

Edgar Filing: VERITEC INC - Form 8-K/A

VERITEC INC
Form 8-K/A
June 25, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

AMENDMENT TO
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) February 13, 2002

Veritec Inc.

(Exact Name of Registrant as Specified in Charter)

Nevada	000-15113	95-3954373
-----	-----	-----
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

9400 Golden Valley Road, Golden Valley, MN	55427
-----	-----
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code 763.253.2670

(Former Name or Former Address, if Changed Since Last Report)

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Item 5. Other Events.

On April 16, 2002, Veritec, Inc. (the "Company") filed a Form 8-K disclosing that on January 30, 2002, the Company and The Matthews Group LLC formed Veritec Iconix Ventures, Inc. ("VIVI"), and that on February 13, 2002, VIVI subsequently purchased 100% of the outstanding equity securities of Iconix, Inc., a Japanese corporation. This Form 8-K/A amends and supplements such original filing to include financial information required by Items 7(a) and (b) of Form 8-K. Accordingly, Item 7 of such Form 8-K is amended as set forth herein.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of VIVI

The financial statements for VIVI were prepared by a Japanese accounting firm in accordance with generally accepted accounting principles used in Japan. The Company has reviewed the VIVI financial statements and determined that, with respect to such financial statements, there are no material variations between the accounting principles, practices and methods used in Japan and those used in the United States of America that would require any reconciling items necessary to bring such financial statements into compliance with accounting principles generally accepted in the United States of America.

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Independent Auditor's Report

To the Board of Directors and Stockholders of Veritec Iconix Ventures Inc.

We have examined the accompanying balance sheets of Veritec Iconix Ventures Inc. as of June 30, 2002 and 2001, and the related statements of income, cash flows, and stockholders' equity for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the financial statements, referred to above, present fairly the financial position of Veritec Iconix Ventures Inc. as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The amounts expressed in U.S. dollars have been translated on the basis set out in Note ACCOUNTING PRINCIPLE of the Notes to the financial statements.

Tokai & Co.

Nagoya, Japan
February 25, 2003

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June 30, 2002

ASSETS

	(Y) / \$119.50 2001.06.30	(Y) / \$119.50 2002.06.30
I. Current assets		
Cash and cash equivalents	163,048	157,092
Notes receivables, net	201,728	105,314
Receivables, net	267,918	129,892
Inventories	41,161	24,439
Work in process	70,467	110,869
Prepaid expenses	17,760	18,463
Other current assets	18,937	4,423
Less - Allowance for doubtful receivables	(4,247)	(3,885)
Total current assets	776,772	546,607
II. Fixed Assets		
Tangible fixed assets		
Autos and trucks	29,555	29,555
Less - accumulated depreciation	(23,024)	(25,106)
Tools, dies, furniture and fixtures	10,149	10,149
Less - accumulated depreciation	(8,111)	(8,627)
Total tangible fixed assets	8,569	5,971
Intangible fixed assets		
Software	6,492	2,383
Telephone rights	77	237
Total intangible fixed assets	6,569	2,620
Investments and other assets		
Investment in securities	12,552	12,552
Securities deposit	63,347	63,347
Other investments	38,499	48,020
Long-term prepaid expenses	16,936	20,501
Deferred development expenses	--	--
Total investment and other assets	131,334	144,420
Total fixed assets	146,472	153,011
Total assets	923,244	699,618

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VERITEC ICONIX VENTURES INC.
BALANCE SHEET

June 30, 2002

LIABILITIES AND SHAREHOLDERS' EQUITY

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LIABILITIES	(Y) / \$119.50 2001.06.30	(Y) / \$119.50 2002.06.30
	-----	-----
I. Current Liabilities		
Accounts payable	48,064	23,612
Current portion of long-term debt	80,033	80,033
Accrued liabilities	47,957	111,666
Advances received	8,368	653
Deposits received	10,062	10,802
Accrued consumption taxes	6,017	3,462
Accrued income taxes	1,507	572
Other current liabilities	869	21
	-----	-----
Total current liabilities	202,877	230,821
	-----	-----
II. Fixed liabilities		
Long-term bank loans payable	285,917	205,883
Estimated retirement allowances	24,898	30,806
	-----	-----
Total fixed liabilities	310,815	236,689
	-----	-----
Total liabilities	513,692	467,510
	-----	-----
SHAREHOLDERS' EQUITY		
I. Common stock	170,711	170,711
II. Retained earnings		
Voluntary earned surplus		
General reserve	167,364	83,682
Unappropriated retained earnings	71,477	(22,285)
	-----	-----
Total retained earnings	238,841	61,397
	-----	-----
Total shareholders' equity	409,552	232,108
	-----	-----
Total liabilities and shareholders' equity	923,244	699,618
	=====	=====

VERITEC ICONIX VENTURES INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2002

(Y) / \$119.50	(Y) / \$119.50
2001.06.30	2002.06.30

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I. Net Sales	1,596,742	1,324,651
II. Cost of Sales	1,055,967	849,106
	-----	-----
Gross Profit	540,775	475,545
III. Selling, general and administrative expenses	675,085	661,382
	-----	-----
Operating loss	134,310	185,837
IV. Non-operating income	133,429	27,883
V. Non-operating expenses	11,551	14,028
	-----	-----
Ordinary loss	12,432	171,982
VI. Extraordinary profit	2,351	--
VII. Extraordinary loss	--	--
	-----	-----
Net loss before income taxes	10,081	171,982
Provision for income taxes	1,507	571
	-----	-----
Net loss	11,588	172,553
Earnings brought forward from the previous term	83,065	66,585
	-----	-----
Unappropriated retained earnings	71,477	(105,968)
	=====	=====
Transferred appropriations to retained earnings	--	83,683
Balance	71,477	(22,285)
	=====	=====

NOTE TO FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in Japan. Such financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into United States dollars at the rate of Yen 119.50 = U.S. \$ 1, the exchange rate prevailing on June 30, 2002. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

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FOREIGN CURRENCIES

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on date. Translation adjustments resulting from this process are charged or credited to other income. Revenue and expenses are translated at average rates of exchange prevailing during the three months.

REVENUE RECOGNITION

Revenue from software and products is recorded when the software and products has been inspected. Revenue from other products is recorded when the company ship products.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$ 8,990 in 2002.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred.

INVENTORY

Inventory are stated at cost determined on a specific project basis. Selling, general and administrative expenses are excluded from such costs.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Notes and accounts receivable are valued by providing the maximum amount for possible losses in respect of doubtful accounts, which could be charged to income under the corporate income tax law in Japan.

MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Securities that have quoted market prices are valued at their cost or at their listed stock exchange price at the end of fiscal year, whichever is the lower. Shares that are not listed or quoted in any market are carried at cost, adjusted for any substantial and non-recoverable diminution in value.

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PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using the declining balance method over the estimated useful lives of the assets. Computer software developed or obtained for internal use is depreciated using the straight-line method over the estimated life.

INCOME TAXES

The provision for income taxes is based on income for financial statement purposes. No tax effect is recorded for timing differences in the recognition of certain revenue and expenses between tax and financial reporting.

CONSUMPTION TAX

The consumption tax rate, with minor exceptions, for all taxable goods and

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services is 5 percent. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred by the company when purchasing goods and services.

LIABILITY FOR SEVERANCE PAYMENTS

The provision for severance payments is calculated to state the liability which would be required if all employees were to retire voluntarily at the balance sheet date.

LEASES

The company leases one equipment under five years non-cancelable lease arrangement. At the end of the aforementioned lease terms, the Company has an option to renew such lease agreement at far reduced lease charges. The leases are accounted for as operating leases.

STATEMENTS OF CASH FLOWS

For the purpose of the Statements of Cash Flows, cash and cash equivalents include highly liquid investments with an original maturity of three months or less to be cash equivalents

RELATED PARTY TRANSACTIONS

The account balance and transactions with parent company are as follows

	Yen	Dollars
Account balance at June 30:		
Other liability	Yen 2,484	\$ 20.00

The company received \$ 8,000.00 from parent company and made remittance \$ 7,980.00 to Taiwan company as a downpayment of development cost.

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	Yen	Dollars
Transactions for the three months in the period ended June 30, 2002.		
Non operating income	Yen 1,440,720	\$ 11,600.00

CONTINGENT LIABILITIES

Contingent liabilities at June 30, 2002 were as follows:

	Yen	Dollars
Notes receivable discounted	Yen 24,430,500	\$204,439.33

PLEDGED ASSETS

At June 30, 2002 Time deposit were pledged as collateral for guarantees of contract.

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Time Deposit	Yen	Dollars
	Yen 1,000,000	\$ 8,368.20

Independent Auditor's Report

To the Board of Directors and Stockholders of Veritec Iconix Ventures Inc.

We have examined the accompanying balance sheets of Veritec Iconix Ventures Inc. as of June 30, 2001 and 2000, and the related statement of income, cash flows, and stockholders' equity for the year ended June 30, 2001, all expressed in Japanese yen. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the financial statements, referred to above, present fairly the financial position of Veritec Iconix Ventures Inc. as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the year ended June 30, 2001, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The amounts expressed in U.S. dollars have been translated on the basis set out

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in Note ACCOUNTING PRINCIPLE of the Notes to the financial statements.

Tokai & Co.

Nagoya, Japan
February 25, 2003

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VERITEC ICONIX VENTURES INC.
BALANCE SHEET

June 30. 2001

ASSETS

	(Y) / \$124.60	(Y) / \$124.60
	2000.06.30	2001.06.30
I. Current assets		
Cash and cash equivalents	116,903	156,374
Notes receivables, net	107,825	193,472
Receivables, net	187,794	256,952
Inventories	53,046	39,476
Work in process	43,507	67,583
Prepaid expenses	14,004	17,033
Other current assets	15,525	18,161
Less - Allowance for doubtful receivables	(2,850)	(4,073)
	-----	-----
Total current assets	535,754	744,978
	-----	-----
II. Fixed Assets		
Tangible fixed assets		
Autos and trucks	28,345	28,345
Less - accumulated depreciation	(19,147)	(22,081)
Tools, dies, furniture and fixtures	7,994	9,734

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Less - accumulated depreciation	(7,594)	(7,779)
	-----	-----
Total tangible fixed assets	9,598	8,219
	-----	-----
Intangible fixed assets		
Software	10,423	6,226
Telephone rights	74	74
	-----	-----
Total intangible fixed assets	10,497	6,300
	-----	-----
Investments and other assets		
Investment in securities	12,039	12,039
Securities deposit	60,273	60,754
Other investments	31,403	36,923
Long-term prepaid expenses	12,823	16,242
Deferred development expenses	--	--
	-----	-----
Total investment and other assets	116,538	125,958
	-----	-----
Total fixed assets	136,633	140,477
	-----	-----
Total assets	672,387	885,455
	=====	=====

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VERITEC ICONIX VENTURES INC.
BALANCE SHEET

June 30, 2001

LIABILITIES AND SHAREHOLDERS' EQUITY

	(Y) / \$124.60	(Y) / \$124.60
	2000.06.30	2001.06.30
LIABILITIES		
I. Current Liabilities		
Accounts payable	21,684	46,097
Current portion of long-term debt	28,604	76,758
Accrued liabilities	39,431	45,994
Advances received	--	8,026
Deposits received	6,401	9,650
Accrued consumption taxes	6,713	5,770
Accrued income taxes	--	1,445
Other current liabilities	--	833
	-----	-----
Total current liabilities	102,833	194,573
	-----	-----
II. Fixed liabilities		
Long-term bank loans payable	136,284	274,214
Estimated retirement allowances	17,459	23,879
	-----	-----
Total fixed liabilities	153,743	298,093
	-----	-----
Total liabilities	256,576	492,666

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SHAREHOLDERS' EQUITY	-----	-----
I. Common stock	163,724	163,724
II. Retained earnings		
Voluntary earned surplus		
General reserve	160,514	160,514
Unappropriated retained earnings	91,573	68,551
	-----	-----
Total retained earnings	252,087	229,065
	-----	-----
Total shareholders' equity	415,811	392,789
	-----	-----
Total liabilities and shareholders' equity	672,387	885,455
	=====	=====

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VERITEC ICONIX VENTURES INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2001

	(Y) / \$124.60
	2001.06.30

I. Net Sales	1,531,386
II. Cost of Sales	1,012,746

Gross Profit	518,640
III. Selling, general and administrative expenses	647,454

Operating loss	128,814
IV. Non-operating income	127,967
V. Non-operating expenses	11,078

Ordinary loss	11,925
VI. Extraordinary profit	2,255
VII. Extraordinary loss	--

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Net loss before income taxes	9,670
Provision for income taxes	1,445
Net loss	11,115
Earnings brought forward from the previous term	79,666
Unappropriated retained earnings	68,551

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NOTE TO FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in Japan. Such financial statements are expressed in Japanese yen, and solely for the convenience of the reader, have been translated into United States dollars at the rate of Yen 124.60 = U.S. \$ 1, the exchange rate prevailing on June 30, 2001. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

FOREIGN CURRENCIES

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on date. Translation adjustments resulting from this process are charged or credited to other income. Revenue and expenses are translated at average rates of exchange prevailing during the three months.

REVENUE RECOGNITION

Revenue from software and products is recorded when the software and products has been inspected. Revenue from other products is recorded when the company ship products.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$ 6,715 in 2001.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred.

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INVENTORY

Inventory are stated at cost determined on a specific project basis. Selling, general and administrative expenses are excluded from such costs.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Notes and accounts receivable are valued by providing the maximum amount for possible losses in respect of doubtful accounts which could be charged to income under the corporate income tax law in Japan.

MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Securities which have quoted market prices are valued at their cost or at their listed stock exchange price at the end of fiscal year, whichever is the lower. Shares which are not listed or quoted in any market are carried at cost, adjusted for any substantial and non-recoverable diminution in value.

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PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using the declining balance method over the estimated useful lives of the assets. Computer software developed or obtained for internal use is depreciated using the straight-line method over the estimated life.

INCOME TAXES

The provision for income taxes is based on income for financial statement purposes. No tax effect is recorded for timing differences in the recognition of certain revenue and expenses between tax and financial reporting.

CONSUMPTION TAX

The consumption tax rate, with minor exceptions, for all taxable goods and services is 5 percent. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred by the company when purchasing goods and services.

LIABILITY FOR SEVERANCE PAYMENTS

The provision for severance payments is calculated to state the liability which would be required if all employees were to retire voluntarily at the balance sheet date.

LEASES

The company leases one equipment under five years non-cancelable lease arrangement. At the end of the aforementioned lease terms, the Company has an option to renew such lease agreement at far reduced lease charges. The leases are accounted for as operating leases.

STATEMENTS OF CASH FLOWS

For the purpose of the Statements of Cash Flows, cash and cash equivalents include highly liquid investments with an original maturity of three months or

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less to be cash equivalents.

CONTINGENT LIABILITIES

Contingent liabilities at June 30, 2002 were as follows:

	Yen	Dollars
Notes receivable discounted	Yen 28,461,415	\$ 228,422.27

PLEDGED ASSETS

At June 30, 2002 Time deposit were pledged as collateral for guarantees of contract.

	Yen	Dollars
Time Deposit	Yen 1,000,000	\$ 8,025.68

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(b) Pro Forma Financial Statements

The pro forma financial statements below include financial information derived from financial statements for VIVI that were prepared by a Japanese accounting firm in accordance with generally accepted accounting principles used in Japan. The Company has reviewed the VIVI financial statements and determined that, with respect to such financial statements, there are no material variations between the accounting principles, practices and methods used in Japan and those used in the United States of America that would require any reconciling items necessary to bring such financial statements into compliance with accounting principles generally accepted in the United States of America.

VERITEC, INC.
PROFORMA BALANCE SHEET
JUNE 30, 2002

ASSETS

Current Assets:

Cash	\$ 158,352
Trade receivables, net of allowance for doubtful accounts	306,476
Inventories	121,777
Prepaid expenses	23,114

Total current assets	609,719

Fixed assets:

Less accumulated depreciation	95,098
	77,893

Fixed assets, at book value	17,205

Other assets:

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Software costs, net of accumulated amortization	93,333
Security deposits and long-term prepaid expenses	67,268
Other investments	39,792

Total other assets	200,393

Total assets	\$ 827,317
	=====

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LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities:	
Notes payable - related parties	\$ 100,000
Convertible note - related party	397,374
Current maturities of long-term debt	103,566
Bank overdraft	35,523
Accounts payable	79,011
Accrued expenses	267,514
Customer deposits	11,455

Total current liabilities	994,443

Long-term obligations	244,852

Total liabilities	1,239,295

Prepayment on stock and subscription receivable - related party	381,956

Minority interest on investment in Iconix	76,588

Stockholders' equity (deficit):	
Preferred stock	366,007
Common stock, par value \$.01,	69,469
Subscription receivable - related party	(989,417)
Additional paid in capital	11,795,109
Accumulated deficit	(12,111,690)

Stockholders' equity (deficit)	(870,522)

Total liabilities and stockholders' equity (deficit)	\$ 827,317
	=====

VERITEC, INC.
 PROFORMA STATEMENTS OF OPERATIONS
 YEARS ENDED JUNE 30, 2002 AND 2001

	June 30,	
	----- 2002 -----	----- 2001 -----
Total revenue	\$ 1,889,419	\$ 1,696,464
Cost of sales	849,106	1,031,678
Gross profit	1,040,313	664,786
Selling, general, administrative and amortization expenses	1,546,582	1,485,132
Income (loss) from operations	(506,269)	(820,346)
Other income (expense)	151,941	76,899
Net income before income taxes	(354,328)	(743,447)
Income tax expense	871	1,507
Net income (loss)	\$ (355,199) =====	\$ (744,954) =====
Earnings (loss) per common share	\$ (0.05) =====	\$ (0.11) =====
STATEMENT OF COMPREHENSIVE INCOME		
Net income (loss)	\$ (355,199)	\$ (744,954)

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Foreign currency translation adjustment	--	--
	-----	-----
Comprehensive income (loss)	\$ (355,199)	\$ (744,954)
	=====	=====

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VERITEC INC.

Date: June 25, 2003

By /s/ Van Thuy Tran

Van Thuy Tran
Its Chief Executive Officer

2358639v2

EXHIBIT INDEX

23.1 Consent of Tokai & Co.

