

WORLD FUEL SERVICES CORP

Form 10-Q/A

May 06, 2005

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 10-Q/A**

(Amendment No. 1)

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(Mark One)

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

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004**

**..      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 1-9533**

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**WORLD FUEL SERVICES CORPORATION**

(Exact name of registrant as specified in its charter)

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**Florida**  
(State or other jurisdiction of  
incorporation or organization)  
  
**9800 N.W. 41<sup>st</sup> Street, Suite 400**  
  
**Miami, Florida**  
(Address of Principal Executive Offices)

**59-2459427**  
(I.R.S. Employer  
Identification No.)  
  
**33178**  
(Zip Code)

**Registrant's Telephone Number, including area code: (305) 428-8000**

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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 is an accelerated filer (as defined in Rule 12b-12 of the Exchange Act). Yes ☐ No ☒.

The registrant had a total of 11,345,000 shares of common stock, par value \$0.01 per share, net of treasury stock, outstanding as of August 6, 2004.

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**EXPLANATORY NOTE**

As previously disclosed, World Fuel Services Corporation (the "Company") has restated its consolidated financial statements for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, the year ended March 31, 2002, the first three quarters of 2004, and the four quarters of 2003 (the "Restatement Periods"). The restatements for the years ended December 31, 2003 and 2002, the nine months ended December 31, 2002, and the year ended March 31, 2002, including summary quarterly information for 2004 and 2003 have been reflected in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2004. Interim consolidated financial statements for 2004 and 2003 are being restated in amendments to the Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 2004, June 30, 2004 and September 30, 2004. The restatements related to the correction of the cutoff procedures used by the Company for recognizing sales and sales related costs, the correction of the Company's accounting for inventory derivatives, and the correction of the Company's presentation of borrowing and repayment activities under the Company's revolving credit facility.

This Amendment No. 1 on Form 10-Q/A amends our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004, initially filed with the Securities and Exchange Commission (the "SEC") on August 9, 2004 (the "Original Form 10-Q") to reflect the restatement of our balance sheets as of June 30, 2004 and 2003, and December 31, 2003, our statements of income for the three and six months ended June 30, 2004 and 2003, and our statements of cash flows for the six months ended June 30, 2004 and 2003. The additional consolidated balance sheet for the period as of June 30, 2003 is being provided solely for restatement and comparison purposes. This Form 10Q/A also reflects the correction of misclassifications of certain historical balance sheet accounts. The restatements and the correction of the misclassifications are described in more detail in Note 2 to Item 1 Financial Statements.

As a result of the restatements, we were not in compliance with certain financial covenants set forth in our credit facility agreement as of June 30, 2004. Although we obtained a waiver of this non-compliance from LaSalle Bank National Association, as Administrative Agent, on March 16, 2005, we have included our outstanding borrowings at June 30, 2004 under the credit facility agreement in short-term debt.

This Form 10Q/A only amends and restates Items 1, 2, 3 and 4 of Part I of the Original Form 10-Q and no other items in the Original Form 10-Q are amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Form 10-Q or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the Original Form 10-Q has been amended to contain currently-dated certifications from the Company's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk and Administrative Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk and Administrative Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2, 31.3, 31.4 and 32.1.

Concurrently with the filing of this Form 10-Q/A, the Company is filing (i) an amendment on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, and (ii) an amendment on Form 10-Q/A to its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004.

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### **Part I**

#### **Item 1. Financial Statements**

##### **General**

The following unaudited, condensed consolidated financial statements and notes thereto of World Fuel Services Corporation and Subsidiaries have been prepared in accordance with the instructions to Quarterly Report on Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the three and six months ended June 30, 2004 will not be necessarily indicative of the results for the entire fiscal year. World Fuel Services Corporation ( "World Fuel" ) and Subsidiaries are collectively referred to in this Form 10-Q/A as "we," "our" and "us." Certain amounts in prior periods have been reclassified to conform to the current period presentation. The term "Tramp Oil" refers to the Tramp Oil group of companies which we acquired in April 2004. Certain amounts in prior periods have been reclassified to conform to the current period presentation. Reference is made to the "Explanatory Note" preceding the Table of Contents for additional information with respect to this Form 10-Q/A.

##### **Forward-Looking Statements**

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position, cash flows and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward-looking statements include, but are not limited to, quarterly fluctuations in results; the management of growth; fluctuations in world oil prices or foreign currency; changes in political, economic, regulatory or environmental conditions; the loss of key customers, suppliers or members of senior management; uninsured losses; competition; credit risk associated with accounts and notes receivable; and other risks detailed in this report and in our other Securities and Exchange Commission filings. A more detailed description of the principal risks in our business is set forth in "Risk Factors" in our Annual Report on Form 10-K ( "10-K Report" ) for the year ended December 31, 2003. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

**Table of Contents****WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited - In thousands, except share and per share data)

	As of		
	June 30,	June 30,	December 31,
	2004	2003	2003
	Restated	Restated	Restated
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 65,328	\$ 67,576	\$ 76,256
Accounts and notes receivable, net of allowance for bad debts of \$11,400 and \$11,796 at June 30, 2004 and 2003, respectively, and \$10,538 at December 31, 2003	442,653	212,464	243,612
Inventories	22,859	10,120	14,847
Prepaid expenses and other current assets	25,896	20,705	19,948
Total current assets	556,736	310,865	354,663
Property and equipment, net	6,964	7,460	6,963
Other:			
Goodwill, net of amortization of \$3,565 at June 30, 2004 and 2003 and December 31, 2003	43,188	36,860	36,860
Identifiable intangible assets, net of amortization of \$1,190 and \$552 at June 30, 2004 and 2003, respectively, and \$736 at December 31, 2003	8,210	1,288	1,104
Other assets	5,917	7,055	1,260
	<u>\$ 621,015</u>	<u>\$ 363,528</u>	<u>\$ 400,850</u>
<b>Liabilities</b>			
Current liabilities:			
Short-term debt	\$ 51,535	\$ 1,493	\$ 1,600
Accounts payable	340,571	184,480	213,945
Customer deposits	10,437	5,319	6,320
Accrued salaries and wages	6,743	8,993	9,687
Income taxes payable	2,578	5,826	4,423
Accrued expenses and other current liabilities	32,242	9,333	10,620
Total current liabilities	444,106	215,444	246,595
Long-term liabilities	4,694	8,861	4,537
Commitments and contingencies			
<b>Stockholders' Equity</b>			
Preferred stock, \$1.00 par value; 100,000 shares authorized, none issued			
Common stock, \$0.01 par value; 25,000,000 shares authorized, 12,765,000 shares issued and outstanding at June 30, 2004 and 2003 and December 31, 2003	128	128	128
Capital in excess of par value	43,434	33,633	34,672
Retained earnings	144,547	124,843	134,315
Unearned deferred compensation	(4,081)	(2,517)	(2,788)
	<u>(11,813)</u>	<u>(16,864)</u>	<u>(16,609)</u>

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Treasury stock, at cost; 1,403,000 shares and 2,003,000 shares at June 30, 2004 and 2003, respectively, and 1,973,000 at December 31, 2003

	<u>172,215</u>	<u>139,223</u>	<u>149,718</u>
	<u>\$ 621,015</u>	<u>\$ 363,528</u>	<u>\$ 400,850</u>

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

Table of Contents**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited - In thousands, except per share data)

	For the Three Months ended		For the Six Months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
	Restated	Restated	Restated	Restated
Revenue	\$ 1,379,956	\$ 618,937	\$ 2,294,552	\$ 1,329,835
Cost of revenue	(1,349,200)	(595,371)	(2,237,518)	(1,276,488)
Gross profit	30,756	23,566	57,034	53,347
Operating expenses:				
Salaries and wages	(11,594)	(10,489)	(21,782)	(20,831)
Provision for bad debts	(1,354)	(1,237)	(2,239)	(3,938)
Other	(8,782)	(7,817)	(16,870)	(15,411)
	(21,730)	(19,543)	(40,891)	(40,180)
Income from operations	9,026	4,023	16,143	13,167
Other (expense) income, net:				
Interest (expense) income, net	(283)	112	(199)	254
Other, net	(1,170)	370	(1,188)	(25)
	(1,453)	482	(1,387)	229
Income before income taxes	7,573	4,505	14,756	13,396
Provision for income taxes	(1,194)	(381)	(2,857)	(2,329)
Net income	\$ 6,379	\$ 4,124	\$ 11,899	\$ 11,067
Basic earnings per share	\$ 0.58	\$ 0.39	\$ 1.09	\$ 1.04
Basic weighted average shares	11,056	10,600	10,919	10,592
Diluted earnings per share	\$ 0.54	\$ 0.37	\$ 1.02	\$ 1.00
Diluted weighted average shares	11,751	11,118	11,628	11,070

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





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**WORLD FUEL SERVICES CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - In thousands)

	<b>For the Six Months ended</b>	
	<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>
	<b>Restated</b>	<b>Restated</b>
Cash flows from operating activities:		
Net income	\$ 11,899	\$ 11,067
Adjustments to reconcile net income to net cash provided by operating activities - net of effects from business acquired		
Provision for bad debts	2,238	3,938
Depreciation and amortization	1,842	