W3 GROUP INC
Form 10QSB
August 13, 2003

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2003.

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transaction Period from ________ to ________

Commission File Number: 0-27083

W3 GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	84-1108035
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

444 Madison Avenue, Suite 2904, New York, New York 10022

(Address of Principal Executive Offices) (Zip Code)

(212) 750-7878
(Registrant's Telephone Number, Including Area Code)

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. Yes _X_ No ___

5,392,084 shares of Common Stock, $.0001 par value, outstanding on June 30, 2003.

W3 GROUP, INC.
Form 10-QSB Quarterly Report
For Period Ended June 30, 2003

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

W3 GROUP, INC.
BALANCE SHEETS

	June 30, 2003 (Unaudited)	December 31, 2002 (Audited)
ASSETS		
Current Assets		
Total Current Assets	$ 0	$ 0
Total Assets	$ 0	$ 0
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$248,999	$293,999
Accrued interest	18,654	16,254
Stockholders' loans	40,000	40,000
Due to Ameristar Group, Inc.	224,694	224,694
Total Current Liabilities	$ 532,347	$ 574,947
Stockholders' Equity (Deficit):		
Preferred stock, $.0001 par value, 10,000,000 shares authorized (See Note 11)	-	-
Series B Convertible Preferred, non-dividend bearing, 699,060 shares issued and outstanding	$523,821	$ 523,891
Common stock, $.0001 par value, 40,000,000 shares authorized, 5,392,084 and 3,892,085 shares issued and outstanding as of June 30, 2003 and December 31, 2002 (See Note 11)	1,087,687	1,088,226
Additional paid-in-capital (See Note 11)	405,834	360,225
Retained earnings (Deficit)	(2,549,689)	(2,547,289)

Total Stockholders' Equity (Deficit)	(532,347)	(574,947)
Total Liabilities and Stockholders' Equity	$ 0	$ 0

The accompanying notes are an integral part of these financial statements.

W3 GROUP, INC.

STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THREE AND SIX MONTHS ENDED JUNE 30

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues:	$ 0	$ 0	$ 0	$ 0
Operating Expenses:				
Consulting	$ 0	$ 0	$ 0	$51,561
Depreciation and amortization	0	119	0	239
Transfer and filing fees	0	189	0	189
Total Operating Expenses	$ 0	$308	$ 0	$51,989
(Loss) From Operations	$ 0	$(308)	$ 0	$(51,989)
Other Income and (Expenses):				
Interest Income	$ 0	$ 0	$ 0	$ 0
Interest (Expense)	(1,200)	(1,200)	(2,400)	(2,400)
Total Other Income and (Expenses)	$(1,200)	$(1,200)	$(2,400)	$(2,400)
Net (Loss) Before Provision For Income Taxes	$ (1,200)	$ (1,508)	$ (2,400)	$ (54,389)
Provision For Income Taxes	0	0	0	0
Net (Loss)	$ (1,200)	$ (1,508)	$ (2,400)	$ (54,389)
Net (Loss Per Share)	$ 0.00	$ 0.00	$ 0.00	$ (0.014)
Weighted Average Number of Shares Outstanding	5,392,084	3,892,085	5,392,084	3,892,085

The accompanying notes are an integral part of these financial statements.

W3 GROUP, INC.

CASH FLOW STATEMENTS (UNAUDITED)
FOR SIX MONTHS ENDED JUNE 30

	2003	2002
Cash Flows From Operating Activities:		
Net loss	$ (2,400)	$ (54, 399)
Adjustments to reconcile net loss to net cash flow from operating activities:		
Depreciation and amortization	0	239
Decrease (Increase) in prepaid expenses	0	51,561
Increase in accrued interest	2,400	2,400
(Decrease) Increase in payables	(45,000)	189
Cash Used By Operating Activities	(45,000)	0
Cash Flows From Financing Activities:		
Issuance Of Common Stock For Services	45,000	0
Net Cash Provided Used By Financing Activities	45,000	0
Net Increase (Decrease) In Cash	0	0
Cash, Beginning of the Period	0	0
Cash, End of the Period	$ 0	$ 0

The accompanying notes are an integral part of these financial statements.

W3 GROUP, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR SIX MONTHS ENDED JUNE 30, 2003

	Preferred Stock Non-Dividend Bearing Series BConvertible	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated	Total Stockholders' Equity (Deficit)
Balance January 1, 2003	$ 523,891	3,892,085	$ 1,088,226	$ 360,225	$ (2,547,289)	$ (574,947)
January 10, 2003 Issuance of Common Stock for Services	-	1,499,999	-	$ 45,000	-	$ 45,000
Net Loss for 3 months ended March 31, 2003	-	-	-	-	$ (1,200)	$ (1,200)
Adjustment for change in par value- May, 2003- See Note 11	$ (70)	-	$ (539)	$ 609	-	-
Net Loss for 3 months ended June 30, 2003	-	-	-	-	$ (1,200)	$ (1,200)
Balance June 30, 2003	$ 523,821	5,392,084	$ 1,087,687	$ 405,834	$ (2,549,689)	$ (532,347)

The accompanying notes are an integral part of these financial statements.

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W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

The accompanying financial statements of W3 Group, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. In the opinion of management, the financial statements reflect all adjustments considered necessary for a fair presentation. For further information, refer to the financial statements and footnotes thereto included in our annual report for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on March 31, 2003.

Note 1 - Organization and History

The Company was originally incorporated in the State of Colorado and had been in the development stage since its formation on February 12, 1988. The Company was formed to seek potential business acquisitions and its activities since inception are primarily related to its initial public offering and merger activities. On May 7, 2003 the Company changed its state of incorporation to Delaware (See Note 11).

Upon the completion of the acquisition of Concorde Management, Ltd. and its wholly owned subsidiary, L'Abbigliamento, Ltd., the Company had ceased being a development stage company. This acquisition was effective July 1, 1997.

L'Abbigliamento, Ltd. is a New York State corporation which was incorporated in March, 1992. L'Abbigliamento, Ltd. commenced operations in August of 1992 as an importer of fine men's clothing. In October of 1995 Vista International Ltd., incorporated in the Cayman Islands, was organized to acquire raw material and to sell finished goods to areas outside the United States. Effective July 1, 1997 L'Abbigliamento, Ltd. and Vista International Ltd. were acquired through an exchange of stock by Concorde Strategies Group, Inc. As a result of the Company's changed focus, an agreement for the divestiture of L'Abbigliamento, Ltd. effective March 31, 1999, was approved by shareholders on August 12, 1999, (see "Note 7 - Divestiture of Subsidiary" and "Note 8 - Merger and Acquisitions") and the divestiture was completed.

On April 21, 1999, the Company entered into an Agreement and Plan of Share Exchange with W3 Group, Inc. a Delaware corporation which was formed to acquire and develop young companies whose businesses involved the development of internet related technology and applications. Effective October 1, 1999, the agreement was completed and the Company changed its name to W3 Group, Inc. (See "Note 8 - Merger and Acquisitions".)

Note 2 - Summary of Significant Accounting Policies

Accounting Method

The Company records income and expenses on the accrual method.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit and highly liquid investments with maturities generally of three months or less.

Deferred Offering Costs

Costs associated with the Company's private offerings have been charged to the proceeds of the offering. If the offerings are unsuccessful, the costs are charged to operations.

Sales and Expenses

Sales and expenses are recorded using the accrual basis of accounting.

Fixed Assets and Accumulated Depreciation

Fixed assets are stated at cost less accumulated depreciation which is provided for by charges to operations over the estimated useful lives of the assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Capitalization

In April 1996, the Company undertook a private placement of its securities pursuant to the provisions of Rule 504 under Regulation D under the Securities Act of 1933, as amended, whereby it issued 9,000,000 shares of its Common Stock in exchange for the satisfaction of $45,000 in debts owed by the Registrant. Also in April 1996, the Company effected a 1-for-10 reverse split of its Common Stock as the result of which the Company had, following the aforesaid private offering, 1,200,000 shares issued and outstanding. This reverse split was effected in anticipation of management's renewed efforts to find a suitable business opportunity for the Company.

In June 1997, the Company issued 300,000 shares of Common Stock to certain parties who had performed services on behalf of the Company. The shares were issued in consideration for the cancellation of payments owed by the Company at the agreed upon rate of $.10 per share and were sold through a private placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

On October 24, 1997, the Company completed a private placement offering of 450,000 non-dividend bearing, no par value, Series B Convertible Preferred Shares. All of the shares were sold by the Company and no placement agent was involved in this offering. The shares were sold at a purchase price of $.3125 per share and the Company realized proceeds of $130,633 from the offering, net of offering expenses in the amount of $9,992. The shares were sold through a private placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended. Each Preferred Share was originally convertible into one and one quarter (1.25) shares of the Company's Common Stock, no par value, at the election of the Preferred Shareholder at any time after thirteen months from the date of issuance thereof and for a period of four years thereafter, ending on October 14, 2002. This date was extended by the Board of Directors on September 23, 2003 until April 14, 2003; on April 2, 2003 until July 14, 2003; and on June 16, 2003 until October 14, 2003. As discussed below, the conversion right of the Series B Preferred Shares was adjusted as a result of a 1-for-30 reverse split of the Company's Common Stock on October 1, 1999. Also, as discussed below, the conversion right was further adjusted on January 18, 2000 so that each share of Series B Preferred Stock may be converted to 0.5 (one half) share of Common Stock at the election of the shareholder.

On January 7, 1998, the Company issued 315,000 shares of Series B Convertible Preferred Shares to certain parties who had performed services on behalf of the Company, including two companies which are principally owned by two Directors of the Company. The shares were issued by the Company in consideration for the cancellation of debt owed by the Company at the agreed upon rate of $.25 per share and were sold through a private placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended.

On June 22, 1998, the Registrant issued 300,000 shares of Common Stock to a company which has performed services on behalf of the Registrant. The shares were issued pursuant to an option in the consulting agreement to pay for the consulting fees through the issuance of restricted shares of Common Stock at the agreed upon rate of $.47 per share.

On August 12, 1998, the Company completed a private placement of 337,600 Series B Convertible Preferred Stock Purchase Warrants ("B Warrants"). All of the B Warrants were sold by the Company and no placement agent was involved in this offering. The B Warrants were sold at a purchase price of $1.00 per Warrant and the Company realized proceeds of $325,600 from the offering, net of offering expenses in the amount of $12,000. The B Warrants were sold through a private placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended. Each B Warrant entitled the holder thereof to purchase one Series B Convertible Preferred Share at a price of $3.00 per share during the period commencing thirteen months after the date of the issuance thereof and continuing until February 1, 2002. None of the 337,600 B Warrants were exercised and all of them expired on February 1, 2002.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

On April 1, 1999, the Company sold 175,000 shares of Series B Convertible Preferred Stock to certain parties who had performed services on behalf of the Company, including one company which is principally owned by a Director of the Company. The shares were sold by the Company in consideration for the cancellation of payments owed by the Company at the agreed upon rate of $2.00 per share and were sold through a private placement pursuant to the exemption provided by Rule 504 of Regulation D under the Securities Act of 1933, as amended.

On May 21, 1999, 199,995 restricted shares of Common Stock were sold to a principal of L'Abbigliamento, Ltd. who had performed consulting services on behalf of the Registrant. These shares were issued in October, 1999 in consideration for the cancellation of payments in the total amount of $64,995 owed by the Registrant for said services.

In October, 1999, the Company issued 116,000 shares of the Series B Convertible Preferred Stock to three shareholders in satisfaction of a previously existing obligation relating to consulting services performed on behalf of the Company by an independent third party.

Effective October 1, 1999, the Agreement and Plan of Share Exchange (the "Agreement") with W3 Group, Inc. a privately owned company, was completed. (See "Note 8 - Merger and Acquisitions".) Under the terms of this Agreement, Concorde acquired one hundred (100%) percent of the capital stock of W3 Group, Inc. in exchange for an equal number of shares (3,250,000) of Concorde's post split Common Stock. W3 Group, Inc, became a wholly owned subsidiary of Concorde, and Concorde changed its corporation name to W3 Group, Inc.

Also, on October 1, 1999, the reverse split of Concorde's Common Stock on the basis of one new share for each 30 existing shares was effected. The number of outstanding shares of Concorde's Series B Convertible Preferred Stock and Series B Convertible Preferred Stock Purchase Warrants remained unchanged, however, the conversion feature was adjusted to reflect the reverse split.

As per the Agreement, a special distribution of 520,056 Common Stock Purchase Warrants was made on October 4, 1999 to holders of the Registrant's Common Stock, Series B Convertible Preferred Stock, and Series B Convertible Preferred Stock Purchase Warrants. The special distribution was made on the basis of one Common Stock Purchase Warrant for each ten shares of Common Stock (pre-reverse split) either outstanding as of September 30, 1999 or committed to be issued upon conversion of the then outstanding Preferred Shares, or the currently outstanding Warrants to purchase Preferred Shares. The Common Stock Purchase Warrants are callable and each represents the right to purchase one share of Common Stock at a price of $6.00 per share during the exercise period, which is from the date of their issuance until October 1, 2001. None of the Common Stock Purchase Warrants were exercised during the exercise period and all such Warrants expired on October 1, 2001.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

On October 16, 1999, the Company issued 11,800 shares of Common Stock to the original investors in Series B Convertible Preferred Stock and Series B Convertible Preferred Stock Purchase Warrants to adjust for the effect of the Company's restructuring.

At a special meeting of shareholders on January 18, 2000, shareholders approved amending the Articles of Incorporation to adjust the conversion right of the Series B Convertible Preferred Stock from an amount equal to 0.0416 shares to 0.5 (one half) share of Common Stock for each one share of Series B Convertible Preferred Stock.

On April 27, 2000, the Registrant issued 300,000 restricted shares of Common Stock to a former Director of the Company in consideration for services being performed on behalf of the Registrant. The shares were issued in lieu of cash payment at the agreed upon rate of $1.375 per share.

The Company withdrew its private placement offering which had commenced on December 14, 1999, and returned the private placement proceeds of $50,000 to the subscribers on May 3, 2000.

On October 1, 2001, all of the 520,056 Common Stock Purchase Warrants then outstanding expired. These Warrants had been issued by the Company on October 4, 1999 and none had been exercised.

On January 10, 2003, the Board of Directors authorized the issuance of 1,499,999 restricted shares (the "Shares") of Common Stock to two creditors of the Company in payment of their outstanding invoices for services. The Shares were issued at the agreed upon rate of $0.03 per share.

Note 4 - Provision for Taxes on Income

The estimated provision for income taxes is based on the statutory federal and state income tax rates.

Note 5 - Leases and Other Commitments

None. As of January 1, 2002, office space has been provided by Ameristar Group Incorporated, an affiliated Company, on a rent free basis.

Note 6 - Related Party Transactions

The Company has received advances of monies for its operating expenses from Ameristar. W3 leased office space from Ameristar on a monthly rental, commencing on November 1, 1997 for a term of three years and eleven (11) months, ending on September 30, 2001, and thereafter on a month to month basis. As of January 1, 2002, space has been provided to the Company by Ameristar on a rent free basis.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

The Company has incurred consulting fees of $236,833 to its Executive Vice President, and $45,000 to Ameristar since the beginning of 1996. No such consulting fees have been incurred since December 31, 2001.

In June, 1997 the Company issued 200,000 shares of Common Stock to two related privately owned companies in consideration of $.10 per share for consulting services performed on behalf of the Company. (See "Note 3 - Capitalization")

On January 7, 1998, the Company issued 315,000 shares of Series B Convertible Preferred Stock to certain parties who had performed services on behalf of the Company. Of that total, 222,000 shares were issued to two related privately owned companies in consideration of $.25 per share.

On June 22, 1998, the Registrant issued 300,000 shares of its Common Stock to a company principally owned by a Director of the Registrant in consideration of $.47 per share for consulting services performed on behalf of the Registrant. (See "Note 3 - Capitalization")

On April 1, 1999, the Registrant issued 71,666 of its preferred stock to a company principally owned by a Director of the Registrant in consideration of $2.00 per share for consulting services performed on behalf of the Registrant. (See "Note 3 - Capitalization")

On May 21, 1999, 199,995 restricted shares of Common Stock were sold to a principal of L'Abbigliamento, Ltd. who had performed consulting services on behalf of the Registrant. These shares were issued in October, 1999 in consideration for the cancellation of payments in the total amount of $64,995 owed by the Registrant for said services.

Note 7 - Divestiture of Subsidiary

A termination agreement was executed on May 5, 1999, for the divestiture of L'Abbigliamento, Ltd., the Company's sole operating subsidiary and was ratified by shareholders on August 12, 1999. Under the terms of the Agreement, (1) management of both companies mutually elected to rescind and cancel the acquisition of L'Abbigliamento, Ltd. by the Company, effective as of the close of business on March 31, 1999; (2) L'Abbigliamento, Ltd. returned to the Company one hundred (100%) percent of the Class A Preferred Shares in exchange for which the Company delivered one hundred (100%) percent of the L'Abbigliamento, Ltd. capital stock held by it; (3) L'Abbigliamento, Ltd. will repay its outstanding indebtedness to the Company in the principal amount of $158,000 in five equal monthly payments of $1,300, plus 55 monthly payments of $1,700, which payments shall be inclusive of interest at the rate of six (6%) percent per annum, to be followed by a final payment at the end of aforesaid term equal to the sum of any accrued but unpaid interest due thereon plus the entire unpaid principal amount; (4) On January 10, 2001, L'Abbigliamento, Ltd. paid off the balance due on its loan from State Bank of Long Island, ending the Company's liability for said loan pursuant to a guarantee of payment previously made by the Company.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

Note 8 - Merger and Acquisitions

On April 21, 1999, the Company entered into an Agreement and Plan of Share Exchange with W3 Group, Inc., which was approved by shareholders on August 12, 1999, whereby Concorde acquired 100 percent of the Common Stock of W3 Group, Inc. in exchange for the issuance of 3,275,000 shares of post reverse split Common Stock of Concorde, at the rate of one Concorde share for one W3 share. Upon completion of the exchange of shares, effective October 1, 1999, W3 Group, Inc. became a wholly owned subsidiary of Concorde and Concorde amended its Articles of Incorporation to change its corporation name to W3 Group, Inc. Concorde conducted a meeting of shareholders on August 12, 1999 to ratify the Agreement and certain other matters which had been approved by its Board of Directors.

Note 9 - Write off of Bad Debt

Pursuant to SFAS-5, "Accounting for Contingencies," the Company has written off the loan receivable in the amount of $157,522 and related interest receivable in the amount of $13,140 during the quarter ended September 30, 2001, and charged a total of $170,662 to bad debt expense. Said loan had been made to the Company's former operating subsidiary, L'Abbigliamento, Ltd., and had been in default for over two years. (See "Note 7 - Divestiture of Subsidiary") Repayment of the loan and related interest cannot be reasonably assured.

Note 10 - Going Concern

As of June 30, 2003, the Company had stockholders' deficit of $532,347 and no cash. The audit report accompanying the Company's financial statements for the year ended December 31, 2002 contains a going concern qualification because the Company has no operations, has incurred recurring losses and has no cash. As a result, substantial doubt exists about the Company's ability to continue as a going concern. These financial statements have been prepared on the going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Refer to the audit report contained in "PART F/S" of Form 10-KSB for the year ended December 31, 2002. Operations to date have been primarily financed by equity transactions. Management is re-evaluating business opportunities and looking for a new direction for the Company. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

W3 GROUP, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED JUNE 30, 2003

Note 11 - Change of Company's Domicile

Effective May 7, 2003, the Company changed its domicile from the State of Colorado to the State of Delaware. This change in its state of incorporation had been previously approved by a vote of the requisite number of holders of the Company's outstanding shares of Common Stock.

On the effective date, the Company merged into W3 Group, Inc., a newly formed Delaware corporation for the purpose of changing its domicile to Delaware. There was no change in the number of issued and outstanding shares of the Company as a result. The Certificate of Incorporation and By Laws of W3 Group, Inc., a Delaware corporation, became the Certificate of Incorporation and By laws of the Company. As a result, the Company's total number of authorized shares of Preferred Stock was changed from 100,000,000 shares to 10,000,000 shares, and the number of authorized shares of Common Stock was changed from 500,000,000 shares to 40,000,000 shares. Also, the par value for both the Preferred Stock and Common Stock was changed from no par value to $.0001 par value per share. This change resulted in adjustments to the Company's unaudited Balance Sheet at June 30, 2003, consisting of an increase in the amount of $609 to Additional Paid-in Capital and a decrease in the amount of $539 to Common Stock, based on 5,392,084 shares of Common Stock issued and outstanding and a decrease in the amount of $70 to Preferred Stock, based on 699,060 shares of Series B Convertible Preferred Stock issued and outstanding as of June 30, 2003.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto included in Part I, Item 1 of this report, and Management's Discussion and Analysis of Financial Conditions and Results of Operations and General Risk Factors Affecting the Company contained in the Company's annual report for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on March 31, 2003.

Forward-Looking Statements

Some of the information contained in this report may constitute forward-looking statements or statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements are based on current expectations and projections about future events. The words estimate, plan, intend, expect, anticipate and similar expressions are intended to identify forward-looking statements which involve, and are subject to, known and unknown risks, uncertainties and other factors which could cause the Company's actual results, financial or operating performance, or achievements to differ materially from future results, financial or operating performance, or achievements expressed or implied by such forward-looking statements. Projections and assumptions contained and expressed herein were reasonably based on information available to the Company at the time so furnished and as of the date of this filing. All such projections and assumptions are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and no assurance can be given that the projections will be realized. Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date hereof. Careful consideration should be given to the General Risk Factors contained in the Company's Form 10-KSB for the year ended December 31, 2002. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

The Company did not have any revenue during the three month period ended June 30, 2003, or during the comparable period for the prior year, and has not had any revenue since the first quarter of 1999.

The Company had no operating expenses for the three month period ended June 30, 2003, a decrease of $308 from the prior year period.

The net loss for the three month period ended June 30, 2003 was $1,200 compared to a net loss of $54,389 for the comparable period in the prior year, a decrease of $53,189, resulting from a decrease in consulting expenses of $51,561, a decrease in depreciation expense of $119 and a decrease in transfer fees of $189.

The Company had no cash at June 30, 2003 and at December 31, 2002. Accounts payable at June 30, 2003 totaled $248,999, a decrease of $45,000 from December 31, 2002, resulting from the payment of two creditors by the issuance of the Company's Common Stock. (See Financial Statements, "Note 3 - Capitalization.")

The Company's Form 10-QSB for the quarter ended March 31, 2003 inadvertently reported incorrect totals for operating expenses and net loss for that quarter. The correct total for operating expenses was $0 compared to $51,681 for the three month period ended March 31, 2002, a decrease of $51,681 resulting from decreased consulting fees of that amount. The net loss for the quarter ended March 31, 2003 was $1,200 compared to a net loss of $52,881 for the prior year period, a decreased loss of $51,681 resulting from the aforementioned decrease in consulting fees.

On January 10, 2003, the Board of Directors authorized the issuance of 1,499,999 restricted shares (the "Shares") of Common Stock to two creditors of the Company in payment of their outstanding invoices for services. The Shares were issued at the agreed upon rate of $0.03 per share.

On June 16, 2003, a Resolution was passed by the Board of Directors, which extended the conversion period of the Series B Convertible Preferred Stock from July 14, 2003 until the close of business on October 14, 2003. Each share of Series B Preferred Stock may be converted to 0.5 (one half) share of Common Stock at the election of the shareholder. (See Financial Statements, "Note 3 - Capitalization.")

The Company is still pursuing L'Abbigliamento, Ltd., the Company's former operating subsidiary, in regard to obtaining payments toward the loan, which was written off in 2001. (See Financial Statements, "Note 7 - Divestiture of Subsidiary and "Note 9 - Write Off of Bad Debt.") No assurance can be made regarding any such payments.

The Company is continuing to look for suitable acquisition candidates. As of the date of this Report, no additional acquisition candidates have been found, and there is no assurance that any additional candidates will be found.

Change of Corporation's Domicile

Effective May 7, 2003, the Company's domicile was changed from the State of Colorado to the State of Delaware. This change in its state of incorporation had been previously approved by a vote of the requisite number of holders of the Company's outstanding shares of Common Stock. Refer to Form 8-K filed on May 7, 2003 and financial statements included in this quarterly report- "Note 11 - Change of Company's Domicile".

On the effective date, the Company merged into W3 Group, Inc., a newly formed Delaware corporation for the purpose of changing its domicile to Delaware. There was no change in the number of issued and outstanding shares of the Company as a result. The Certificate of Incorporation and By Laws of W3 Group, Inc., a Delaware corporation, became the Certificate of Incorporation and By laws of the Company. Refer to Exhibits 3.1 and 3.2 to this Report.

Present Overview

W3 intends to acquire, finance, and restructure profitable companies that can utilize the internet to expand their business and distribution channel. As a result of the significant changes in the internet industry, the Company's focus is no longer on internet related companies. The Company is seeking to acquire companies that would become wholly owned, or majority owned, subsidiaries of W3. W3 intends to concentrate on existing companies that have proven markets, profitability, and management. The Company's goal is to provide a platform for selected companies to expand their markets, strengthen internal functions by providing consulting services and professional management support, and expansion capital, while allowing the companies to continue management of daily operations.

W3's objective is to better meet the needs of growing companies that may have had difficulty obtaining capital from traditional sources such as banks, large asset based lenders, and the public securities markets. Also, W3 believes that its opportunity is enhanced because of the consolidation in the commercial banking industry and the emphasis in investment banking toward increasingly larger financings. The resulting diminishing of available capital has affected the flow to smaller companies, where the need for capital is the most critical.

W3's approach is to develop "partnerships" with companies having exceptional management in order to improve the long term value of a business. The participation of management through equity based compensation and stock ownership is a crucial ingredient of W3's plan.

Liquidity and Capital Resources

At June 30 2003, the Company had no cash. The Company has received an audit opinion which includes a "going concern" risk, which raises substantial doubt regarding the Company's ability to continue as a going concern. Management is re-evaluating business opportunities and looking for a new direction for the Company.

General Risk Factors Affecting the Company

Various factors could cause actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this document), as well as oral statements made from time to time by representatives of the Company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including, but not limited to the following:

C Rapidly changing business environment.

C Intense competition within the market place.

C

Many well established companies and smaller entrepreneurial companies have significant resources that will compete with the Company's limited resources in the acquisition of companies.

C

There can be no assurance that the Company will be able to compete successfully in the acquisition of subsidiary companies.

C

The management of growth is expected to place significant pressure on the Company's managerial, operational, and financial resources.

C

The Company will not be able to accomplish its growth strategy if it is not able to consummate future acquisitions and raise capital.

C

The Company may not be able to operate as a going concern. Refer to independent auditor's report accompanying the Company's financial statements included in the Company's annual report on Form 10-KSB for the year ended December 31, 2002 and Note 10 to Financial Statements.

Item 3. Controls and Procedures

Based on his evaluation, as of a date within 90 days of the filing of this Form 10-QSB, the Company's Acting President and Principal Financial Officer has concluded the Company's disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective.

There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of his evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II

OTHER INFORMATION

Item 1.	**Legal Proceedings.**	Not Applicable
Item 2.	**Change in Securities.**	None
Item 3.	**Defaults Upon Senior Securities.**	Not Applicable
Item 4.	**Submission of Matters to a Vote of Security Holders.**	None
Item 5.	**Other Information.**	None

Item 6. Exhibits and Reports of Form 8-K.

(a) Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation (Delaware)
3.2	Bylaws (Delaware)
31.1	Certification under Section 302 of the Sarbanes-Oxley Act of 2002 of Acting President and Principal Financial Officer.
32.1	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of Acting President and Principal Financial Officer.

(b) Reports on Form 8-K

Form 8-K was filed on May 7, 2003 regarding change of Registrant's domicile from the State of Colorado to the State of Delaware.

SIGNATURE

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned, thereunto duly authorized.

Dated: August 13, 2003

/s/ Robert Gordon
Robert Gordon
Acting President and
Principal Financial Office