MEGATECH CORP
Form 10-Q
August 10, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, DC. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2001 or

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

For the transition period from ________________ to _______________

Commission file number 0-9643

MEGATECH CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts	04-2461059
(State or other jurisdiction of incorporation of organization)	(IRS. Employer Identification No.)
555 WOBURN Street, TEWKSBURY, MA	01876
(Address of principal executive offices)	(Zip Code)

(978) 937-9600
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

There were 3,815,408 shares of common stock outstanding at August 1, 2001.

MEGATECH CORPORATION
QUARTERLY REPORT FORM 10-Q
June 30, 2001

PART 1. FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MEGATECH CORPORATION
BALANCE SHEET

	June 30, 2001 (UNAUDITED)	DEC. 31, 2000 (AUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,656	$ 27,585
Accounts receivable:		
Trade	239,238	332,577
Other	11,307	7,763
Inventories	246,722	243,827
Prepaid expenses	10,140	5,859
Total current assets	530,063	617,611
Property, plant and equipment, net	82,200	75,544
Other assets	7,666	7,666
Total Assets	$ 619,929	$ 700,821

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable - Trade	$ 47,560	$ 95,381
Accrued Liabilities	69,174	86,921
Current portion of long-term debt	37,500	37,500
Total current liabilities	154,234	219,802
Stockholders' equity:		
Common Stock, par value $.0143 per share, 5,000,000 shares authorized; 3,815,408 shares issued and outstanding	54,560	54,560
Additional paid-in capital	4,015,044	4,015,044
Deficit	(3,603,909)	(3,588,585)
Total stockholders' equity	465,695	481,019
Total liabilities and stockholders' equity	$ 619,929	$ 700,821

See notes to financial statements.

MEGATECH CORPORATION
STATEMENT OF OPERATIONS (UNAUDITED)

	SIX MONTHS ENDED		QUARTER ENDED	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 20
Sales	$ 845,562	$1,268,932	$ 480,539	$ 587,467
Cost of sales	363,145	685,966	191,041	311,210
Gross profit	482,417	582,966	289,498	276,257
Operating expenses:				
Selling	389,839	404,076	201,890	199,091
General and administrative	96,536	83,803	51,153	43,179
Research and development	9,397	18,050	3,834	8,839
Total operating expenses	495,772	505,929	256,877	251,109
Income (loss) from operations	(13,355)	77,037	32,621	25,148
Other income (expense):				
Interest income	138	1,295	52	365
Interest expense	(1,917)	(1,582)	(1,036)	(750
Other	(190)	0	0	0
Other income (expense), net	(1,969)	(287)	(984)	(385

Net income (loss)	$ (15,324)	$ 76,750	$ 31,637	$ 24,763
Net income (loss) per share - basic and diluted	$ (0.004)	$ 0.020	$ 0.008	$ 0.006
Weighted average number of common	3,815,408	3,813,708	3,815,408	3,813,708

See notes to financial statements.

MEGATECH CORPORATION
STATEMENT OF CASH FLOWS

	SIX MONTHS ENDED	
	June 30, 2001	June 30, 2000
Cash flows from operating activities:		
Net income (loss)	$(15,324)	$ 76,750
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,234	9,234
Common stock issued as compensation	0	308
Changes in operating assets and liabilities:		
Accounts receivable	89,795	(70,052)
Prepaid expenses	(4,281)	(5,259)
Inventories	(2,895)	86,300
Accounts payable	(47,821)	30,291
Accrued liabilities	(17,746)	(172,868)
Net cash provided (used) by operating activities	10,962	(45,296)
Cash flows from investing activities:		
Purchases of property and equipment	(15,891)	(3,902)
Net cash provided (used) by investing activities	(15,891)	(3,902)
Cash flows from financing activities:		
Principal payments on notes payable	(45,000)	0
Advances on notes payable	45,000	0
Net cash used by financing activities	0	0

Net increase (decrease) in cash and cash equivalents	(4,929)	(49,198)
Cash & cash equivalents, beginning of period	27,585	75,857
Cash & cash equivalents, end of period	$ 22,656	$ 26,659

See notes to financial statements.

MEGATECH CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

1. BASIS OF PRESENTATION:

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows have been included. Operating results for interim periods are not necessarily indicative of the operating results that may be expected for the full year. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K.

2. INVENTORIES:

Inventories consisted of the following:

	June 30, 2001	Dec. 31, 2000
Raw materials	$140,856	$146,722
Work in process	17,368	8,993
Finished goods	88,498	88,112
	$246,722	$243,827

3. MAJOR CUSTOMER INFORMATION:

For the period ended June 30, 2001 and 2000, sales to two unrelated sales representatives comprised 63% and 65% of total sales, respectively.

ITEM 2.

MEGATECH CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR QUARTER AND SIX MONTHS ENDED JUNE 30, 2001 AND 2000

RESULTS OF OPERATIONS:

Quarter Ended June 30, 2001 compared to quarter ended June 30, 2000

Sales for the quarter ended June 30, 2001 were $480,539, compared to $587,467 for the same quarter last year. The decrease was primarily due to a decrease in domestic sales.

Gross profit for the quarter ended June 30, 2001 was $289,498 or 60% of sales, compared to $276,257 or 47% of sales, for the same quarter last year. The increase is the result of lower direct labor and materials costs.

Operating expenses for the quarter ended June 30, 2001 were $256,877 or 53% of sales, compared to $251,109 or 43% of sales, for the same quarter last year. The increase is due to an increase in selling and marketing costs.

The net income for the quarter ended June 30, 2001 was $31,637 compared to net income of $24,763 for the same quarter last year. The increase is the result of the items discussed above.

Six months Ended June 30, 2001 compared to six months ended June 30, 2000

Sales for the six months ended June 30, 2001 were $845,562, compared to $1,268,932 for the same period last year. The decrease was due to a decrease in international sales.

Gross profit for the six months ended June 30, 2001 was $482,417 or 57% of sales, compared to $582,966 or 46% of sales, for the same period last year. The increase as a percentage of sales is the result of a decrease in direct labor and materials costs.

Operating expenses for the six months ended June 30, 2001 were $495,772 or 59% of sales, compared to $505,929 or 40% of sales, for the same period last year. The increase as a percentage of sales is attributable to an increase in selling and marketing costs.

The net loss for the six months ended June 30, 2001 was $15,324 compared to net income of $76,750 for the same period last year. The decrease is the result of the items discussed above.

LIQUIDITY AND CAPITAL RESOURCES:

Working capital as of June 30, 2001 was $375,828 compared to $397,809 in working capital at December 31, 2000. The decrease is attributable to the net loss for the year.

The company maintains a secured line of credit in the amount of $200,000. At June 30, 2001, no borrowings were outstanding under this line. The company believes that cash generated from operations, together with existing sources of debt financing, will be sufficient to meet foreseeable cash requirements for the next twelve months.

The firm's backlog as of June 30, 2001 was approximately $340,643 compared to $371,950 for same period ended in 2000.

ITEM 3. QUANITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings: None.

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: None.

SIGNATURES

Pursuant to the requirement 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.

MEGATECH CORPORATION
(Registrant)

August 1, 2001	/s/ Vahan V. Basmjian
Date	Vahan V. Basmajian President, Treasurer