FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2004-05-18** | Period of Report: **2004-03-31**
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FILER

VERSATECH INC
CIK:**933954**| IRS No.: **880330263** | State of Incorp.:**NV** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-22729** | Film No.: **04814537**
SIC: **5900** Miscellaneous retail

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2004

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 33-91240

Versatech USA
(fka VersaTech, Inc.)
(Exact name of small business issuer as specified in its charter)

Nevada	88-0330263
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

800 Bellevue Way NE Suite 400
Bellevue WA 98004
(Address of principal executive offices)

(425)990-5599
(Issuer's telephone number)

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 [ ]

As of March 31, 2004, 20,636,974 shares of Common Stock were outstanding.

Transitional Small Business Disclosure Format (Check one):
Yes [ ] No [X]

VersaTech, USA

Form 10-QSB

TABLE OF CONTENTS

Versatech, INC.
and Subsidiaries

March 31, 2004
(Unaudited)

C O N T E N T S

VERSATECH, INC.
Consolidated Balance Sheets

ASSETS

<TABLE>
<CAPTION>

	March 31, 2004 (Unaudited)	December 31, 2003
CURRENT ASSETS		
Cash and cash equivalents	$ 20,089	$ 3
Prepaid expenses	30,000	-
Accounts receivable	135	-
Total Current Assets	50,224	3
PROPERTY AND EQUIPMENT		
Office furniture and fixtures	16,687	16,687
Equipment	17,999	17,999

Software Development	22,500	22,500
Accumulated depreciation	(57,186)	(57,186)
Net Property and Equipment	-	-
TOTAL ASSETS	$ 50,224	$ 3

</TABLE>

The accompanying notes are and integral part of these consolidated financial statements.

VERSATECH, INC.
Consolidated Balance Sheets (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	March 31, 2004	December 31, 2003
CURRENT LIABILITIES	(Unaudited)	
<S>	<C>	<C>
Accounts payable	48,808	49,607
Accrued expenses	110,228	94,712
Current portion of notes payable	158,605	77,104
Total Current Liabilities	317,641	221,423
LONG-TERM DEBT		
Notes payable - related party	158,605	77,104
Less: current portion	(158,605)	(77,104)
Total Long Term Liabilities	-	-
TOTAL LIABILITIES	317,641	221,423
STOCKHLDERS' EQUITY		
Common stock, $0.0003 par value, authorized 75,000,000 shares; issued and outstanding 20,636,974 and 20,036,974, respectively	6,192	6,012
Additional Paid in Capital	11,058,936	11,014,891
Treasure stock	(36,016)	(36,016)
Retained earnings	(11,296,528)	(11,206,307)
Total Stockholders' Equity	(267,417)	(221,420)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 50,224	$ 3

</TABLE>

The accompanying notes are and integral part of these consolidated financial statements.

VERSATECH, INC.
Consolidated Statements of Operations

	For the Three Months Ended March 31, 2004	2003
SALES	$ 505	$ 941
COST OF GOODS SOLD	-	-
GROSS PROFIT	505	941
OPERATING EXPENSES:		
General and administrative expenses	59,585	397,561
Salaries and Wages	18,750	-
Warrant Expense	10,625	-
Total Operating Expenses	88,960	397,561
OPERATING INCOME (LOSS):	(88,455)	(396,620)
OTHER INCOME AND (EXPENSES)		
Interest expense	(1,766)	(4,350)
Total Other Income and (Expenses)	(1,766)	(4,350)
INCOME (LOSS) BEFORE INCOME TAXES	(90,221)	(400,970)
PROVISION FOR INCOME TAXES	-	-
NET INCOME (LOSS)	$ (90,221)	$ (400,970)
NET INCOME (LOSS) PER SHARE	$ (0.00)	$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	20,261,150	14,013,752

The accompanying notes are and integral part of these consolidated financial statements.

VERSATECH, INC.
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	For the Three Months Ended March 31, 2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net income (loss)	$ (90,221)	$ (400,970)

Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock issued for services	33,600	397,500
Warrants issued for services	10,625	-
(Increase) decrease in:		
Accounts receivable	(135)	-
Prepaid expense	(30,000)	-
Increase (decrease) in:		
Accounts payable	(799)	(690)
Accrued expenses	15,515	4,350
Net Cash Provided(Used) by Operating Activities	(61,415)	190
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
Net Cash Provided (Used) by Investing Activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt financing	81,501	-
Net Cash Provided(Used) by Financing Activities	81,501	-
NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS	20,086	190
CASH AND CASH EQUIVALENTS BEGINNING	3	192
ENDING	$ 20,089	$ 382

Supplemental Disclosures of Cash Flow Information:

</TABLE>

The accompanying notes are and integral part of these consolidated financial statements.

VERSATECH, INC.
Notes to the Consolidated Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Business

Versatech, Inc. (formerly D H Marketing & Consulting Inc.), a New York corporation, was organized on January 4, 1994, and was actively engaged in business operations through September 29, 1994, when the Company merged with D. H. Marketing & Consulting, Inc., a Nevada corporation, incorporated under the laws of the State of Nevada on September 8, 1994, for the purpose of acquiring D. H. Marketing, New York. The Company changed its name from D H Marketing & Consulting, Inc. to Versatech, Inc. on March 15, 2000.

On December 30, 1997 the Company completed a share exchange with Universal Network, Inc. (UNI), wherein the Company issued 1,900,123 shares of common stock for the remaining 76% interest in UNI, thus making UNI a wholly owned subsidiary of the Company. UNI is engaged in the sale and distribution of fine art, jewelry, bank notes and other collectables. In 1998 the Company added new consumable products such as skin care, juice and an all natural dietary supplement. UNI distributes its products to distributors of the Company using direct selling as well as traditional marketing methods (i.e.TV, radio media and the internet).

b. Principles of Consolidation

The consolidated financial statements include the accounts of VersaTech, Inc., its wholly-owned subsidiaries Financial Communication Services, Inc. (FCS) and Universal Network, Inc (UNI). All significant intercompany accounts and transactions have been eliminated in the consolidation.

c. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

d. Property and Equipment

Property and equipment are stated at cost. Major replacements and betterments are capitalized while maintenance and repairs are expensed as incurred.

Depreciation is provided generally on a straight-line basis over the estimated service lives of the respective classes of property.

e. Fair Value fo Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

VERSATECH, INC.
Notes to the Consolidated Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Provision for Income taxes

No provision for income taxes has been recorded due to net operating loss carryforwards totaling approximately $11.3 million that will be offset against future taxable income. Thes NOL carryforwards begin to expire in the year 2009. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforward will expire unused.

The deferred tax liability and the valuation account is as follows at March 31, 2004 and December 31, 2003:

	March 31, 2004	December 31, 2003
Deferred tax asset:		
NOL carryforward	$ 3,840,820	$ 3,810,145
Valuation allowance	(3,840,820)	(3,810,145)
Total	$ -	$ -

g. 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 amounts reported in the financial statements and accompanying notes. In these financial statements, assets, liabilities and earnings involve extensive reliance on management's estimates. Actual results could differ from those estimates.

h. Earnings (Loss) Per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements. Fully diluted earnings per share has not been presented because it is equal to primary earnings per share. 750,000 options have been excluded from the fully diluted earnings per share calculation because their effects are anti-dilutive.

	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount
For the period ended March 31, 2004:			
Basic EPS			
Income (loss) to common stockholders	$ (90,221)	20,261,150	$(0.00)
For the year ended December 31, 2003:			
Basic EPS			
Income (loss) to common stockholders	$ (542,649)	18,173,714	$(0.03)

VERSATECH, INC.
Notes to the Consolidated Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Accounting for Stock-Base Compensation

As permitted by SFAS NO. 123 "Accounting for Stock-Based Compensation," the Company has elected to account for the stock option plans as a compensation cost when options were issued at equal to or more than fair market value.

NOTE 2 - RELATED PARTY TRANSACTIONS

During 2001, six shareholders of the Company loaned the Company $87,000. These convertible loans are interest bearing at 20% and are due upon demand. During 2003, common stock of the Company was issued to satisfy the principal and accrued interest of these various notes. As of December 31, 2003, the loan balance is $0.

During 2001 and 2000, Michael Daily, an officer and director, loaned the Company $62,884 and $106,404, respectively. Mr. Daily was paid back in cash and stock the amount of $83,081 during 2000. The loan is non-interest bearing and due upon demand. For the years ended December 31, 2003 and 2002, the loan balance remained at $75,410 for both year ends.

During 2002, a shareholder loaned the Company $25,000 bearing interest at a flat rate of $5,000. Payments are to be made monthly based on monthly sales of inventory. Inventory valued $7,938 was given to the shareholder as collateral. In addition, the Company=s president loaned funds to the Company totaling $15,978 to cover operational costs. The unsecured loan is non-interest bearing and is due and payable upon demand.

In 2003, the board of directors authorized the issuance of 5,475,000 shares of restricted common stock to various officers of the Company in exchange for services valued at $425,000. The Company also issued 150,000 shares of common stock to relieve its subsidiary of a $15,000 accrued expense. It was also resolved that the Company issue 620,000 shares of restricted common stock for satisfaction of $62,000 in notes payable and $14,954 in accrued interest.

Effective December 31, 2003, the Company issued 200,000 shares of common stock to Mike Daily, a previous officer and director for satisfaction of $240,000 of accrued wages and notes payable of $75,410. The Company also negotiated a consulting agreement with Mr. Daily beginning April 2003, for services. The agreement expires in 36 months and requires payment of $1,500 per month.

NOTE 2 - RELATED PARTY TRANSACTIONS (Continued)

In February 2004, the Company entered into a contract with EPWC Management, Inc. ("EPWC") to provide management consultation services. The contract became effective January 1, 2004 and will continue for two years with the option of extension at that time. EPWC will provide ongoing consulting services for $5,000 per month throughout the two year term. A retainer of $30,000 was paid to EPWC which may be used for payment during the agreed term. In addition, EPWC received 600,000 shares of the Company's restricted common stock for services valued at $0.056 per share. Furthermore, the Company issued EPWC a stock purchase warrant for 1,000,000 shares of common stock with a warrant price of $1.00 per share. Accordingly the Company has changed the value of the warrants to expense in the amount of $10,625.

NOTE 3 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The company has had recurring operating losses, is lacking working capital and is dependent upon financing to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management plans to discontinue the marketing of its dietary supplements and entertain new business ventures or seek for a merger candidate. Management also plans to raise additional funds through a private placement of its common stock.

NOTE 4 - NOTES PAYABLE

Long Term Liabilities are detailed in the following schedules as of March 31, 2004 and December 31, 2003:

	March 31, 2004	December 31, 2003
Note payable related party is detailed as follows:		
Note payable to an officer and director, non-interest bearing and due upon demand	$ 15,978	$ 15,978
Convertible note payable to an officer and director, interest bearing at 8% and due upon demand.	37,627	36,126
Convertible note payable to a shareholder, interest of $5,000 due upon demand.	25,000	25,000
Notes payable to shareholders, interest bearing at 10% and due in one year.	80,000	-
Total Notes Payable - Related Party	158,605	77,104
Less current portion	(158,605)	(77,104)

Long-Term Portion Notes Payable	$ -	$ -

NOTE 4 - NOTES PAYABLE (Continued)

Future minimum principal payments on long-term debt is as follows:

Year Ending December 31,	Amount
2004	$ 78,605
2005	$ 80,000
	$ 158,605

NOTE 5 - COMMON STOCK WARRANTS

In February 2004, the Company entered into a contract with EPWC Management, Inc. ("EPWC") to provide management consultation services. The contract became effective January 1, 2004 and will continue for two years with the option of extension at that time. EPWC will provide ongoing consulting services for $5,000 per month throughout the two year term. In addition, EPWC received 600,000 shares of the Company=s restricted common stock for services valued at $0.056 per share. Furthermore, the Company issued EPWC a stock purchase warrant for 1,000,000 shares of common stock with a warrant price of $1.00 per share. The agreement allows EPWC to purchase the common stock at a purchase price of $1.00 per share. The warrant shall alos provide that EPWC may exchange the warrant for 600,000 shares of common stock without purchase of any kind. The purchase shall be exercisable at the earliest of the event of: (a) the approval of the Company, in its sole discretion; (b) upon the reverse split or other share reduction of the Company=s common stock; or, (c) on March 31, 2005. The stock purchase warrant shall expire on December 31, 2006, unless extended by the Company.

Stock Warrants	2004	
	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	-	$ -
Granted	1,000,000	1.00
Exercised	-	-
Canceled	-	-
Outstanding at end of quarter	1,000,000	$ 1.00
Exercisable at end of quarter	1,000,000	$ 1.00

In accordance with SFAS 123, "Accounting for Stock-Based Compensation", $10,625 was recognized as warrant expense for the period ended March 31, 2004.

NOTE 5 - COMMON STOCK WARRANTS (Continued)

The fair value of the warrant grant was established at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions;

	2004
Risk-free interest rate	4.67%
Dividend yield	0%
Volatility	100%
Average expected term (years to exercise date)	1

Warrants outstanding and exercisable under this plan as of March 31, 2004 are:

Stock Warrants

<TABLE>

Range of Exercise Price		Weighted Average of Exercise Warrants	Weighted Average Remaining Contractual	Price	Weighted Average Of Exercise	Life (years)	Warrants	Price
<S>	<C>	<C>	<C>	<C>	<C>			
$ 1.00	1,000,000	$ 1.00	3.00	1,000,000	$ 1.00			

</TABLE>

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following information should be read in conjunction with the interim financial statements and the notes thereto included in Part 1, Item 1 of this Quarterly Report and the financial statements and notes thereto contained in the Company's Form 10KSB for the year ended December 31, 2002.

This Form 10-QSB contains forward-looking statements. Such statements consist of any statement other than a recitation of historical facts and can be identified by words such as "may," "expect," "anticipate," "estimate," "hopes," "believes," "continue," "intends," "seeks," "contemplates," "suggests," "envisions" or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to: those risks associated with the ability of the Company to raise additional capital or to continue as a going concern; the Company's ability to enter into international markets and/or the Company's ability to deliver to the market additional products for sale; the allocation of its resources as necessary to continue operations; the Company's ability to generate cash flow from revenue or other sources; the Company's ability to use its capital stock as a negotiable instrument for attracting additional business opportunities, paying expenses or other disbursements, attracting personnel or contractors and other business uses of the Company's capital stock. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this quarterly report on Form 10-QSB will, in fact, occur. The Company's actual results may differ materially as a result of certain factors, including those set forth in this Form 10-QSB. Potential investors should consider carefully the previously stated factors, as well as the more detailed information contained elsewhere in this Form 10-QSB, before making a decision to invest in the common stock of the Company.

During the first quarter the company sustained a concentrated effort towards finding business opportunities suitable for acquisition.

Part II. Other Information

Item 1. Legal Proceedings

The Company is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Company has been threatened.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

On February 17, 2004,our independent auditors, Chisholm & Associates, Certified Public Accountants, informed us that on February 10, 2004, the firm had merged its operatoins into Chisholm, Bierwolf & Nilson, LLC. Our Board of Directors approved the change in auditors.

On March 1, 2004 articles of incorporation were filed with the Secretary of State for the State of Washington for Versatech Acquisitions, Inc. Versatech Acquisitions Inc. is wholly owned by Versatech USA.

On or about February 27, 2004 the company entered into a management consulting contract with EPWC Management, Inc. The term of this agreement is for two (2) years, and calls for EPWC to provide the Company with assistance in the implementation of its business plan.

Exhibits attached:

SIGNATURES

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

Dated: May 17, 2004

Versatech, USA

/s/ STEVE KRAKONCHUK

Steve Krakonchuk
Chief Executive Officer
and duly authorized officer
(Principal Financial and
Accounting Officer)

CERTIFICATION
Pursuant to Section 302 of the Sarbanes Oxley Act of 2002

I, Steve Krakonchuk, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Versatech USA;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a) designed such internal controls to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) evaluated the effectiveness of the registrant's internal controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 17, 2004

/s/ Steve Krakonchuk

Steve Krakonchuk
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 906

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18,
UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Versatech, Inc. (the "Company"), in his capacity and as of the date set forth below, does hereby certify with respect to the Quarterly Report of the Company on Form 10-QSB for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission (the "10-QSB Report") that to his knowledge:

(1) the 10-QSB Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the 10-QSB Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 17, 2004

/s/ STEVE KRAKONCHUK

Steve Krakonchuk
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Versatech, USA and will be retained by Versatech USA and furnished to the Securities and Exchange Commission or its staff upon request.