready Cash - this Company is owned by one of Canada's primary banks, the Canadian Imperial Bank of Commerce. They are placing "white label" machines in many locations in Eastern Canada. At present it is unknown how many machines they have in service. They use Triton, Cross and NCR equipment

Competitive Advantages

While there remains a number of competitors in the business, many of whom have substantially more equipment in the market than Vencash, the management of Vencash expects to continue to make calculated decisions to expand the business operations of Vencash by the sourcing of acquisitions in not only the ATM industry but also in the point of sale industry. Vencash management will continue to utilize selective placement and monitoring of ATM's, in order to maximum value for placement to result in high percentage returns per terminal per placement. The Company is one of the few companies in Canada actively pursuing the newly deregulated POS market.

Successful new participants in this market have demonstrated that customers will switch in response to better quality in relation to price and a more responsive and dependable customer service. Vencash is an exclusive distributor of Triton Systems Inc.'s equipment, which allows for significant pricing advantages. Vencash attempts to improve its

marketing and distribution network development, with expansion planned in Vencash established areas of influence as well as expansion outside of those areas.

Management believes that information, knowledge and service are the most valuable assets our employees, agents and distributors can give their customer base. Service and information dissemination

will remain the priority for the management team, every employee, distributor and strategic partner. Information processing and communications systems will integrate all components of our internal and external operations. An extensive restructuring program is being initiated in the first quarter of 2004 to allow for dramatic improvement in managing, operating, administrating and servicing Vencash's estate of ATM equipment. Significant efficiencies related to inventory control, service costs and maximum ATM operational up town will be realized upon completion of the restructuring program.

Groups consisting of management, staff, and strategic partners hold regular meetings to review operations and discuss ways to improve the quality of current products and services, develop new products and services and streamline delivery processes, control costs, and improve relationships with suppliers, distributors, dealers and above all customers. It is management's belief that the Company's information-integrated operations upon completion of the restructuring in the quarter one of 2004 will result in the following benefits to the Company:

1.

Maximum productivity and cost efficiency

2.

Maximum inventory and receivables turnovers and positive cash flow

3.

"Premium" product quality

4.

Independent decision-making with minimum supervision

5.

Highly involved and motivated people as Vencash support and distributors

6.

Total customer satisfaction

On June 08, 1998, Vencash Capital Corporation signed a supply agreement with Triton Systems, Inc., its ATM manufacturer and supplier of choice. The agreement has pricing schedules based on Vencash volume purchase requirements.

Vencash Capital has processing agreements with the as following:

Data West Solutions Formerly known as TCS (Canada) Ltd), executed June 24, 1999.

Calypso Canada Ltd. executed originally August 1999 and renegotiated in December 2003.

Vencash Capital presently has 7 distributors of its equipment, products and services, under contract across Canada and 1 contracted sales person in Vancouver, B.C. and 7 contracted sales persons in the Province of Alberta, Canada.

Vencash Capital is one of several nation-wide companies involved in the private ATM market in Canada. The expansion of the present operations of Vencash Capital will allow for vertical integration of other opportunities for the Company to supply financial services and packages, which can be marketed in conjunction with the ATM placement network

The private "white label" ATM business is highly competitive. The Company faces competition from large numbers of companies engaged in the selling and servicing of ATM products in all areas in which it may attempt to operate in the future. Many of the programs and companies so engaged possess greater financial and personnel resources than the Company and therefore have greater leverage to use in developing technologies, establishing plants and markets, acquiring prospects, hiring personnel and marketing. Accordingly, a high degree of competition in these areas is expected to continue. The major banks in Canada could aggressively enter the "white label" market and the Company could not overcome or compete with them due to their financial and corporate strength.

The Company has a large customer base and a large geographical area in which to market its products.

The Company and its subsidiaries are subject to the terms and conditions applicable to channels as set forth by the INTERAC network system.

b. Business of Westsphere Financial Group Ltd.

On May 18, 1999, the Company incorporated Westsphere Financial Group Ltd., a company incorporated pursuant to the laws of the Province of Alberta, Canada ("Westsphere Financial"), as a wholly owned subsidiary, to provide lease financing for ATM machines to Vencash Capital and to provide equity

financing loans to independent equipment purchasers who may or may not be contracted with Vencash Capital.

Since incorporation, Westsphere Financial has entered into two test leases with independent ATM lessees and four (4) in-house finance contracts with independent ATM owners to examine the potential of the business model. Presently, Westsphere Financial has no further capital resources available to expand on its intended business; however, it could seek funds from the Company, other financial institutions or equity investors should leasing opportunities become available. Westsphere Financial is presently negotiating for a line of credit with a financial institution, which would allow for substantial expansion of its business operations.

The Company has invested limited funding to Westsphere Financial to date, related to equipment financing but the Company's management views the expansion of this business model to hold the potential of significant opportunity both for Vencash Capital and Westsphere Financial. Westsphere Financial management believes if funded sufficiently Westsphere Financial would be a significant factor in the growth of the Company's consolidated revenues.

During 2003 Westsphere Financial established itself as a reseller of point of sale equipment, which representing the following manufacturers and distributors: Hypercom, Omni VeriFone and Ingenico and during this period it serviced eighteen (18) Independent Sales Organizations (ISO's). During this period the projected market model changed which saw significant changes to the marketing strategy utilized by the equipment manufacturers which eroded the profit margins originally offered and in some cases decided to move to the manufacturer direct sale to the ISO groups which Westsphere Financial had developed and serviced.

Year 2003 saw the development of the Westsphere Financial Injection Facility as an Interac approved facility allowing for secure premises where the injection of software and encryption of security codes to point of sale equipment are completed before being distributed to the various locations. This facility met the strict security requirements of Interac and resulted in a significant development cost to the Company.

A change in several point of sale manufacturer's marketing strategies to sell directly to the market and bypass such resellers such as Vencash. Other changes particularly the income source generated by the Key Injection process was dramatically reduced due to changes in Injection and software downloading operations initiated by both the point of sale equipment manufacturers and equipment switches removing any financial benefits which had been projected by Westsphere Financials management.

A complete review of the business model of Westsphere Financial Group in relation to its involvement in the point of sale business model has resulted in the suspension of related business operations related to point of sale.

c. Business of Kan-Can Resorts Ltd.

Kan-Can acquired 332 acres of recreational land lease located in the Province of Alberta, Canada. The annual cost of the lease is \$5,300 approximately. The term of the lease expires on October 31, 2004.

Alpine was created as a limited partnership with Kan-Can appointed as the General Partner and owning 74% of Alpine Resort Haven Ltd. ("Alpine"). Alpine constructed and operated a time-share resort on the leased land. Alpine was petitioned into bankruptcy in April 2000. On October 19, 2001, Westsphere purchased an additional 57% interest in Kan-Can Resorts Ltd. from 347830 Alberta Ltd. Westsphere became a majority owner of 67% interest after the acquisition. Westsphere then became a 99% owner of Kan Can through a settlement reached with a corporation established by some of Alpine Resort's timeshare owners. *See - "ITEM 3. LEGAL PROCEEDINGS*

On November 26, 2001, Kan-Can sold (US\$465,409), and Kan-Can common stock equaling 32% of the outstanding shares before the transaction. The mortgage bears an interest rate of 4.5% with monthly payments (principal and interest) of CAD\$8,982 (US\$5,720), and is accounted for by the Company as a debt investment being held to maturity. The shares received were returned to treasury and cancelled. As

a result of this transaction, the Company's ownership percentage of Kan-Can increased by 99% and the Company accordingly adjusted its equity in the subsidiary by \$1,630. As of today, Kan-Can has no business activities other than the collecting monthly mortgage payment resulted from the sale of the head lease on November 26, 2001.

d. Business of Westsphere POS Services Ltd.

Services was formed to provide ATM services and point of sale to the industry. Services has had no business activity to the date of this filing.

e. Business of Westsphere Systems Inc.

Westsphere Systems was formed to be Company's technical services arm and is focusing its business development primarily by:

i.

Providing internal security for the intellectual property and technical development.

ii.

Providing premium web-hosting services to re-sellers and the general public.

iii.

Providing development space and business support for burgeoning product developers in joint venture relationships, where certain proprietary rights and development is obtained for services supplied by Westsphere Systems and integrate this development into Westsphere's present subsidiaries.

Westsphere Systems has a staff of (3) three developers/engineers with very diverse technical backgrounds including:

a.

Hardware and Systems design specialists with twelve (12) years international experience.

b.

Server and DNS specialists with global experience particularly centered in Korea and eastern Asia.

c.

Multi-national professional sales experience centering on sale of electronic components and equipment.

d.

Software engineering and development.

As a result of the failure of E-One Corp. to meet the financial obligations related to the share transfer as set out in the exchange agreement, System's management exercised its right to terminate the agreement and Systems remains a wholly owned Westsphere Asset subsidiary as of December 31, 2003.

The Company invested limited funding to Westsphere Systems in 2003, in order to re-evaluate its business model, and in January 2004 relocated its base of operations to Calgary, Alberta. It is Systems' management view the expansion of this wholly owned subsidiary business operations in fiscal year 2004 will be rewarded by growth of the Company's consolidated revenues.

f. Business of E-Debit International Inc.

E-Debit International Inc. ("E-Debit") was incorporated pursuant to the laws of the Province of Alberta, Canada. Initial development stages focused on meeting the payment system needs of current and potential online shoppers. E-Debit's business model was based on an anonymous payment system to protect the identity of the purchaser while allowing for guaranteed payment to the merchant. This was to be accomplished by developing and marketing a secure, anonymous online payment system that could be used by online consumers and merchants.

The consequences of the events of September 11th 2001 caused the management of Westsphere to seriously look at the anonymity factor of the E-debit process, particularly the fact that the E-debit process allowed for the anonymous transfer of currency. The anonymity extended to E-Debit itself as the E-debit

account holder's identity would not be available to E-Debit once the account numbers for that individual account had been changed by the account holder allowing for currency transfer without any ability to track or trace the account holder.

E-Debit was being developed to meet the payment system needs of current and potential online shoppers. This was to be accomplished by developing and marketing a secure, anonymous online payment system that can be used by online consumers and merchants. However due to the events surrounding September 11, 2001, this project is now pending until determination of its appropriate applications.

During the latter part of the fourth quarter of 2003 and the first quarter of 2004 E-Debit was reorganized, restructured and refocused. On February 11, 2004 Westsphere entered into a purchase agreement to acquire a further ten (10%) percent interest in E-Debit International Inc. from a non affiliated third party E-Debit shareholder. With this purchase E-Debit becomes a one hundred (100%) percent wholly owned subsidiary of Westsphere Asset.

The E-Debit card process was redeveloped to be launched initially for internal specialized Westsphere related financial transfers utilizing Vencash Capital ATM equipment. Beta Testing of the redeveloped system will be implemented in the second quarter of 2004.

In conjunction with the original functionality of the E-debit process which allows consumers to access E-Debit's proprietary online payment systems this payment system utilizes existing electronic funds transfer protocols, allowing consumers to shop online without a credit card. The E-Debit card, like cash, is denominational; it is available in fixed dollar values (ranging from \$20 to \$500). As a further similarity to cash, the E-Debit card allows for complete anonymity. When a consumer makes an online purchase using an E-Debit card, no information is given to the merchant during the course of the purchase unless the consumer actively gives it.

As a result the anonymity aspect of E-Debit's features, this information has been isolated and is accessible only to certain restricted levels of E-debit management and protected under the strictest of Privacy Protected legislation and procedures which can be developed. The business model has been amended in order to incorporate and integrate the E-debit process into the aspects of our ATM and Point of Sale business. E-Debit has had no business activity to the date of this Annual Report.

Westsphere has 6 full-time employees and 2 consultants, both of which serve as officers and directors of the Company. Vencash Capital Corporation has 7 full-time employees working in their offices in Calgary, Alberta. Trac POS has 2 full time employees working in their offices in Calgary, Alberta. Westsphere Systems Inc. has 3 full-time employees.

ITEM 2. DESCRIPTION OF PROPERTIES

Principal Plants and Other Property

Westsphere's property holdings are as follows:

1. 2140 Pegasus Way N.E. Calgary, Alberta T2E 8M5

Effective March 15, 2004, Westsphere consolidated all of its business operations to a 8,320 square foot facility in the North East Industrial area of Calgary just minutes away from the Calgary International Airport. Westsphere leases this property at a rate of \$7,020 per month. This facility houses Westsphere's administrative headquarters, Vencash

Capital Corporation's operations, service and administrative center, Westsphere Systems Inc. and E-Debit International's operations, technical/ research and development centre.

2. 1528 - 9th Avenue S.E., Calgary, Alberta T2G OT7

Westsphere's previous administrative headquarters remains under lease with three years remaining on the lease and option to purchase. This property is presently listed with a commercial real estate broker for lease or sale. Westsphere's financial responsibility for this property will remain at \$4,002 per month; until the property is leased or sold.

1.

#2&3 - 3620 - 29th Street N.E., Calgary, Alberta T1Y 5Z8

Westsphere's wholly owned subsidiary, Vencash Capital Corporation, leases this property for \$2,032 per month with the lease expiring on July 1, 2004.

4. Suite 960, 555 West Hastings Street, Vancouver, B.C. V6N 4N4

Westsphere's wholly owned subsidiary, Westsphere Systems Inc., leases this property for \$944 per month and it includes 560 square feet. Westsphere Systems uses these facilities to secure its 100 megabit connection broad-band supply and related Internet switching equipment and houses Westsphere's integrated Internet Server System.

ITEM 3.

LEGAL PROCEEDINGS

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders was held on November 29 2003, at which the following items were voted upon:

1. The following directors were elected to the Board of Directors to hold such position until the next annual meeting of the shareholders or until their successor is duly elected and qualified:

Voting Results

For

Against

Abstain

Douglas Mac Donald	17,419,165	0	0
Robert Robins	17,419,165	0	0
Kim Law	17,419,165	0	0
Roy Queen	16,562,013	857,152	0
Bernd Reuscher	17,419,165	0	0

2. The shareholders ratified and accepted the Company's Audited Annual Financial Statements for the fiscal year ended December 31, 2003.

Voting Results

	<u>For</u>	<u>Against</u>	<u>Abstain</u>
	17,419,165	0	0

3. The shareholders ratified the appointment of Miller & McCollom as our U.S. auditors, who have been our auditors since December 1999 and Sam Yeung as our Canadian auditor, who has been our auditor since December 1999.

Voting Results

<u>For</u>	<u>Against</u>	<u>Abstain</u>
17,382,765	15,000	21,400

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Effective June 22, 2001, Westsphere's common stock was posted for trading on the Over-the-Counter / Bulletin Board under the symbol WSHA .

2003

High

Low

1st Quarter

\$0.035

\$0.034

2nd Quarter

\$0.031

\$0.030

3rd Quarter

\$0.037

\$0.034

4th Quarter

\$0.059

\$0.056

2002

High

Low

1st Quarter

\$0.58

\$0.05

2nd Quarter

\$0.11

\$0.03

3rd Quarter

\$0.05

\$0.02

4th Quarter

\$0.05

\$0.02

These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

As of March 17, 2004, Westsphere had 423 shareholders of record of its common stock.

No dividends on outstanding common stock have been paid within the last two fiscal years, and interim periods. Westsphere does not anticipate or intend upon paying dividends for the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During the period of operations ended December 31, 2002, Westsphere and its subsidiaries generated a net loss of \$249,921. Westsphere and its subsidiaries generated a net loss from operations of \$252,849 for the twelve month period ended December 31, 2003. A minor increase in net loss of \$2,928 over previous year has reflected that Westsphere is at a breakeven in growth during the period of operations ended December 31, 2003. This is evidence through the gross margin increased from 32% in year 2002 (\$893,198) to 38% in year 2003 (\$1,082,550). The salaries and benefits also increase from year 2002 of \$444,026 to year 2003 total \$612,562. The increase in salaries and benefits is due to hire additional sales and marketing staffs, reviewed of employee compensation plan and officers. Other expenses also increase from year 2002 total \$294,226 to year 2003 total \$328,816. The increased in other expenses is primary from the operation of office, promotion materials and administrative costs.

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

of the outstanding shares of Trac POS Processing. Westsphere's subsidiary Westsphere Financial and Vencash Capital jointly raised \$185,000 from a bank to pay down its accounts payable. The loan is a demand loan with a maximum term of 48 months with monthly payments of \$3,865.00, bears interest at prime plus two (2%) and is repayable at any time without penalty. The Company's President and CEO, Douglas N. MacDonald has provided his unlimited liability personal guarantee for the loan. Westsphere's subsidiary Vencash Capital raised \$36,668 by way of a demand loan from an existing shareholder of Westsphere, with interest accruing at the rate of 15% per annum on the outstanding balance. The purpose of the loan was to cover a Vencash short term payable. Westsphere debt settled \$34,878 of which debt settlement of consulting fee \$31,483, and accounts payable \$3,395.

In order to growth Westsphere businesses in ATM machines, Finance/Lease and POS machines, Westsphere dependent upon private placements, loans and/or joint venture arrangements. The profit is expected to be generated by the surcharges collected from ATM machines, the sale of ATM machines, the sale of POS machines and Finance/Lease charge.

Changes in Financial Position

During fiscal year 2002, total assets increased to \$1,711,112 primarily due to the increase in accounts receivable, inventory of ATM machines and POS machines and investment in Trac POS. As of December 31, 2002, Westsphere's current liabilities totaled \$667,216 and consisted of accounts payable of \$356,393 to suppliers for the purchase of ATM machines and POS machines, officers and directors bonuses payable in the amount of \$63,416 and \$198,270 due for consulting services, office expense and various other general fees and charges. Long-term liabilities as at December 31, 2002 consist of \$91,937 in convertible debentures and shareholders loan of \$206,921. Proceeds from loan payable of \$206,922 were used to purchase POS machines, security deposit on POS machine and investment in Trac POS.

Shareholders' equity as of December 31, 2002 was \$721,369, inclusive of an accumulated loss from operations of \$690,837, as compared to shareholders equity of \$644,273 as of the same date from the previous year. Total issued and outstanding share capital as of the year ended December 31, 2001 was 21,125,217 common shares as compared to a total of 28,568,140 common shares as of December 31, 2002.

During fiscal year 2003, total assets decreased to \$1,669,626 primarily due to the decrease in inventory of ATM machines and POS machines. The decreased in inventory is due to Westsphere has restructured its inventory system by maintaining adequate level of inventory on hand to avoid unnecessarily tied up of cash flow. Westsphere's current liabilities of \$467,790 as of December 31, 2003 consisted primarily of accounts payables of \$73,748 to supplies for the purchase of ATM machines with \$88,468 due for consulting services, \$77,245 due for return of surcharge and interchange fees, \$70,371 due for officers and directors bonuses payable from previous year, \$13,518 due for short term loan from existing shareholder, and \$144,440 due for office expense, equipment leases, and various other general fees and charges. Long term liabilities consist of bank loan totaling \$161,953 for funds to pay down accounts payable to major supplier, convertible debentures totaling \$111,985 for funds advanced for general working capital by various related and unrelated parties and \$233,499 for outstanding accounts due to shareholders of Westsphere. Westsphere's shareholder loan of \$154,919 has interest of 18% on outstanding balance and it is a demand loan. The remainder balance of shareholder loan totaled \$78,580 with no specific terms of repayment, which was advanced by 5 Crown Investment Inc and Beasley Ranching which both are shareholders of Westsphere.

Shareholders' equity as of December 31, 2003 was \$668,999, inclusive of an accumulated loss from operations of \$943,686, as compared to shareholders equity of \$690,837 as of the same date from the previous year. Total issued and outstanding share capital as of the year ended December 31, 2002 was 28,568,140 common shares as compared to a total of 29,564,640 common shares as of December 31, 2003.

Liquidity

Westsphere expects that its need for liquidity will increase in 2004 in anticipation of expending funds to develop its growth plan. Westsphere was unable to raise funds last year necessary to grow Vencash Capital and Westsphere Financial due to the condition of the financial markets.

Short Term

On a short term basis, Westsphere's subsidiary Vencash Capital and Westsphere Financial are expected to generate sufficient revenues to meet overhead needs. Furthermore, Westsphere's management is in the process of restructuring and reorganizing Westsphere's group of companies by implementing an effective and efficient system in order to save costs. In order to meet its growth plan, Westsphere will continue to be dependent on equity funds raised, joint venture arrangements and/or loan proceeds. Westsphere believes that it could continue as a going concern with the present revenues from its subsidiary Vencash Capital Corporation but it would be unable to meet its market growth projections without further funding outside of the ongoing revenue from operations of Vencash.

Westsphere's current assets of \$589,312 are higher than its current liabilities of \$467,790 as at the year ended December 31, 2003. The current liabilities include the bonuses to officers and director payable in the amount of \$70,371 and accounts payable to related parties of \$57,547. There is no demand of repayment on these two payable.

Long Term

As mentioned above, Westsphere believes that its subsidiary, Vencash Capital and Westsphere Financial, generates sufficient ongoing revenue to ensure that Westsphere is a going concern. It is anticipated that operations will have substantial increases in net cash flow at the fiscal year ended December 31, 2004. In addition, Westsphere's believes a further substantial cost saving with the new system to improve the effectiveness and efficiency of the operations. Westsphere will remain reliant on the successful development and marketing of the products related to its business for possibility of future income.

Capital Resources

The primary capital resource of Westsphere is the operations of Vencash Capital, its wholly owned subsidiary. The secondary capital resource will be its stock which may be illiquid because of resale restrictions and/or as a result of its inability to sustain the growth of its market and the risk of takeover by competitors.

ITEM 7. FINANCIAL STATEMENTS

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WESTSPHERE ASSET CORPORATION, INC.

FINANCIAL STATEMENTS

with

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Independent Accountants Report

Board of Directors

Westsphere Asset Corporation, Inc.

We have audited the accompanying consolidated balance sheets of Westsphere Asset Corporation, Inc. as of December 31, 2002 and December 31, 2001, and the related consolidated statements of operations, stockholders equity, and cash flows for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentations. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements as of December 31, 2001 and for the year then ended have been restated to correct an error as described in Note 3.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Westsphere Asset Corporation, Inc. as of December 31, 2002 and December 31, 2001 and the consolidated results of its operations, stockholders' equity, and its cash flows for the years ended December 31, 2002 and December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ Miller and McCollom

MILLER AND MCCOLLOM

Certified Public Accountants

4350 Wadsworth Boulevard, Suite 300

Wheat Ridge, Colorado 80033

March 27, 2003

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WESTSPHERE ASSET CORPORATION, INC.

Consolidated Balance Sheets

December 31, 2002 and 2001

ASSETS

2002

2001

Restated

(Note 3)

CURRENT ASSETS

Cash and cash equivalents

\$

138,219

\$

134,004