E-Debit Global Corp.
Form 10-Q
August 12, 2011

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2011

o 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

E-DEBIT GLOBAL CORPORATION
(Exact name of small business issuer
as specified in its charter)

COLORADO (State or other jurisdiction of incorporation or organization)	98-0233968 (IRS Employer Identification No.)

#12, 3620 – 29th Avenue NE
Calgary, Alberta Canada T1Y 5Z8
Telephone (403) 290-0264
(Issuer's telephone number)

(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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

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 o No o

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 August 8, 2011, there were 92,324,344 outstanding shares of the Registrant's Common Stock, no par value and 70,855,900 shares of Preferred Stock, no par value.

E-DEBIT GLOBAL CORPORATION

INDEX TO THE FORM 10-Q

For the quarterly period ended June 30, 2011

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

E-DEBIT GLOBAL CORPORATION
Condensed Consolidated Balance Sheet

ASSETS	June 30, 2011 (Unaudited)	December 31, 2010 (Derived from audited financial statements)
CURRENT ASSETS		
Cash	$51,334	$—
Restricted cash	604,334	482,681
Accounts receivable net of allowance for doubtful accounts of $827 and $902	52,731	41,773
Other receivable – related parties	55,606	37,482
Inventory	86,743	78,536
Prepaid expense and deposit	10,821	22,322
Total current assets	861,569	662,794
Property and equipment, net of depreciation	167,841	183,450
Property and equipment, idle	602,086	550,033
Investment, at cost	20	10
Note receivable	163,854	160,010
Intangible Assets, net of amortization	115,069	124,853
Total assets	$1,910,439	$1,681,150
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Bank overdraft	$—	$20,918
Accounts payable	1,184,465	811,844
Accrued liabilities	230,493	213,360
Loans payable	169,998	166,010
Indebtedness to related parties	707,629	437,353
Shareholder loans	299,014	237,014
Total current liabilities	2,591,599	1,886,499
Total liabilities	2,591,599	1,886,499
STOCKHOLDERS' DEFICIT		
Preferred stock – authorized 75,000,000 shares, no par value, 70,855,900 shares issued and outstanding at June 30, 2011 and 70,855,900 at December 31, 2010	1,400,855	1,400,855
Common stock - authorized 500,000,000 shares, no par value;	2,184,540	2,143,790

92,324,344 shares issued and outstanding at June 30, 2011 and 89,413,630 at December 31, 2010		
Additional paid-in capital	624,791	624,791
Accumulated other comprehensive income	79,160	82,294
Accumulated deficit	(4,970,506)	(4,457,079)
Total stockholders' deficit	(681,160)	(205,349)
Total liabilities and stockholders' Deficit	$1,910,439	$1,681,150

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION
Condensed Consolidated Statements of Operations
For the six Months Ended June 30,
(Unaudited)

	2011	2010
Revenue -		
Equipment and supplies	$13,790	$6,679
Residual and interchange income	1,641,292	1,926,178
Other	19,380	29,567
Total revenue	1,674,462	1,962,424
Cost of sales -		
Equipment and supplies	14,633	4,708
Residual and interchange costs	1,138,142	1,321,746
Other	311,634	274,552
Total cost of sales	1,464,409	1,601,006
Gross profit	210,053	361,418
Operating expenses -		
Depreciation and amortization	39,234	37,408
Consulting fees	99,886	86,003
Legal and accounting fees	43,715	42,811
Salaries and benefits	290,632	299,228
Travel, delivery and vehicle expenses	32,536	42,965
Other	186,607	165,972
Total operating expenses	692,610	674,387
(-Loss-) from operations	(482,557)	(312,969)
Other income (expense) -		
Other income	35,045	22,037
Interest income	—	10
Interest expense	(65,915)	(41,274)
Net (-loss-) before income taxes	(513,427)	(332,196)
Provision for income taxes	—	—
Net (-loss-)	$(513,427)	$(332,196)
Basic net (-loss-) per common share	$(0.01)	$(0.01)
Weighted number of shares outstanding	92,324,344	49,352,592
Other comprehensive income (loss) -		
Net (-loss-)	$(513,427)	$(332,196)
Foreign currency translation adjustment	(3,134)	(16,584)
Total comprehensive (-loss-)	$(516,561)	$(348,780)

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION
Condensed Consolidated Statements of Operations
For the three Months Ended June 30,
(Unaudited)

	2011	2010
Revenue -		
Equipment and supplies	$5,688	$4,340
Residual and interchange income	844,332	982,966
Other	19,380	29,567
Total revenue	869,400	1,016,873
Cost of sales -		
Equipment and supplies	5,180	3,674
Residual and interchange costs	588,996	678,220
Other	188,867	134,257
Total cost of sales	783,043	816,151
Gross profit	86,357	200,722
Operating expenses -		
Depreciation and amortization	19,671	18,870
Consulting fees	51,436	42,890
Legal and accounting fees	34,341	14,879
Salaries and benefits	134,905	154,047
Travel, delivery and vehicle expenses	20,589	22,568
Other	87,880	66,964
Total operating expenses	348,822	320,218
(-Loss-) from operations	(262,465)	(119,496)
Other income (expense) -		
Other income	15,651	—
Interest income	—	10
Interest expense	(37,562)	(26,319)
Net (-loss-) before income taxes	(284,376)	(145,805)
Provision for income taxes	—	—
Net (-loss-)	$(284,376)	$(145,805)
Basic net (-loss-) per common share	$(0.00)	$(0.00)
Weighted number of shares outstanding	92,324,344	49,352,592
Other comprehensive income (loss) -		
Net (-loss-)	$(284,376)	$(145,805)
Foreign currency translation adjustment	4,172	5,085
Total comprehensive (-loss-)	$(280,204)	$(140,720)

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION
Condensed Consolidated Statements of Changes in Stockholders' Deficit
(Unaudited)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Foreign Currency Translation Adjustment	Accumulated (Deficit)	Total
Balance, December 31, 2010	70,855,900	$1,400,855	89,413,630	$2,143,790	$624,791	$82,294	$(4,457,079)	$(205,349)
Exercise of options to officers for settlement of debts – related parties	—	—	1,125,000	15,750	—	—	—	15,750
Exercise of options to a director for settlement of debts – related parties	—	—	1,785,714	25,000	—	—	—	25,000
Net loss for the six months ended June 30, 2011	—	—	—	—	—	(3,134)	(513,427)	(516,561)
Balance, June 30, 2011	70,855,900	$1,400,855	92,324,344	$2,184,540	624,791	$79,160	$(4,970,506)	$(681,160)

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION
Condensed Consolidated Statement of Cash Flows
For the six Months Ended June 30,
(Unaudited)

	2011	2010
Cash flows from operating activities:		
Net (loss) income from operations	$(513,427)	$(332,196)
Reconciling adjustments -		
Depreciation and amortization	39,234	37,408
Other non-cash transactions	138,097	537,556
Changes in operating assets and liabilities		
Restricted cash	(110,057)	—
Accounts receivable	(26,457)	34,874
Inventory	(6,321)	(10,710)
Prepaid expenses and other	12,039	(6,168)
Accounts payable and accrued liabilities	365,124	(43,881)
Net cash (used for) provided by operations	(101,768)	216,883
Cash flows from investing activities:		
Purchase of equipment	(51,082)	(531,251)
Disposal of equipment	10,747	5,617
Net cash (used for) provided by investing activities	(40,335)	(525,634)
Cash flows from financing activities:		
Exercise of options	—	31,585
Private offering	—	100,000
Proceeds from loans	191,126	137,908
Repayments of loans	(13,160)	(32,611)
Net cash provided by financing activities	177,966	236,882
Foreign currency translation adjustment	36,389	141,103
Net change in cash and cash equivalents	72,252	69,234
Cash (overdraft) at beginning of year	(20,918)	586,958
Cash (overdraft) at end of year	$51,334	$656,192
Supplemental schedules:		
Cash paid for interest	$43,628	$29,129
Cash paid for income taxes	$—	$—
Noncash investing and financing activities		
Shares issued for the settlement of debt	$40,750	$835,295

See accompanying notes to consolidated financial statements

E-DEBIT GLOBAL CORPORATION
Notes to Condensed Consolidated Financial Statements
June 30, 2011 and 2010
(Unaudited)

Note 1 – Basis of Presentation and Nature of Operations

The accompanying consolidated balance sheet as of December 31, 2010 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 E-Debit Global Corporation (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 E-Debit Global Corporation 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, 2010 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 E-Debit Global Corporation 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.

Westsphere Asset Corporation, Inc. (Company) was incorporated in Colorado on July 21, 1998 as Newslink Networks TDS, Inc. and changed its name to Westsphere Asset Corporation Inc. on April 29, 1999. On April 2, 2010, the Company officially changed its name to E-Debit Global Corporation.

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

Summary of ATM’s and POS’s sold and related gross profits during the years ended December 31, 2010 and for the six months ended June 30, 2011:

	# of sale	Gross Profit
December 31, 2010		
ATMs	8	$ 3,067
POS	-	$ -
June 30, 2011		
ATMs	5	$ 733
POS	-	$ -

ATM sales were low mainly due to E-Debit’s subsidiary Vencash Capital Corporation/Westsphere Systems Inc. (VCC/WSI) focusing on the placement and finance/lease program offered by an ATM supplier in year 2006. This finance/lease program provided VCC/WSI an opportunity to place more ATMs in the marketplace at a lower cost. However, the finance/lease program offered by the ATM supplier ended in 2008. After the program ended, E-Debit did not work to facilitate growth opportunities in the ATM and POS business due to the condition of the financial market.

On October 26, 2010, the Company has amended its articles of incorporation to increase its authorized capital to Five Hundred Million (500,000,000) shares of no par value common stock and Seventy Five Million (75,000,000) of no par value preferred stock.

Note 2 – Recent Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820 to require a number of additional disclosures regarding (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company does not expect that the adoption of ASU 2010-06 will have a material impact on its consolidated financial statements.

In April 2010, the FASB issued Update No. 2010-17, or ASU 2010-17, Revenue Recognition—Milestone Method, which updates the guidance currently included under topic 605, Revenue Recognition. ASU 2010-17 provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research or development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of a milestone as revenue in the period in which the milestone is achieved, if the milestone meets all the criteria to be considered substantive. ASU 2010-17 is effective for milestones achieved in fiscal years, and interim periods within those years, beginning after June 15, 2010 and should be applied prospectively. Early adoption is permitted. The Company is currently evaluating the potential impact, if any, of the new accounting guidance on its consolidated financial statements.

In April 2010, the FASB issued an authoritative pronouncement on effect of denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity securities trades and that currency is different from (1) entity’s functional currency, (2) functional currency of the foreign operation for which the employee provides services, and (3) payroll currency of the employee. The pronouncement clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition, and therefore should be considered an equity award assuming all other criteria for equity classification are met. The pronouncement is for interim and annual periods beginning on or after December 15, 2010, and will be applied prospectively. Affected companies will be required to record a cumulative catch-up adjustment for all awards outstanding as of the beginning of the annual period in which the guidance is adopted. This amendment is not expected to have a material impact on the Company’s financial statements.

In May 2011, the FASB issued ASU 2011-4, “Fair Value Measurement (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This ASU represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. The guidance clarifies how a principal market is determined, addresses the fair value measurement of instruments with offsetting market or counterparty credit risks, addresses the concept of valuation premise and highest and best use, extends the prohibition on blockage factors to all three levels of the fair value hierarchy and requires additional disclosures. ASU 2011-4 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. E-Debit is currently evaluating the requirements of ASU 2011-4 and has not yet determined its impact on E-Debit’ condensed consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to our consolidated financial statements.

Note 3 - Accounts Receivable

Accounts receivable consist of amounts due from customers. The nature of the receivables consists of equipment sale, parts and accessories, and service provided. The Company considers accounts more than 180 days old to be past due. This is so the Company can withhold the transactions revenue owed to the customers should their receivables become past due. The account is deemed uncollectible and written off when the site locations are out of business and or in receivership. The Company uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance.

	June 30, 2011	December 31, 2010
Accounts Receivable		
Equipment	$ 205	$ -
Services	-	19,752
Others	53,353	22,963
	53,558	42,675
Less: Allowance for doubtful accounts	(827)	(902)
	$ 52,731	$ 41,773

The bad debt expense for the six months ended June 30, 2011 and June 30, 2010 totaled $3,988 and $17,592, respectively. The bad debt is reflected in the accompanying consolidated Statements of Operations as Other operating expenses.

Note 4 – Inventory

Inventory consists of the following elements:

	Quantity	Cost
ATM	49	$49,882
Parts and accessories	1,227	36,861
Total		$86,743

Inventories are valued at the lesser of cost (on a first-in, first-out method) or net realizable value.

Note 5 – Property and Equipment

Property and equipment in service consists of the following elements:

	Cost	Accumulated Depreciation/ Amortization	Net Book Value	Depreciation Rate and Method
December 31, 2010 -				
Office furniture and equipment	$ 65,355	$ 26,945	$ 38,410	20% DB
Computer hardware and software	133,694	108,921	24,773	30% DB
ATM machines	182,017	65,178	116,839	30% DB
Other	8,428	5,000	3,428	Var
	$ 389,494	$ 206,044	$ 183,450	
June 30, 2011 -				
Office furniture and equipment	$ 66,924	$ 31,527	$ 35,397	20% DB
Computer hardware and software	136,906	115,938	20,968	30% DB
ATM machines	187,882	79,510	108,372	30% DB
Other	8,631	5,527	3,104	Var
	$ 400,343	$ 232,502	$ 167,841	

There are no leased ATMs included in the Company’s property and equipment for the six months ended June 30, 2011 and for the year ended December 31, 2010.

Depreciation and amortization have been provided in amounts sufficient to recover asset costs over their estimated useful lives. All components of property and equipment are being depreciated or amortized. Depreciation and amortization expense for the six months ended June 30, 2011 and June 30, 2010 totaled $39,234 and $37,408, respectively.

Property and equipment, idle consists of the following elements:

		Cost
December 31, 2010 -		
Computer hardware and software	$	550,033
	$	550,033
June 30, 2011 -		
Computer hardware and software	$	602,086
	$	602,086

The property and equipment, idle was related to the purchase of computer hardware and software for the card management systems in June 2010. The software and computer hardware was purchased as a turnkey operating system which focused on a loyalty based platform. As of June 30, 2011, the system is being expanded from its loyalty based platform to cash based platform. The Company is expecting the expansion of the systems to be completed by the third quarter of 2011.

Note 6 – Deferred Costs/Intangible Assets

On the 9th of November 2007, E-Debit contracted with ACI Worldwide through its wholly owned subsidiary Westsphere Systems Inc. (WSI) to provide its ACI ‘Base 24 On Demand” (AOD) hosted solution for ATM and POS transaction acquiring where WSI shares responsibilities with ACI as the transaction processor. ACI hosts the processing environment which is set up to specific requirements as set out by WSI, which supports WSI ATM and POS devices, debit and credit transaction processing and card management requirement that is unique and scalable to WSI’s current and future requirements and not shared with other ACI customers. ACI supplies software acquisition, operation and maintenance, facilities, operations and environment development and maintenance and disaster recovery infrastructure and services; whereby WSI supports, authorizes and distributes all settlements and revenues distributions through its account maintenance software developed by WSI and specific to ACI On Demand processing platform.

As a result Westsphere Systems Inc. will process all transactions through its association with ACI hosted transaction processing solution eliminating the costs, restrictions, and potential risks of relying on third party processors. Most importantly, the investment in the WSI role within the processing environment, or switch, will also enable E-Debit’s direct entry into new and emerging markets such as card management and processing.

The Company determined that it would be more appropriate to capitalizing the development costs instead of expensing them as incurred. The Company’s decision was based on the criteria that ACI has established the technological feasibility for the software to provide a solution for ATM and POS transaction acquiring which is called ACI ‘Base 24 On Demand’ (AOD) and where all research and development activities for the other components of the product or process have been completed by them. E-Debit was working with ACI to setup specific requirements as set out by WSI which will supports WSI ATM and POS devices, debit and credit transactions processing and card management requirement that is unique and scalable to WSI’s current and future requirements and not shared with other ACI customers.

The development costs commenced in 2007 and were capitalized as deferred costs. The Company decided to defer amortizing these costs until all the specific requirements as set out by WSI with ACI were completed. This was due to the matching principle where the Company had not been generating revenue from processing transactions through its association with ACI to offset against it related expenses in the same period.

E-Debit officially launched its switch in January 2009 and commenced rollover of ATMs to process all transactions through its association with ACI. The deferred costs were reclassified as intangible assets upon the completion of all the specific requirements including coding and testing in year 2009. The reclassification occurred when E-Debit commenced generation of revenue by processing transactions through its association with ACI and distributed all settlements and revenue distributions through its account maintenance software.

The Company assessed the useful life of the intangible asset in relation to its five-year contract with ACI. The Company also determined the technology may be outdated at the end of the term of the contract and an enhancement of the software may be required at that time.

Depreciation is calculated using a declining balance method.

Intangible assets consist of the following elements:

		Cost		Accumulated Depreciation/ Amortization		Net Book Value	Depreciation Rate and Method
December 31, 2010 -							
License – ACI	$	167,846	$	60,423	$	107,423	20% DB
Patent		15,000		13,975		1,025	20% DB
License – Paragon		18,227	$	1,822		16,405	20% DB
	$	201,073	$	76,220	$	124,853	
June 30, 2011 -							
License – ACI	$	171,879	$	72,875	$	99,004	20% DB
Patent		15,361		14,416		945	20% DB
License – Paragon		18,665	$	3,545		15,120	20% DB
	$	205,905	$	90,836	$	115,069	

Depreciation and amortization have been provided in amounts sufficient to recover asset costs over their estimated useful lives. Depreciation and amortization expense for the six months ended June 30, 2011 and June 30, 2010 totaled $12,780 and $6,569, respectively. This depreciation and amortization expense was part of the totaled which are reflected in the accompanying consolidated statements of operations as Depreciation and amortization.

Expected future depreciation and amortization of the intangible assets are as follows:

Year	Amount
2012	$20,269
2013	$72,027
2014	$ 1,810
2015	$ 1,448

Note 7 – Notes Receivable

The note receivable total of $163,854 ($160,000 CDN), carries no interest rate, and requires no monthly payments due from a contractor. The purpose of this note receivable is to supply vault cash to E-Debit’s wholly owned subsidiary Westsphere Systems Inc. (WSI)’s customer-owned ATM equipment and site locations. Revenue from this note is generated from surcharge transactions at a rate of $0.51 ($0.50 CDN) per transaction.

WSI supplies vault cash to these site locations because its customers do not have sufficient vault cash for these site locations. WSI has subcontracted an armored car service to delivery vault cash to these site locations. The armored car company is accountable for the rotation of the cash. The Company is secured with a note receivable where the Company can demand funds be returned at anytime.

This note receivable is reflected in the accompanying consolidated balance sheet as note receivable.

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Note 8– Loans Payable

In September 2007, WSI entered into a loan agreement with an initial term of twelve months totaling $102,409 ($100,000 CDN) with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of $1,033 ($1,000 CDN). The initial term may be automatically extended for further six (6) month terms (a "renewal period") after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. WSI must notify the investor not less than 60 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to WSI or vice versa. The purpose of the loan is to supply vault cash to WSI's customer-owned ATM equipment and site locations. WSI supplies vault cash to these site locations because its customers do not have sufficient vault cash for these site locations.

The loan amount has been forwarded to an armored car company that supplies vault cash to these site locations. The armored car company is accountable for the rotation of the cash and has signed a note receivable for the amount (see note 7).

As of June 30, 2011, the balance is $102,409 ($100,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as Loans payable.

In November 2007, E-Debit's subsidiary Westsphere Systems Inc. (WSI) raised $134,155 ($131,000 CDN) through a loan agreement with an initial term of twenty-four months with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of $1,354 ($1,310 CDN). The initial term may be automatically extended for further twelve month terms (a "renewal period") after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. WSI must notify the investor not less than 30 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to WSI or vice versa. The purpose of the loan is to fund the switch development project. In February 2010, the loan was reduced by $66,566 ($65,000 CDN) to purchase E-Debit's private offering memorandum of 622,123 common shares at $0.10 per share.

As of June 30, 2011, the balance is $67,589 ($66,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as Loans payable.

Note 9– Commitments and Contingencies

The Company leases real estate (office and warehouse space) under non-cancellable operating leases that expire on varying dates through 2014.

The Company leases additional real estate (office and warehouse space) for an "Initial Term" commencing June 1, 2010 on a month to month basis. The company may renew the Lease on a monthly basis by giving notice to the Landlord not less than thirty (30) days prior to the expiration of the Initial Term.

The Company also has various obligations for auto and equipment leases through 2015.

The Company real estate leases and one auto lease are signed with an affiliated company that is controlled by the Company's president.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year are as follows:

	Real Estate	Other
2012	$ 72,662	$ 14,282
2013	$ 72,662	$ 7,307
2014	$ 12,110	$ 6,880
2015	$ —	$ 2,293

	June 30, 2011	2010
Rental expense	$ 62,099	$ 94,568

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On April 7, 2004, the Company sued Fred and Linda Sebastian to recover an outstanding loan of $80,000 (CDN) plus interest and court costs. The Company has reserved this amount due to the uncertainty of recovery. The defendant has withdrawn the counterclaim. As of March 2008, no further actions were filed by either party.

On May 28, 2004 Peter Gregory filed an action in the Ontario Superior Court of Justice against Vencash Capital Corporation. Peter Gregory was a Vencash distributor and agent who filed the action related to a claim of wrongful dismissal from Vencash of $260,000 (CDN). On July 30, 2004 Vencash filed a Statement of Defence and Counterclaim in the amount of $1,600,000 for breach of contract, breach of confidence, breach of fiduciary duties, interference with economic relations, damages for inducing breach of contract, and punitive damages. The Company believes the claim by Gregory to be without merit and has not accrued a liability for the claim. As of April 2009, the court actions and negotiation with Peter Gregory have been terminated with the withdrawal of the company lawyer. No further actions were filed by either party.

Note 10 – Related Party

Investment, at cost:

In October 2010, E-Debit decided to sell 41 common shares (41%) of the issued and outstanding shares held in its wholly owned subsidiary, 1105725 Alberta Ltd. o/a Personal Financial Solutions (PFS) at $1.00 per share. The common shares were sold to a number company that is controlled by an officer of E-Debit. The purchaser agrees that the current outstanding advances made to the company by E-Debit will remain outstanding and owed by the Company to E-Debit. As a result of the sale transaction, E-Debit remains a 10% shareholder in Personal Financial Solutions. The sale transaction will save administration and audit costs to E-Debit. E-Debit did not restate its financial statements to deconsolidate the PFS subsidiary, as PFS's balances are immaterial to E-Debit's consolidated financial statements. PFS has had no active business activities for the last four years. PFS had total assets and an accumulated deficit of $497 and $37,826, respectively, at December 31, 2010.

The 10% or $10 interest in Personal Financial Solutions is reflected in the accompanying consolidated balance sheet as investment, at cost.

In May 2011, E-Debit decided to sell 90 common shares (90%) of the issued and outstanding shares held in its wholly owned subsidiary, Cash Direct Financial Services Ltd. (CDF) at $1.00 per share. The common shares were sold to a number company that is controlled by the president of E-Debit. The purchaser agrees that the current outstanding advances made to the company by E-Debit will remain outstanding and owed by the Company to E-Debit. As a result of the sale transaction, E-Debit remains a 10% shareholder in Cash Direct Financial Services. The sale transaction will save administration and audit costs to E-Debit. E-Debit did not restate its financial statements to deconsolidate the CDF subsidiary, as CDF's balances are immaterial to E-Debit's consolidated financial statements. CDF has had no active business activities for the last two years. CDF had total assets and an accumulated deficit of $475 and $15,145, respectively, at April 30, 2011.

The 10% or $10 interest in Cash Direct Financial Services is reflected in the accompanying consolidated balance sheet as investment, at cost.

Other receivable – related parties:

The other receivable – related parties was from the sale transaction of 41% of the subsidiary 1105725 Alberta Ltd. o/s Personal Financial Solutions (PFS) in October 2010 and sale transaction of 90% of the subsidiary Cash Direct Financial Services Ltd. (CDF) in May 2011, and sale transactions to E-Debit's directors.

The purpose of the sale of the subsidiaries was to save administration and audit costs to E-Debit since PFS and CDF have had no active business activities for the last four years.

The following table summarizes the Company's others receivable to related parties transactions as at June 30, 2011 and December 31, 2010:

	2011	2010
1105725 Alberta Ltd. o/a Personal Financial Solutions	$ 38,340	$ 37,482
Cash Direct Financial Services Ltd.	12,822	-
Accounts receivable – directors	4,444	-
	$ 55,606	$ 37,482

The current outstanding advances are reflected in the accompanying consolidated balance sheet as other receivable – related parties and totaled $55,606 and $37,482, respectively, at June 30, 2011 and December 31, 2010.

Indebtedness to related parties:

The Company expensed $25,499 ($24,675 CDN) during the second quarter of 2011 for consulting and management services to an affiliated company that is controlled by the Company's president. This expensed is reflected in the accompanying consolidated Statements of Operations as a Consulting fees.

The following table summarizes the Company's indebtedness to related parties transactions as at June 30, 2011:

Payable to:	Amount	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's President for working capital.	$39,794	Demand loans	8% per annum
A loan advanced from an affiliated company that is controlled by E-Debit's President for working capital.	454,638	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	6,199	Demand loans	8% per annum
A loan advanced from E-Debit's officers for working capital.	33,749	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	66,238	Demand loans	8% per annum
A loan advanced from E-Debit's director for working capital.	48,116	Demand loans	No interest
Officers' and Directors' bonuses payable carried forward from year 2002	34,246	Demand loans	No interest
A loan advanced from an affiliated company that is controlled by E-Debit's President for working capital.	24,649	Demand loans	No interest
Total	$707,629		

The indebtedness to related parties consist of loans that are payable on demand by the related parties. The interest rate is Eight (8%) percent annually calculated and paid quarterly attached to the related party loans. There are no interest attached to a loan advanced from E-Debit's director of $48,116, the Officers' and Directors' bonuses payable carried forward from year 2002 of $34,246, and the loan advanced from an affiliated company that is controlled by E-Debit's President for working capital of $24,649. The above obligations are reflected in the accompanying consolidated balance sheet as indebtedness to related parties.

Note 11 – Shareholder loans

The following table summarizes the Company's shareholder loans transactions as at June 30, 2011:

Payable to:	Amount	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's vice President for working capital.	56,325	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	145,914	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	45,572	Demand loans	12% per annum
A loan advanced from E-Debit's shareholder for working capital.	51,203	Demand loans	9% per annum
Total	$299,014		

E-Debit's shareholder loans related to cash advance from E-Debit's vice president total $56,325 and the directors total $145,914 have an interest rate of 8% per annum calculated and paid quarterly with no specific terms of repayment. The remaining balance of shareholder loans total $96,775 consist of a loan advance from E-Debit's vice president total $45,572 has an interest rate of 12% per annum with no specific terms of repayment, and a loan advance from a shareholder of $51,203 has an interest rate of 9% per annum with no specific terms of repayment. The above obligations are reflected in the accompanying consolidated balance sheet as shareholder loans.

Note 12 – Shareholder's Deficit

In January 2011, a director exercised his options of 1,785,714 common shares at $0.014 per share for a total of $25,000. The issuance of 1,785,714 shares was issued as the settlement of $25,000 of debt.

In January 2011, an officer exercised his options of 1,125,000 common shares at $0.014 per share for a total of $15,750. The issuance of 1,125,000 shares was issued as the settlement of $15,750 of debt owed to an affiliated company that is controlled by the Company's president.

Note 13 – Cease Trade Order in British Columbia Securities Commission, Canada

On December 23, 2010 the British Columbia Securities Commission (BCSC) delivered to the Company a "Cease Trade Order" related to trading of our common stock in the jurisdiction of British Columbia, Canada. On January 5, 2011 the Company delivered to the British Columbia Securities Commission notice requesting a hearing with the Commission to appeal a Cease Trade Order and a request for a Stay of the Order. The Company is waiting for notice of the date of the Commission hearing. The actions originating from the BCSC has no effect on our trading status in any other jurisdiction than British Columbia but it does affect trading activity in Canada. E-Debit as a company conducting its business activities through our Canadian subsidiaries we take every effort to ensure the integrity and complete compliance of our business activities in each jurisdiction we conduct our businesses. We will continue to conduct our business in this same manner.

On March 23, 2011 the Company made application to the British Columbia Securities Commission for Reporting Issuer Designation Order. On April 27, 2011 the Company advised the British Columbia Securities Commission that it has had its SEDAR subscriber number to enable the Company to post its SEDAR filings as required and acknowledged. The Company advised that upon completion of our submission and acceptance as a reporting issuer we will be withdrawing our request for a Hearing with the British Columbia Securities Commission and our Notice of Appeal and Request for Review and Stay of Cease Trade Order as noted.

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On May 27, 2011 the British Columbia Securities Commission issued its Revocation Order revoking the Cease Trade Order issued on December 23, 2010. As of May 27, 2011 the Company is a reporting issuer across Canada reporting to the BCSC. As a result the Company issued its notice to the British Columbia Securities Commission on June 7, 2011 to withdraw its “Notice of Appeal and Request for Review and Stay of Cease Trade Order”.

Note 14 – Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has incurred net losses for the three months ended June 30, 2011 and 2010, and as of June 30, 2011, had a working capital deficit of $1,730,030 and an accumulated deficit of $681,160. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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, the management is in the process of restructuring, reorganization and consolidation of all its operations as a whole in order to save costs. In addition, there is no demand for payment on the indebtedness to related parties of $707,629 and shareholder loans of $299,014 as these liabilities are owed to internal officers and directors. Further, even if the Company raises additional capital, there can be no assurance that the Company will achieve profitability or positive cash flow. If management is unable to raise additional capital and expected significant revenues do not result in positive cash flow, the Company will not be able to meet its obligations and may have to cease operations.

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

Current Corporate Structure – June 30, 2011

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Plan of Operations

Results of Operations – Three Month Period

During the three (3) month period of operations ended June 30, 2011, E-Debit and its subsidiaries generated a net loss from operations of $284,376, while a net loss from operations of $145,805 was realized for the same period from the previous year. The increase in net loss of $138,571 over the same period from the previous year was caused by a decrease in gross profit of $114,365, an increase in legal and accounting fees of $19,462, and an increase in interest expenses of $11,243. The increase in net loss is partially offset against an increase in other income of $15,651 over the same period from the previous year.

The decrease in gross profit was primarily caused by a decrease in residual and interchange income of $138,634 and an increase in other cost of sales of $54,610. The decrease is partially offset against a decrease in residual and interchange costs of $89,224.

The decrease in residual and interchange income was caused by a decrease in processing of ABM transactions over the same period from the previous year.

The increase in other cost of sales was mainly related to an increase in switching expense of $27,779 and an increase in telephone ATM expense of $19,073.

The increase in interest expense was due to interest charge for the late payment to vendors during the year.

The increase in other income was mainly due to the gain on the sale of 90 common shares (90%) of the issued and outstanding shares held in its wholly owned subsidiary, Cash Direct Financial Services Ltd. in May 2011. As a result of the sale transaction, E-Debit remains a 10% shareholder in Cash Direct. The sale transaction will save administration and audit costs to E-Debit since Cash Direct has had no active business activities for the last two years.

To this date, 480 ATM are being processed between three switches. There was no change in operations during the year 2011 as compared to prior year.

Results of Operations – Six Month Period

During the six (6) month period of operations ending June 30, 2011, E-Debit and its subsidiaries generated a net loss from operations of $513,427, while a net loss from operations of $332,196 was realized for the same period from the previous year. The increase in net loss of $181,231 over the same period from the previous year was mainly caused by a decrease in gross profit of $151,365, an increase in other operating expenses of $20,635, and an increase in interest expenses of $24,641. The increase in net loss is partially offset against a decrease in travel, delivery and vehicle expenses of $10,429 over the same period from the previous year.

The decrease in gross profit was primarily caused by a decrease in residual and interchange income of $284,886 and an increase in other cost of sales of $37,082. The decrease is partially offset against a decrease in residual and interchange costs of $183,604.

The decrease in residual and interchange income was caused by a decrease in processing of ABM transactions over the same period from the previous year.

The increase in other cost of sales was mainly related to an increase in switching expense of $17,664 and an increase in telephone ATM expense of $20,260.

The increase in other operating expenses was caused by an increase in rent of $21,805 and an increase in advertising and promotion of $12,676. The increase is partially offset against a decrease in bad debt expense of $13,604.

The increase in rent was due to the Company leases additional real estate (office and warehouse space) for an “Initial Term” commencing June 1, 2010 on a month to month basis. The company may renew the Lease on a monthly basis by giving notice to the Landlord not less than thirty (30) days prior to the expiration of the Initial Term.

The increase in advertising and promotion was primarily due to E-Debit entered into a short term investor relations consulting agreement with a company to provide and render public relations and communications services.

The increase in interest expense was due to interest charge for the late payment to vendors during the year.

E-Debit and its subsidiaries currently did not generate sufficient revenues to meet overhead needs. This is due to E-Debit switch operations which was launched in January 2009 and commence rollover of ATMs to process all transactions. The switch operations currently did not generate sufficient revenue to cover it expenses. In addition, E-Debit continues experiencing a steady decrease in gross profit. 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.

E-Debit believes that the continued investment from related parties and outside investors will continue to produce sufficient ongoing funding to meet its current and future financial requirements.

In order to meet its growth plan, E-Debit will continue to be dependent on equity funds raised, joint venture arrangements and/or loan proceeds. E-Debit believes that it will continue as a going concern with the present revenues from its subsidiary Westsphere Systems Inc. and loan advanced by the related parties but it would be unable to meet its market growth projections without further funding outside of the ongoing revenue from operations of Westsphere Systems Inc.

Changes in Financial Position

During the Six (6) month period ending June 30, 2011, total assets increased from $1,681,150 to $1,910,439. The increase is primarily due to an increase in cash of $51,334, an increase in restricted cash of $121,653, an increase in accounts receivable related parties of $18,124, and an increase in property and equipment – idle of $52,053. The increase is partially offset against a decrease in prepaid expense and deposit of $11,501.

The increase in restricted cash was mainly caused by the surcharge and interchange settlement owed to customers as of June 30, 2011. These surcharge and interchange are returned to the customers on July 2, 2011.

The increase in property and equipment - idle was mainly caused by the purchase of computer hardware and software for the switch specifically for communication between ATM to the switch's server. At present time the hardware and software are being tested and expect to place it in production by the end of the third quarter.

As of June 30, 2011, E-Debit's current liabilities consisted of accounts payable of $1,184,465, accrued liabilities of $230,493, loans payable of $169,998, indebtedness to related parties of $707,629, and shareholder loans of $299,014.

Accounts payable and accrued liabilities include a payable of $240,615 for the return of surcharge and interchange; the return of switch vault cash of $604,334; legal and accounting fees of $106,928; switch and hosting fees of $174,071; equipment and supplies of $66,684; accrued vacation payable of $10,924; investors deposits of $54,842; and $156,560 due for consulting services, office expenses and various other general fees and charges.

In September 2007, Vencash entered into a loan agreement with an initial term of twelve months totaling $102,409 ($100,000 CDN) with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of $1,033 ($1,000 CDN). The initial term may be automatically extended for further six (6) month terms (a "renewal period") after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. Vencash must notify the investor not less than 60 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to Vencash or vice versa. The purpose of the loan is to supply vault cash to Vencash's customer-owned ATM equipment and site locations. Vencash supplies vault cash to these site locations because its customers do not have sufficient vault cash for these site locations.

The loan amount has been forwarded to an armored car company that supplies vault cash to these site locations. The armored car company is accountable for the rotation of the cash and has signed a note receivable for the amount.

As of June 30, 2011, the balance is $102,409 ($100,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable.

In November 2007, Westsphere's subsidiary Westsphere Systems Inc. (WSI) raised $134,155 ($131,000 CDN) through a loan agreement with an initial term of twenty-four months with an external arms-length investor, bearing interest at 12% per annum, with blended monthly payments of interest only of $1,354 ($1,310 CDN). The initial term may be automatically extended for further twelve month terms (a "renewal period") after the end of the initial term or terminated subject to mutual termination agreements. The investor must give a written notice not less than 90 days before the end of the initial term or renewal period, whichever the case may be, to not renew the loan agreement. Vencash must notify the investor not less than 30 days before the end of the initial term or renewal period, its intention to terminate the loan. Currently, no written notice has been received from the investor to WSI or vice versa. The purpose of the loan is to fund the switch development project. In February 2010, the loan was reduced by $66,566 ($65,000 CDN) to purchase E-Debit's private offering memorandum of 622,123 common shares at $0.10 per share.

As of June 30, 2011, the balance is $67,589 ($66,000 CDN). This loan is reflected in the accompanying consolidated balance sheet as loans payable.

The following table summarizes the Company's indebtedness to related parties transactions as at June 30, 2011:

Payable to:	Amount	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's President for working capital.	$39,794	Demand loans	8% per annum
A loan advanced from an affiliated company that is controlled by E-Debit's President for working capital.	454,638	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	6,199	Demand loans	8% per annum
A loan advanced from E-Debit's officers for working capital.	33,749	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	66,238	Demand loans	8% per annum
A loan advanced from E-Debit's director for working capital.	48,116	Demand loans	No interest
Officers' and Directors' bonuses payable carried forward from year 2002	34,246	Demand loans	No interest
A loan advanced from an affiliated company that is controlled by E-Debit's President for working capital.	24,649	Demand loans	No interest
Total	$707,629		

The indebtedness to related parties consist of loans that are payable on demand by the related parties. The interest rate is Eight (8%) percent annually calculated and paid quarterly attached to the related party loans. There are no interest attached to a loan advanced from E-Debit's director of $48,116, the Officers' and Directors' bonuses payable carried forward from year 2002 of $34,246, and the loan advanced from an affiliated company that is controlled by E-Debit's President for working capital of $24,649. The above obligations are reflected in the accompanying consolidated balance sheet as indebtedness to related parties.

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The following table summarizes the Company's shareholder loans transactions as at June 30, 2011:

Payable to:	Amount	Terms/Maturities	Interest Rate
A loan advanced from E-Debit's vice President for working capital.	56,325	Demand loans	8% per annum
A loan advanced from E-Debit's directors for working capital.	145,914	Demand loans	8% per annum
A loan advanced from E-Debit's vice President for working capital.	45,572	Demand loans	12% per annum
A loan advanced from E-Debit's shareholder for working capital.	51,203	Demand loans	9% per annum
Total	$299,014		

E-Debit's shareholder loans related to cash advance from E-Debit's vice president total $56,325 and the directors total $145,914 have an interest rate of 8% per annum calculated and paid quarterly with no specific terms of repayment. The remaining balance of shareholder loans total $96,775 consist of a loan advance from E-Debit's vice president total $45,572 has an interest rate of 12% per annum with no specific terms of repayment, and a loan advance from a shareholder of $51,203 has an interest rate of 9% per annum with no specific terms of repayment. The above obligations are reflected in the accompanying consolidated balance sheet as shareholder loans.

Shareholders' deficit as of June 30, 2011 was negative $681,160, inclusive of an accumulated loss from operations of $4,970,506, as compared to shareholders deficit of $205,349 as of December 31, 2010. The increase in shareholders' deficit of $475,811 was primarily due to a decrease in accumulated other comprehensive income of $3,134 and the current year deficit of $513,427. The increase in shareholders' deficit is partially offset against the issuance of common stock of $40,750.

As of June 30, 2011, E-Debit raised $191,126 cash advance from directors and officers to support the switch operations and general and administrative costs.

As of June 30, 2011, E-Debit raised $40,750. $40,750 was raised through stock award plan and issued 2,910,714 common shares at $0.014 per share.

The issuance of 2,910,714 shares from the Stock Award Plan was issued as the settlement of $40,750 of debt owed to related parties. The following table summarizes the Stock Award Plan transactions:

Stock Award Plan

	Month	Common Shares*	$ per share	Settlement of Debt – Related Parties
Exercise of options to a director for settlement of debts owed to a director	January 2011	1,785,714	$0.014	$25,000
Exercise of options to an officer for settlement of debts owed to a company that is controlled by the Company's president	January 2011	1,125,000	$0.014	$15,750
Total		2,910,714		$40,750

Total issued and outstanding share capital as of August 6, 2011 was 92,324,344 common shares and 70,855,900 preferred shares as of August 8, 2011.

Liquidity and Capital Resources

Summary of Working Capital and Stockholders' Equity

As of June 30, 2011, the Company had working capital deficit of $1,730,030 and Stockholders' Deficit of $681,160 compared with working capital deficit of $1,223,705 and Stockholders' Deficit of $205,349 as of December 31, 2010. The Company's working capital deficit has increased principally as a result of an increase in accounts payable of $372,621, an increase in shareholder loans of $62,000, and indebtedness to related parties of $270,276. The increase in working capital deficit is partially offset against the increase in cash of $51,334 and restricted cash of $121,653.

The increase in shareholder loans and indebtedness to related parties are from E-Debit's directors and officers advanced deposits to support E-Debit operations.

Stockholders' Deficit increased as a result of a net loss for the six (6) months ended June 30, 2011 of $513,427 and a decrease in accumulated other comprehensive income of $3,134. The decrease in shareholders' deficit is partially offset against an increase in issuance of common stock of $40,750.

The Company's consolidated operations during the six (6) month period resulted in the used of net cash of $101,768, compared to the provided of net cash in the amount of $216,883 during the same period from the previous year. The increase in the use of net cash flow from operations was the result of an increase in net loss from operations of $181,231, a decrease in other non-cash transactions of $399,459, an increase in restricted cash of $110,057, and an increase in accounts receivable of $61,331. The increase in the use of net cash is partially offset against an increase in accounts payable and accrued liabilities of $409,005.

Investing activities during the six (6) month period resulted in the used of net cash of $40,335, which was caused by the purchase of equipment.

Financing activities during the six (6) month period resulted in the provided of net cash of $177,966, which was caused by the cash advances from directors and officers to support the switch operations and general and administrative costs of $191,126. The net cash provided by is partially offset against a repayment of loans to directors and officers of $13,160.

Liquidity

E-Debit and its subsidiaries currently did not generate sufficient revenues to meet overhead needs. This is due to E-Debit switch operations which was launched in January 2009 and commence rollover of ATMs to process all transactions. The switch operations currently did not generate sufficient revenue to cover it expenses. The shortages of funds raise substantial doubt as to the Company's ability to continue as a going concern.

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, there is no demand for payment on the indebtedness to relate parties of $707,629 and shareholders' loan of $299,014 as these liabilities are owed to internal officers and directors. E-Debit believes that the investment from related parties, outside investors, and private offering memorandum will continue to produce sufficient ongoing funding to meet its current and future financial requirements.

E-Debit did not raise funds this year to facilitate Westsphere Systems growth opportunities due to the condition of Corporations’ financial market.

In order to meet its growth plan, E-Debit will continue to be dependent on equity funds raised, joint venture arrangements and/or loan proceeds. E-Debit believes that it will continue as a going concern with the present revenues from its subsidiary Westsphere Systems Inc., but it would be unable to meet its market growth projections without further funding outside of the ongoing revenue from operations of Westsphere Systems Inc.

Capital Resources

The primary capital resources of E-Debit 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 June 30, 2011 (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, 2010.

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, 2010.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. REMOVED AND RESERVED

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 Certi