

TRANSAX INTERNATIONAL LTD
Form 10-Q/A
August 31, 2012

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

Form 10-Q/ A
(Amendment #1)

(Mark One)

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

For the period ended March 31, 2012

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

For the transition period from _____ to _____

Commission File No. 0-27845

TRANSAX INTERNATIONAL LIMITED
(Name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of incorporation or organization)

90-0287423
(I.R.S. Employer Identification No.)

South Part 1-101, Nanshe Area, Pengnan Industrial Park on North Yingbinbei Road

in Waisha Town of Longhu District in Shantou, Guangdong, China
(Address of principal executive offices)

515023
(Zip Code)

(86)-754-8323888
(Registrant's telephone number, including area code)

not applicable
(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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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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 ☒ No ☐

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 ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date: 96,078,960 shares of common stock are issued and outstanding as of May 11, 2012.

EXPLANATORY NOTE

As disclosed in our Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 17, 2012, the Board of Directors of Transax International Limited determined that the consolidated financial statements for three months ended March 31, 2012 and 2011 included in our Quarterly Report on Form 10-Q for the period ended March 31 2012 could no longer be relied upon as a result of the retrospective application of a change in accounting principle. Previously, all of our revenues were recognized on a gross reporting basis. On August 16, 2012 our Board of Directors determined to change our revenue recognition policy for revenues associated with certain sales of products and to report such revenues on a net reporting basis. We determined that these revenues did not meet the criteria for gross reporting pursuant to Accounting Standards Codification (ASC) 605-45-45.

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2012 to include restated consolidated financial statements which reflect the change in our revenue recognition method and to provide additional disclosure in response to comments from the staff of the Securities and Exchange Commission as follows:

- § change revenue recognition method related to certain revenues from our sales from gross revenue reporting to net revenue reporting as reflected on the statement of operations and in Note 2 to the consolidated financial statements;
- § provide further disclosure related to procurement services and arranging OEM services in Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as to revise disclosure within Management's Discussion and Analysis of Financial Condition and Results of Operations to reflect the changes necessitated by the restatement;
 - § correct clerical errors in our balance sheet and cash flow statements; and
 - § provide further disclosure on income taxes in Note 10 to the consolidated financial statements.

This Form 10-Q/A (Amendment No. 1) also contains currently dated certifications as Exhibits 31.1, 31.2 and 32.1 hereof. The remaining Items in this Form 10-K/Q (Amendment No. 1) consist of all other items originally contained in our Quarterly Report on Form 10-Q for the period ended March 31, 2012 as filed on May 15, 2012, does not reflect facts or events that may have occurred subsequent to the filing date of the original report, and does not modify or update in any way any other disclosures made in the original report, or subsequent to any periods for which disclosure was otherwise provided in the original report. Accordingly, this Amendment No. 1 should be read in conjunction with our filings with the Securities and Exchange Commission subsequent to the filing date of the original report, including any amendments thereto.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
FORM 10-Q
March 31, 2012

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We used in this report, the terms “Transax,” “we,” “our,” and “us” or the “Company” refers to Transax International Limited, a Colorado corporation and its wholly-owned subsidiaries Big Tree International Co., Ltd., a Brunei company, (“BT Brunei”) and Shantou Big Tree Toys Co., Ltd., a Chinese company (“BT Shantou”).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- Factors affecting consumer preferences and customer acceptance of new products;
- Competition in the toy industry;
- Loss of one or more key customers;
- Dependence on third-party contract manufacturers;
- Dependence on certain key personnel;
- Inability to manage our business expansion;
- Infringement by third parties on our intellectual property rights;
- Our inadvertent infringement of third-party intellectual property rights;
- PRC government fiscal policy that affect real estate development and consumer demand;
- Availability of skilled and unskilled labor and increasing labor costs;
- Lack of insurance coverage and the impact of any loss resulting from product liability or third party liability claims or casualty losses;
- Violation of Foreign Corrupt Practices Act or China anti-corruption laws;
- Economic, legal restrictions and business conditions in China;
- Dilution attributable to our convertible preferred stock;
- Impact of proposed one for 700 reverse stock split of our outstanding common stock;
- Limited public market for our common stock; and
- Potential conflicts of interest between our controlling shareholders and our shareholders.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2011. Other sections of this report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF BALANCE SHEETS
(RESTATED)

March 31,
2012
(Unaudited)

December 31,
2011

ASSETS

CURRENT ASSETS:

Cash	\$	176,260	\$	246,720
Accounts receivable (net of allowance of \$26,746 and \$26,578, respectively)		3,981,833		2,987,379
Advance to suppliers and prepaid expenses		207,860		80,978
Inventories		522,661		699
Due from related parties		-		66,597
Other receivable		286,029		266,318
Total Current Assets		5,174,643		3,648,691

NON-CURRENT ASSETS

Fixed assets, net	124,449	131,812
Intangible assets, net	12,876	13,558
Total Assets	\$ 5,311,968	\$ 3,794,061

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$	1,379,565	\$	935,666
Advance from customers		922,777		941,750
Salaries payable		70,495		23,330
Tax payable		4,064		2,123
Due to related parties		603,819		138,814
Other payable		226,692		-
Total Current Liabilities		3,207,412		2,041,683
Total Liabilities		3,207,412		2,041,683

SHAREHOLDERS' EQUITY:

Series B convertible preferred stock (5,000,000 shares authorized, 3,362,760 and 0 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively)	-	-
Series C convertible preferred stock (6,500,000 shares authorized, 6,500,000 and 0 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively)	-	-
	961	961

Common stock (\$0.00001 par value;
100,000,000 shares authorized; 96,078,960 shares
issued and outstanding at March 31, 2012 and
December 31, 2010, respectively)

Additional paid-in capital	691,748	691,748
Retained earnings	1,300,715	1,072,327
Accumulated other comprehensive (loss) income	111,132	(12,658)
Total Shareholders' Equity	2,104,556	1,752,378
Total Liabilities and Shareholders' Equity	\$ 5,311,968	\$ 3,794,061

See notes to unaudited consolidated financial statements

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	(RESTATED) March 31, 2012 (Unaudited)	(RESTATED) March 31, 2011 (Unaudited)
Revenues	\$ 4,752,085	\$ 259,903
Cost of revenues	4,231,063	202,776
Gross profit	521,022	57,127
OPERATING EXPENSES		
Selling	127,489	19,759
General and administrative	179,468	17,477
Total operating expenses	306,957	37,236
Operating income	214,065	19,891
OTHER INCOME (EXPENSES):		
Other expenses	14,189	(1,025)
Interest income	134	32
Total other expenses	14,323	(993)
Income before income taxes	228,388	18,898
Income taxes	-	(3,812)
Net income	\$ 228,388	\$ 15,086
COMPREHENSIVE INCOME (LOSS):		
Net income	\$ 228,388	\$ 15,086
Foreign currency translation gain (loss)	123,790	(7,530)
COMPREHENSIVE INCOME	\$ 352,178	\$ 7,556
BASIC AND DILUTED INCOME PER COMMON SHARE:		
Basic	\$ 0.00	\$ -
Diluted	\$ 0.00	\$ -
Basic weighted average common shares outstanding	96,078,960	-
Diluted weighted average common shares outstanding	96,078,960	-

See notes to unaudited consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(RESTATED)

For the Three Months Ended
March 31,

2012
(Unaudited)

2011
(Unaudited)

OPERATING ACTIVITIES:

Net income	\$ 228,388	\$ 15,086
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,480	1,564
Changes in current assets and liabilities:		
Accounts receivable	(977,737)	(215,495)
Advance to suppliers	(31,830)	63,678
Prepaid expenses and other current assets	(47,977)	1,219
Inventories	(523,166)	17,443
Accounts payable and accrued expenses	491,743	33,679
Other payables	201,484	68,480
Due to related party	188,139	-
Taxes payable	1,932	4,806
Advance from customers	(25,014)	1,060
CASH USED IN OPERATING ACTIVITIES	(484,558)	(8,480)

INVESTING ACTIVITIES:

Purchase of fixed assets	(521)	-
CASH USED IN INVESTING ACTIVITIES	(521)	-

FINANCING ACTIVITIES:

Increase in due to related parties	276,866	
Proceeds from notes payable	20,000	-
CASH PROVIDED BY FINANCING ACTIVITIES	296,866	

EFFECT OF EXCHANGE RATE ON CASH	117,753	253
Net increase in cash	(70,460)	(8,227)

Cash - beginning of year	246,720	44,377
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Cash – end of year	\$ 176,260	\$ 36,150
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for taxes	\$ 10,461	\$ 2,337
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See notes to unaudited consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements

March 31, 2012

NOTE 1 – ORGANIZATION AND OPERATIONS

Transax International Limited (“we”, “us”, “our,” or the “Company”) was incorporated in the State of Colorado in 1987. Prior to December 2011, the Company, through its subsidiary, Medlink Conectividade em Saude Ltda (“Medlink Conectividade”) was an international provider of information network solutions specifically designed for healthcare providers and health insurance companies. On March 26, 2008, the Company executed a stock purchase and option agreement with Engetech, Inc., a Turks & Caicos corporation (controlled and owned 20% by Americo de Castro, director and President of Medlink Conectividade, and 80% by Flavio Gonzalez Duarte or assignees. In accordance with the terms and provisions of the agreement, the Company sold to the buyer 45% of the total issued and outstanding stock of its wholly-owned subsidiary, Transax Limited, which owned 100% of the total issued and outstanding shares of: (i) Medlink Conectividade, and (ii) Medlink Technologies, Inc., (“MTI”) a Mauritius corporation (See Note 5). However, the buyer defaulted on payments and on November 24, 2010, pursuant to an agreement, the buyer returned the 45 shares of Transax Limited held in escrow and forfeited its initial deposit of \$937,700 in full and complete satisfaction of any amounts due to the Company.

On April 4, 2011, pursuant to a Quota Purchase and Sale Agreement amongst Transax Limited, QC Holding I Participacoes S.A., a corporation organized under the laws of Brazil (“QC Holding”), and Medlink Conectividade, the Company sold 100% of its interest in Medlink Conectividade to QC Holding.

On December 30, 2011, the Company entered into a Share Exchange Agreement (the “Share Exchange Agreement”) Big Tree International Co., Ltd., a Brunei company (“BT Brunei”) and its shareholder Lins (HK) International Trading Limited (“BT Hong Kong”). Under the Share Exchange Agreement, we exchanged 6,500,000 shares of our Series C Convertible Preferred Stock (the “Series C Preferred Stock”) to acquire 100% of the issued and outstanding shares of BT Brunei from its sole shareholder BT Hong Kong. Each share of the Series C Preferred Stock is convertible into one share of our common stock after giving effect to a pending 1 for 700 reverse stock split (the “Reverse Stock Split”) and will represent approximately 65% of the issued and outstanding shares of our common stock, and is hereinafter referred to as the “Exchange”. On December 30, 2011, BT Hong Kong became a shareholder of the Company. The Share Exchange Agreement was approved by our Board of Directors on December 30, 2011 and no approval of our shareholders was necessary under Colorado law.