

ACTRADE FINANCIAL TECHNOLOGIES LTD

Form 10-Q

May 01, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2001

Commission File Number 0-18711

ACTRADE FINANCIAL TECHNOLOGIES LTD.
(formerly Actrade International, Ltd.)

Incorporated under the laws of the State of Delaware
I. R. S. Employer Identification Number 13-3437739

7 Penn Plaza, Suite 422, New York, N.Y. 10001
Telephone Number (212) 563-1036

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 and 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 the number of Shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date. As of April 30, 2001 there were outstanding 9,070,020 shares of Common Stock, par value \$.0001.

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ACTRADE FINANCIAL TECHNOLOGIES LTD. AND SUBSIDIARIES
(Formerly Actrade International, Ltd.)

CONSOLIDATED BALANCE SHEETS

Dollars in thousands except per share amounts

March 3
2001

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(Unaudited)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$14,8
Accounts receivable - trade	27,1
Trade acceptance drafts receivable and investment in and due from qualifying special purpose entity (net of deferred income and allowance for doubtful accounts of \$1,400 and \$3,042 at March 31, 2001 and \$1,311 and \$3,044 at June 30, 2000)	37,9
Deferred income taxes	9
Other current assets	2

Total Current Assets	81,2
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PROPERTY AND EQUIPMENT, NET	1,8
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OTHER ASSETS	6
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TOTAL ASSETS	\$83,7
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Short-term borrowings	\$23,4
Other current liabilities	2,2

Total Current Liabilities	25,6
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STOCKHOLDERS' EQUITY:

Common stock, \$0.0001 par value; authorized 100,000,000 shares, issued and outstanding 9,446,350 and 9,070,020 shares at March 31, 2001 and 9,332,865 and 8,983,695 shares at June 30, 2000	
Additional paid-in capital	22,6
Retained earnings	42,8
Accumulated other comprehensive income (loss)	
Treasury stock at cost	(7,5)

Total Stockholders' Equity	58,0
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$83,7
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See notes to consolidated financial statements.

ACTRADE FINANCIAL TECHNOLOGIES LTD. AND SUBSIDIARIES
(Formerly Actrade International, Ltd.)

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

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Dollars in thousands except per share amounts

	Nine months ended March 31,		Three m Ma
	2001	2000	2001
Revenue:			
Trade Acceptance Drafts	\$ 21,231	\$ 12,832	\$ 7,988
International Merchandise Trade	21,658	9,007	7,987
	-----	-----	-----
Total Revenue	42,889	21,839	15,975
	-----	-----	-----
Operating Expenses:			
General and administrative	(8,166)	(6,910)	(2,837)
Bad debt	(2,273)	(3,626)	(1,012)
Interest, net	(13,040)	(3,443)	(4,710)
	-----	-----	-----
Total Operating Expenses	(23,479)	(13,979)	(8,559)
	-----	-----	-----
Income before Provision for Income Taxes	19,410	7,860	7,416
Provision for Income Taxes - (Expense) Benefit	(2,221)	(166)	(883)
	-----	-----	-----
Net Income	\$ 17,189	\$ 7,694	\$ 6,533
	=====	=====	=====
Net Income per Common Share:			
Basic	\$1.90	\$0.89	\$0.72
Diluted	\$1.61	\$0.86	\$0.60
Weighted Average Number of Shares Outstanding:			
Basic	9,031,990	8,661,434	9,064,937
Diluted	10,698,237	8,926,306	10,907,023

See notes to consolidated financial statements.

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(Unaudited)

Dollars in thousands		Nine months
		2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		\$17,189
Adjustments to reconcile net income to net cash provided by (used in) by operating activities:		
Depreciation and amortization		699
Bad debt expense		2,273
Deferred income		89
Loss (income) from qualifying special purpose entity		639
Compensation expense-amortization of warrants issued		0
Deferred income taxes		(29)
Changes in operating assets and liabilities:		
Accounts receivable - trade and trade acceptance drafts receivable and investment in and due from qualifying special purpose entity		(5,195)
Other assets		(116)
Other current liabilities		(518)
Net cash provided by (used in) operating activities		15,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(657)
Net cash used in investing activities		(657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term borrowings		(9,249)
Proceeds from stock option exercise		318
Net cash (used in) provided by financing activities		(8,931)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,443
Cash, beginning of period		9,424
CASH, END OF PERIOD		\$14,867
Supplemental disclosures of cash flow information:		
Interest paid during the fiscal period		\$13,156
Income taxes paid during the fiscal period		\$2,887
Exercise of options in exchange for common stock		\$868

See notes to consolidated financial statements.

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ACTRADE FINANCIAL TECHNOLOGIES LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
Dollars in thousands

1. Summary of Significant Accounting Policies

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. 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 have been included. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report of Actrade Financial Technologies Ltd. (the "Company") and subsidiaries on Form 10-K for the fiscal year ended June 30, 2000.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

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

The Company has adopted the Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB 101") - Revenue Recognition in Financial Statements. SAB 101 was issued to provide guidance in applying generally accepted accounting principles to the large number of revenue recognition issues that registrants encounter. Accordingly, the Company changed the income statement presentation of Revenue - International Merchandise Trade from reflecting sales and cost of sales to a net basis. In addition, the Company will no longer disclose, in the consolidated statements of income, Gross Sales - Trade Acceptance Drafts and Gross Sales - International Merchandise Trade. The prior period presentation has been changed to conform to the current period presentation. The adoption of SAB 101 did not have any impact on the net income of the Company.

2. Segment Information

The Company's business operations are divided into two principal business segments: the trade acceptance draft program and international merchandise trade activities. The Company's business segments are based on business units or entities that offer different products and services. They are managed separately because each business segment requires different strategic initiatives and marketing.

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The following is a summary of the Company's segment information:

	Nine months ended March 31,	Three months March 31,
	2001	2000
Revenue:		
Trade Acceptance Drafts	\$21,231	\$12,832
International Merchandise Trade	21,658	9,007
	-----	-----
	\$42,889	\$21,839
	=====	=====
Income before Provision for		
Income Taxes:		
Trade Acceptance Drafts	\$ 4,346	\$ 1,516
International Merchandise Trade	15,064	6,344
	-----	-----
	\$19,410	\$ 7,860
	=====	=====
Depreciation and Amortization:		
Trade Acceptance Drafts	\$ 688	\$ 340
International Merchandise Trade	11	15
	-----	-----
	\$ 699	\$ 355
	=====	=====
Interest, Net:		
Trade Acceptance Drafts	\$ 7,386	\$ 1,464
International Merchandise Trade	5,654	1,979
	-----	-----
	\$13,040	\$ 3,443
	=====	=====
	March 31,	June 30,
	2001	2000
	-----	-----
Total Assets:		
Trade Acceptance Drafts	\$28,332	\$34,356
International Merchandise Trade	55,400	41,560

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\$83,732	\$75,916
=====	=====

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General Statement - Factors That May Affect Future Results.

With the exception of historical information, the matters discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward looking statements under the 1995 Private Securities Litigation Reform Act (the "Reform Act") that involve various risks and uncertainties. Typically, these statements are indicated by words such as "anticipates," "expects," "believes," "plans," "could," and similar words and phrases. Factors that could cause the Company's actual results to differ materially from management's projections, forecasts, estimates and expectations include but are not limited to, the following:

- o Changes in the Company's currently available credit facilities;
- o The inability of the Company to extend or secure additional credit facilities to fund the anticipated expansion of sales under its E-TAD Program as defined below;
- o Unexpected economic changes both in the United States and overseas;
- o The imposition of new restrictions or regulations affecting either the Company's international merchandise trade activities or its E-TAD Program, either in the United States or in Canada.

To the extent possible, the following discussion will highlight the relative needs of the Company with respect to both its international merchandise trade activities and in connection with the ongoing expansion of its E-TAD Program.

Segment Reporting Disclosures.

The Company's sales are generated from two major business segments: the trade acceptance draft program ("TAD Program") including the recently introduced E-TAD Program, and international merchandise trade. For purposes of this Report, references to the E-TAD Program include the original TAD Program. A TAD is a post-dated payment draft prepared by the seller of goods or services ("Supplier") and accepted by the buyer of the goods or services ("Buyer") by the Buyer signing and delivering the draft back to the Supplier. The E-TAD Program denotes the Company's ongoing plan for all

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aspects of TADs to be processed, marketed, and fulfilled electronically, including prospective E-commerce applications. The E-TAD Program is operated by Actrade Capital, Inc. ("Capital") in the United States and Actrade Capital Canada, Inc. ("Actrade Canada") in Canada. The Company's international merchandise trade operations are conducted through Actrade International Corp. ("International"), which is engaged in the re-sale of American made products to foreign buyers and Actrade S.A., including its wholly owned subsidiary Actrade Resources, Inc. ("Resources"), which engage in the sale of non-US products to foreign buyers. See discussion immediately below.

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Changes in Income Statement Information

Beginning with the Company's 10-K Report for fiscal 2000, the Company adopted Securities and Exchange Commission Staff Accounting Bulletin No. 101 ("SAB101") - Revenue Recognition in Financial Statements. In essence, the adoption of SAB101 changed the presentation of revenue information on the Consolidated Statements of Income of the Company. In conformity with the requirements of SAB101, the Company's Consolidated Statements of Income simply reflect "Revenue". In the case of Capital, "Revenue" represents the net of total TAD originations (i.e. the face amount of the TADs purchased by Capital) less the cost of purchasing those TADs. Similarly "Revenue" from its International Merchandise Trade activities is also reported on a net basis. This change provides uniformity of presentation among the Company's two major revenue sectors.

On a combined basis the term "Revenue" is the equivalent of the amount reported as "Gross Profit" in prior periods. All prior period amounts and discussions have been changed to reflect the new presentation of revenue.

The adoption of SAB 101 did not have any impact on the net income of the Company.

I. Results of Operations - Nine and Three Months Ended March 31, 2001, Fiscal 2001 Compared to Nine and Three Months Ended March 31, 2000, Fiscal 2000.

All figures included in the following discussion have been rounded to the nearest \$1,000 for presentation purposes.

A. Nine Months Ended March 31, 2001 vs. March 31, 2000:

Revenue:

For the first nine months of fiscal 2001, the Company had consolidated revenue of \$42,889,000 as compared to \$21,839,000 for the same period in fiscal 2000, an increase of 96.4%. This increase resulted from substantial revenue increases in each of the Company's business segments as outlined below.

E-TAD Program

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Revenue for the nine months ended March 31, 2001 from the E-TAD Program totaled \$21,231,000, as compared to \$12,832,000 for the nine months ended March 31, 2000, an increase of 65.5%. This increase represents a higher volume of E-TAD transactions that management believes were a direct result of the accelerated marketing and expansion program begun during the prior fiscal year and which continues today. (See also "Expenses" and "Liquidity and Capital Resources" below).

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For the nine months ended March 31, 2001, total TAD originations (representing the face amount of all TAD transactions) totaled \$267,827,000.

International Merchandise Trade

Revenue from international merchandise trade during this period climbed to \$21,658,000 for the first nine months of fiscal 2001, as compared to \$9,007,000 for the first nine months of fiscal 2000, an increase of 140.5%. This increase was the result of increased product sales by Resources, rather than from price increases for the products sold. Management attributes the continued growth in this business sector to the ability to provide immediate payment to foreign suppliers as well as facilitating access to flexible payment terms for the buyers. During the first nine months of fiscal 2001, the Company's principal overseas markets continued to be (i) South America (ii) Europe, (iii) the Pacific Rim and (iv) Middle East.

See "Consolidated Financial Statements - Note 2, Segment Information" for additional information.

Expenses:

General and Administrative

General and administrative expenses for the nine months ended March 31, 2001 were \$8,166,000, as compared to \$6,910,000 for the same period last year, an increase of 18.2%. This increase includes \$559,000 of additional fees paid in connection with the increased international trade revenue noted above as well as increased legal fees. The legal fee increase of \$981,000 reflects increased litigation costs to recover monies from defaulted TADs. Most of these costs have been incurred in connection with the litigation described in Note 13 to the financial statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000. Other professional fees decreased \$443,000 due to non-recurring financial and e-commerce consulting projects undertaken during the nine months ended March 31, 2000. Compensation (including commissions and facility costs) declined to \$3,632,000 in the first nine months of fiscal 2001 from \$3,837,000 in the prior period. This reflected cost reductions arising from the closing of Capital's offices in California and Georgia and the associated reduction in personnel, offset in part by the expansion of sales force and back-office support personnel and additional office space to support the new E-TAD Program. This expansion also accounted for the \$548,000 increase in other components of general and administrative expenses.

With respect to the balance of fiscal 2001, management projects that the

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costs related to the E-TAD Program operations will continue to escalate, particularly as marketing efforts for the E-TAD Program increase and Capital implements its E-Commerce program. However, management believes that the impact of these continued increased costs would be outweighed by increased revenue as the benefits of the fiscal 2001 business and system development mature.

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Bad Debt

Bad debt expense arises almost exclusively from the TAD business segment. International merchandise trade transactions are generally secured and the Company has had no history of losses. For the first nine months of fiscal 2001, the Company provided for bad debt expense in the amount of \$2,273,000 as compared to \$3,626,000 in the first nine months of fiscal 2000. In evaluating bad debt, management looks at the adequacy of its allowance for doubtful accounts based on the status of individual past due accounts as well as estimating the aggregate amount realizable based on aging.

Interest

For the first nine months of fiscal 2001, the Company incurred net interest expense of \$13,040,000 as compared to \$3,443,000 in the same period last year. This increase is due to volume growth in both business segments. Fees and other expenses resulting from the ongoing need for new credit facilities are expensed as incurred due to the short-term nature of these facilities. Interest expense is expected to rise consistent with expected revenue growth in both business segments noted above.

Pre-tax Income:

E-TAD Program

Pre-tax income attributable to the TAD business segment was \$4,346,000 for the first nine months of fiscal 2001, as compared to \$1,516,000 for the first nine months of fiscal 2000, an increase of 186.7%. Management believes that this significant improvement reflects the investment made in the expansion of the E-TAD program during fiscal 2000 and that such improvement will continue during the balance of fiscal 2001.

International Merchandise Trade

Pre-tax income for the nine months ended March 31, 2001 from international merchandise trade operations totaled \$15,064,000 as compared to \$6,344,000 for the first nine months of fiscal 2000, an increase of 137.5%. Management believes that these operations will continue to grow during the foreseeable future although no assurance can be given that the rate of growth will continue to be sustained.

Net Income:

After provision for income taxes, the Company reported net income for the first nine months of fiscal 2001 of \$17,189,000, or \$1.61 per share (diluted), as compared to \$7,694,000 or \$0.86 per share (diluted), for the first nine months of fiscal 2000. This represented an increase in net income

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of 123.4% over the same period last year and an

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increase in earnings per share of 87.2% over last year. The income tax provision increased from \$166,000 in the first nine months of fiscal 2000 to \$2,221,000 in the current period primarily due to increased pre-tax income from the TAD segment. Income tax has not been provided on unrepatriated earnings of foreign subsidiaries, as currently it is the intention of the Company to reinvest such earnings in their foreign operations. Substantially all of the pre-tax income for the International Merchandise Trade segment is comprised of such unrepatriated earnings.

B. Three Months Ended March 31, 2001 vs. March 31, 2000:

Revenue:

For the three months ended March 31, 2001 of fiscal 2001, the Company had consolidated revenue of \$15,975,000 as compared to \$8,164,000 for the same period in fiscal 2000, an increase of 95.7%. This increase resulted from substantial revenue increases in each of the Company's business segments as outlined below.

E-TAD Program

Revenue for the third quarter of fiscal 2001 from the E-TAD Program totaled \$7,988,000, as compared to \$4,681,000 in the third quarter of fiscal 2000, an increase of 70.6%. This increase represents a higher volume of E-TAD transactions that management believes were a direct result of the accelerated marketing and expansion program begun during the prior fiscal year and which continues today. (See also "Expenses" and "Liquidity and Capital Resources" below).

For the third quarter of fiscal 2001, total TAD originations (representing the face amount of all TAD transactions) totaled \$102,879,000.

International Merchandise Trade

Revenue from international merchandise trade during this period climbed to \$7,987,000 for the third quarter of fiscal 2001, as compared to \$3,483,000 for the third quarter of fiscal 2000, an increase of 129.3%. This increase was the result of increased product sales by Resources, rather than from price increases for the products sold. Management attributes the continued growth in this business sector to the ability to provide immediate payment to foreign suppliers as well as facilitating access to flexible payment terms for the buyers. During the third quarter of fiscal 2001, the Company's principal overseas markets continued to be (i) South America (ii) Europe, (iii) the Pacific Rim and (iv) Middle East.

See "Consolidated Financial Statements - Note 2, Segment Information" for additional information.

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Expenses:

General and Administrative

General and administrative expenses for the three months ended March 31, 2001 were \$2,837,000, as compared to \$2,847,000 for the same period last year, a decrease of 0.4%. This includes a legal fee increase of \$158,000 reflecting increased litigation costs to recover monies from defaulted TADs. Most of these costs were incurred in connection with the litigation described in Note 13 to the financial statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2000. Other professional fees decreased \$227,000 due to non-recurring financial and e-commerce consulting projects undertaken during the nine months ended March 31, 2000. Compensation (including commissions and facility costs) increased to \$1,353,000 in this quarter from \$1,216,000 in the same period last year. The expansion of the sales force and back-office support personnel and additional office space to support the new E-TAD program were offset in part by cost reductions arising from the closing of Capital's offices in California and Georgia and the associated reduction in personnel. This expansion also accounted for a \$127,000 increase in other components of general and administrative expenses.

With respect to the balance of fiscal 2001, management projects the costs related to the E-TAD Program operations will continue to escalate, particularly as marketing efforts for the E-TAD Program increase and Capital implements its E-Commerce program. However, management believes that the impact of these continued increased costs would be outweighed by increased revenue as the benefits of the fiscal 2001 business and system development mature.

Bad Debt

Bad debt expense arises almost exclusively from the TAD business segment. International merchandise trade transactions are generally secured and the Company has had no history of losses. For the three months ended March 31, 2001, the Company provided for bad debt expense in the amount of \$1,012,000 as compared to \$1,310,000 during the same quarter of fiscal 2000. In evaluating bad debt, management looks at the adequacy of its allowance for doubtful accounts based on the status of individual past due accounts as well as estimating the aggregate amount realizable based on aging.

Interest

For the third quarter of fiscal 2001, the Company incurred net interest expense of \$4,710,000 as compared to \$1,127,000 in the same period last year. This increase is due to volume growth in both business segments. Fees and other expenses resulting from the ongoing need for new credit facilities are expensed as incurred due to the short-term nature of these facilities. Interest expense is expected to rise consistent with expected revenue growth in both business segments noted above.

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Pre-tax Income:

E-TAD Program

Pre-tax income attributable to the TAD business segment was \$1,651,000 for the third quarter of fiscal 2001, as compared to \$324,000 for the third quarter of fiscal 2000, an increase of 409.6%. Management believes that this significant improvement reflects the investment made in the expansion of the E-TAD program during fiscal 2000 and that such improvement will continue during the balance of fiscal 2001.

International Merchandise Trade

Pre-tax income for the three months ended March 31, 2001 from international merchandise trade operations totaled \$5,765,000 as compared to \$2,556,000 for the three months ended March 31, 2000, an increase of 125.5%. Management believes that these operations will continue to grow during the foreseeable future although no assurance can be given that the rate of growth will continue to be sustained.

Net Income:

After provision for income taxes, the Company reported net income for the third quarter of fiscal 2001 of \$6,533,000, or \$0.60 per share (diluted), as compared to \$3,187,000, or \$0.35 per share (diluted), for the third quarter of fiscal 2000. This represented an increase in net income of 105.0% over the same period last year and an increase in earnings per share of 71.4% over last year. The tax benefit of \$307,000 for the third quarter of fiscal 2000 changed to a provision for \$883,000 in the current period primarily due to increased pre-tax income from the TAD segment. Income tax has not been provided on unrepatriated earnings of foreign subsidiaries, as currently it is the intention of the Company to reinvest such earnings in their foreign operations. Substantially all of the pre-tax income for the International Merchandise Trade segment is comprised of such unrepatriated earnings.

II. Discussion of Financial Condition - Liquidity and Capital Resources

At March 31, 2001, the Company had working capital of \$55,529,000 as compared to working capital of \$38,233,000 at June 30, 2000. As of March 31, 2001 the Company had cash and cash equivalents of \$14,867,000 as compared to \$9,424,000 at June 30, 2000. Short-term borrowings decreased \$9,249,000 from June 30, 2000 to March 31, 2001. Such changes in working capital, short-term borrowings, and cash and cash equivalents resulted from normal variations in the utilization of these items by Capital in its operations, and not due to any trend which is expected to have a continuing effect upon operations in the future. However, consistent with prudent business practice, management attempts to minimize cash at Capital so as to reduce short-term borrowings and related interest expense.

At March 31, 2001, Capital had approximately \$33.8 million in Surety bonds guaranteeing payment of E-TADs it had purchased, in addition to \$12.5

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million in credit insurance.

At March 31, 2001, the Company's total stockholders' equity increased to \$58,061,000 as compared to \$40,478,000 at June 30, 2000. The principal source of funds for the Company's operations continues to be the net earnings of its operating subsidiaries.

During the balance of fiscal 2001, the Company projects no significant additional capital expenditures in connection with any of the Company's international merchandise trade operations. Management plans to utilize current cash on hand in connection with its international merchandise trade operations principally for (i) general working capital reserves to meet any extraordinary or unexpected expenses; (ii) and to finance, if required, the Company's trade operations.

However, in connection with the E-TAD Program, management expects that it will have significant additional capital expenditures relating to the ongoing expansion of sales and marketing operations, including implementation of its E-Commerce initiative.

At March 31, 2001, there existed four credit facilities with four different banks through which the purchase of TADs were financed: a \$25 million securitization facility; \$20 million and \$40 million credit facilities with two financial institutions in the United States; and a CN\$5 million (Canadian) credit facility with a financial institution in Canada. In order to sustain a future growth rate comparable to that experienced in the past few years, management will need to further expand its credit facilities and other means for financing its purchase of E-TADs. Although discussions are ongoing with several other financial institutions to add additional credit facilities to fund the future expansion of the TAD Program, no assurance can be given that such discussions will result in the completion of any new financing facilities. However, based upon its experience with its present lenders, as well as discussions with other financial institutions, management believes that it will be able to secure adequate financing to sustain the growth of the TAD Program in the foreseeable future.

Management knows of no other trends reasonably expected to have a material impact upon the Company's operations or liquidity in the foreseeable future.

Recent Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board issued Statement of Financial Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 140 replaces SFAS No. 125, issued in June 1996. It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring

after March 31, 2001. SFAS No. 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The

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Company is currently evaluating this pronouncement; however, the Company does not expect it to have a material effect on its financial position or results of operations.

Part II. OTHER INFORMATION

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

The Annual Meeting of the Shareholders of the Company was held on March 23, 2001 at which meeting the shareholders voted upon the election of the current Board of Directors. Voting for directors was as follows:

	Number of Shares	
	For	Withheld
	---	-----
Amos Aharoni	5,196,957	768,110
Prof. Harry Friedman	5,950,280	14,787
Robert Furstner	5,951,380	13,687
Elizabeth Melnik	5,701,651	263,416
Alexander C. Stonkus	5,246,779	718,288
John Woerner	5,952,480	12,587

Item 6. Exhibits and Reports on Form 8-K

The Company filed a report on Form 8-K dated January 3, 2001 describing recent additions and changes to the Company's key executive personnel.

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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 thereunto duly authorized.

Dated: April 30, 2001

ACTRADE FINANCIAL TECHNOLOGIES LTD.

BY: /s/ Joseph P. D'Alessandris

Chief Financial Officer

