CabelTel International Corp
Form 10-Q/A
November 25, 2005

FORM 10-Q/A
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTER ENDED JUNE 30, 2005
or
o **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 000-08187
CABELTEL INTERNATIONAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Nevada	75-2399477
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Dallas, Texas

(Address of principal executive offices)
1755 Wittington Place, Suite 340
75234

(Zip Code)
(972) 407-8400

(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 o.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes o. No x.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o. No x.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o. No o.

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of Common Stock, as of the latest practicable date.

Common Stock, $.01 par value	**977,000**
(Class)	**(Outstanding at November 11, 2005)**

AMENDMENT NO. 1 TO
FORM 10-Q QUARTERLY REPORT FOR
CABELTEL INTERNATIONAL CORPORATION
FOR THE FISCAL QUARTER ENDED JUNE 30, 2005

The undersigned Registrant hereby amends the following items, exhibits, or other portions of its Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2005, as set forth below and as reflected in the substituted pages attached hereto which replace the same numbered pages in the original filing.

As a preface to the identification below, the entirety of the Report has been amended to reflect an acquisition of two U.S. entities which are not consolidated into the Company but are maintained in a separate basis. This change was necessitated by certain comments by the Staff of the Securities and Exchange Commission (the ASEC@), which resulted in an appeal to the Office of the Chief Accountant of the SEC. On October 25, 2005, the Office of the Chief Accountant of the SEC provided its determination of the appeal with respect to certain accounting treatment. The appeal was the result of an initial determination and comment by the Staff of the SEC during May 2005, that, in this very unique set of circumstances and in the opinion of the Staff, reverse acquisition accounting treatment may not have been the proper treatment. Management has determined based upon discussions with the Office of the Chief Accountant during such appeal that while the overall acquisition and other contingent aspects of the transaction are a single transaction, the appropriate accounting treatment at this time is recordation of the issuance of the Preferred Stock together with a recordation of a Acontra asset@ in the same amount for the value of the two U.S. corporations and CableTEL AD. The result is that Management of the Company filed a Form 8-K Current Report for event noted October 25, 2005, under Item 4.02, which of necessity requires certain changes in the Annual Report on Form 10-K and the Quarterly Report on Form 10-Q to cover such treatment. This document includes items which are changed are as follows:

Page 4, Item 1 Financial Statements
Page 11, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations
Page 14, Item 3 Quantitative and Qualitative Disclosures About Market Risk

The balance of the items have not been changed from the original filing and have, accordingly, not been updated to a more current date.

CABELTEL INTERNATIONAL CORPORATION
Index to Quarterly Report on Form 10-Q
Period ended June 30, 2005

Part I: Financial Information

Item 1: Financial Statements

CabelTel International Corporation
Consolidated Balance Sheets
(Amounts in thousands)

Assets	June 30, 2005 (Unaudited)	December 31, 2004
Current assets		
Cash and cash equivalents	$ 397	$ 762
Accounts receivable-trade	359	222
Notes receivable	606	856
Assets held for sale		2,925
Other current assets, net	254	103
Total current assets	1,616	4,868
Notes receivable net of deferred income	309	309
Property and equipment, at cost		
Land and improvements	2,232	2,232
Buildings and improvements	5,298	5,349
Equipment and furnishings	278	273
Proven oil and gas properties (full cost method)	1,401	1,479
	9,209	9,333
Less accumulated depreciation, depletion and amortization	(786)	(617)
	8,423	8,716
Deferred tax asset	1,161	1,161
Due from CableTEL AD related party	3,058	951
Deposits	179	36
Other assets	1,455	725
Total assets	**$ 16,201**	**$ 16,766**

The accompanying notes are an integral part of this statement.

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CabelTel International Corporation
Consolidated Balance Sheets Continued
(Amounts in thousands)

Liabilities and Stockholders equity	June 30, 2005 (Unaudited)	December 31, 2004
Current liabilities		
Current maturities of long-term debt	$ 2,375	$ 5,945
Current notes payable	41	240
Accounts payable trade	581	687
Accrued expenses	1,298	828
Other current liabilities	410	
Total current liabilities	4,705	7,700
Long-term debt	9,884	7,173
Other non-current liabilities	171	155
Total liabilities	14,760	15,028
Stockholders equity		
Preferred stock Series B	1	1
Preferred stock Series J	3,150	3,150
Preferred stock Series J *contra reserve*	(3,150)	(3,150)
Common stock $.01 par value; authorized, 4,000,000 shares; 977,000 shares issued and outstanding	10	10
Additional paid-in capital	55,966	55,966
Retained earnings	(54,536)	(54,239)
	1,441	1,738
Total Liabilities & Stockholders Equity	**$ 16,201**	**$ 16,766**

The accompanying notes are an integral part of this statement.

CabelTel International Corporation
Consolidated Statements of Operations
(Amounts in thousands, except per share data)

	For The Three Month Period Ended June 30,		For The Six Month Period Ended June 30,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Revenue				
Real Estate operations	$ 1,136	$ 1,116	$ 2,236	$ 2,340
Oil and gas operations	396	323	810	638
	1,532	1,439	3,046	2,978
Operating expenses				
Real estate operations	661	727	1,267	1,359
Oil and gas operations	292	245	559	491
Lease expense	231	231	462	455
Depletion, depreciation and amortization	138	100	247	187
Corporate general and administrative	266	260	528	537
	1,588	1,563	3,063	3,029
Operating earnings (loss)	(56)	(124)	(17)	(51)
Other income (expense)				
Interest income	28	54	68	128
Interest expense	(133)	(172)	(268)	(453)
Net (loss) on sale of assets			(118)	
Equity in net income of affiliated partnership		16		31
Other	18	55	50	65
	(87)	(47)	(268)	(229)
(Loss) from continuing operations	(143)	(171)	(285)	(280)
(Loss) from discontinued operations	(17)	(34)	(12)	(100)
Net loss applicable to common shares	$ (160)	$ (205)	$ (297)	$ (380)
Earnings (loss) per share basic				
Continuing operations	$ (0.15)	$ (0.18)	$ (0.29)	$ (0.29)
Discontinued operations	(0.01)	(0.03)	(0.01)	(0.10)
Net loss per share	$ (0.16)	$ (0.21)	$ (0.30)	$ (0.39)

Basic weighted average common shares	977	977	977	977

The accompanying notes are an integral part of this statement.

CabelTel International Corporation
Consolidated Statements of Cash Flow
(Amounts in thousands)

	For the six month Period Ended June 30,	
	2005	2004
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net loss	$ (297)	$ (380)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion and amortization	247	187
(Gain) on partnership		(31)
Loss on sale of assets	118	
Depreciation from assets classified as discontinued operations		69
Changes in operating assets and liabilities		
Accounts receivable	(137)	(118)
Other current and non current assets	(1,043)	(195)
Accounts payable and other liabilities	790	(648)
Net cash used in operating activities	(322)	(1,116)
Cash flows provided by (used in) investing activities		
Repayment of notes receivable	3,307	879
Purchase of property and equipment, net	(33)	(52)
Net cash provided by investing activities	3,274	827
Cash flows from financing activities		
Net advances from affiliates	453	
Payments on debt	(3,770)	(89)
Net cash used in financing activities	(3,317)	(89)
Net decrease in cash and cash equivalents	(365)	(378)
Cash and cash equivalents at beginning of period	767	688
Cash and cash equivalents at end of period	$ 397	$ 310

The accompanying notes are an integral part of this statement.

Notes To Consolidated Financial Statements
For the Unaudited Six Months Ended June 30, 2005 and 2004

Note A: Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of CabelTel International Corporation and its majority-owned subsidiaries (collectively, the Company). All significant intercompany transactions and accounts have been eliminated.

The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

These financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2004. Operating results for the three and six month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for any subsequent quarter or the year ended December 31, 2005.

Note B: Notes Receivable

As a result of the sale of two properties in 2001, the Company holds tax-exempt notes in the amount of $4,030,000 bearing interest at 9.5%. The notes mature on April 1, 2032, and August 1, 2031, respectively. The repayment of the notes and interest thereon is limited to the cash flow of the respective properties either from operations, refinancing or sale. The Company has deferred gains in the amount of $3,721,000 as well as unpaid interest which will be recognized as cash is received.

The Company also sold a property in March 2005 and received a $200,000 non-interest bearing note. The repayment of the notes and interest thereon is limited to the cash flow of the respective properties either from operations, refinancing or sale. Subsequent to the sale, the Company has received payments totaling $30,000 and has deferred gains in the amount of $170,000 which will be recognized as cash is received.

Note C: Long-Term Obligations

Long-term debt is comprised of the following (in thousands):

	June 30, 2005	December 31, 2004
Notes payable to financial institutions maturing through 2018; fixed and variable interest rates ranging from 5.75% to 11% collateralized by property, fixtures, equipment and the assignment of rents.	$ 6,402	$ 7,627
Notes payable to individuals and companies maturing through 2023; fixed and variable interest rates ranging from 10% to 18% collateralized by real property, personal property, fixtures, equipment and the assignment of rents.	2,255	4,590
Notes payable to related parties, bearing interest at rates from 15% to 18%.	3,602	901
	12,259	13,118
Less: current maturities	2,375	5,945
	$ 9,884	$ 7,173

Note D: Discontinued Operations

The Company owned an assisted living property in Greenville, South Carolina. In August 2002, the Company leased the property to an unrelated third party who has been operating the property. The monthly lease payments received by the Company approximated the Company s cost for interest and real estate taxes. In May 2005, the Company sold the property to the lessee for the amount of the existing mortgage on the property, which approximated the Company s carrying value for the property.

On January 31, 2004, the Company terminated a lease for an assisted living community in Georgia. The operations of that property have been reflected as a discontinued operation in 2005 and 2004.

In March 2005, the company sold an assisted living facility in North Carolina and recorded a loss of $42,000. The operations of that property have been reflected as a discontinued operation in 2005 and 2004.

In May 2005, the Company sold an assisted living facility in South Carolina. The facility has been classified as an asset held for sale at March 31, 2005. The operations of that property have been reflected as a discontinued operation in 2005 and 2004.

Note E: Segment Reporting

Business Operations

The Company operates two separate distinct businesses

The ownership and operation of real estate through one retirement community in King City, Oregon, with a capacity of 114 residents, and ownership and operation of an outlet mall in Gainesville, Texas, with approximately 315,000 square feet of retail space available for lease.

The ownership of oil and gas leases in Gregg and Rusk Counties, Texas, on which 48 producing wells were operating as of June 30, 2005.

The segment information and reconciliation to income (loss) from operations are as follows:

Three months ended June 30, 2005 (amounts in thousands):

	Corporate	**Real Estate**	**Oil Operation**	**Consolidated CIC**
Revenue				
Real estate operations		1,136		1,136
Oil & gas operations			396	396
		1,136	396	1,532
Operating expenses				
Operations		661	292	953
Lease expense	19	212		231
Depletion, depreciation and amortization	2	109	27	138
Corporate general and administrative	266			266
	287	982	319	1,588
Operating earnings (loss)	(287)	154	77	(56)
Interest Income	28			28
Interest (expense)	(55)	(78)		(133)
Other	18			18
Net earnings (loss) from continuing operations	(296)	76	77	(143)
Total assets	5,680	8,740	1,781	16,201

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Note E: Segment Reporting Continued
Six months ended June 30, 2005 (amounts in thousands):

	Corporate	Real Estate	Oil Operation	Consolidated CIC
Revenue				
Real estate operations		2,236		2,236
Oil & gas operations			810	810
		2,236	810	3,046
Operating expenses				
Operations		1,267	559	1,826
Lease expense	39	423		462
Depletion, depreciation and amortization	4	190	53	247
Corporate general and administrative	528			528
	571	1,880	612	3,063
Operating earnings (loss)	(571)	356	198	(17)
Interest Income	68			68
Interest (expense)	(113)	(155)		(268)
Loss on sale of assets		(42)	(76)	(118)
Other	50			
Net earnings (loss) from continuing operations	(566)	159	122	(285)
Total assets	5,680	8,740	1,781	16,201

Item 2: Management s Discussion And Analysis Of Financial Condition And Results Of Operations

Overview

Critical Accounting Policies and Estimates The Company s discussion and analysis of its financial condition and results of operations are based upon the Company s Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain of the Company s accounting policies require the application of judgment in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments and estimates are based upon the Company s historical experience, current trends and information available from other sources that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies are more significant to the judgments and estimates used in the preparation of its consolidated financial statements. Revisions in such estimates are recorded in the period in which the facts that give rise to the revisions become known.

The Company s allowance for doubtful accounts receivable and notes receivable is based on an analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past due accounts. Management considers such information as the nature and age of the receivable, the payment history of the tenant, customer or other debtor and the financial condition of the tenant or other debtor. Management s estimate of the required allowance, which is reviewed on a quarterly basis, is subject to revision as these factors change.

Deferred Tax Assets

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The future recoverability of the Company s net deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of the loss carry forwards. The company believes that it will generate future taxable income to fully utilize the net deferred tax assets.

Liquidity and Capital Resources

At June 30, 2005, the Company had current assets of $1,616,000 and current liabilities of $4,705,000. Included in current liabilities is an obligation of principal and accrued interest of $2,830,000, the terms of which are similar to that of preferred stock whereby the Company can only pay this obligation out of available earned surplus.

Cash and cash equivalents at June 30, 2005 were $397,000, as compared with $762,000 at December 31, 2004.

Net cash used by operating activities was $322,000 for the six months ended June 30, 2005. During the six month period the Company had a net loss of $297,000.

Net cash provided in investing activities was $3,274,000 for the six months ended June 30, 2005. In March and April of 2005, the Company sold two assisted living communities and received approximately $3,000,000 which approximated their book value. The proceeds were primarily used to pay off the existing mortgages.

Net cash flow used in financing activities was $3,317,000 in the six months ended June 30, 2005. The additional funds received for the sale of the two properties was used to pay off the existing mortgages on those properties.

Results of Operations

The Company reported a net loss of $160,000 and $297,000 for the three and six months ended June 30, 2005, as compared to a net loss of $205,000 and $380,000 for the three and six months ended June 30, 2004.

For the three and six months ended June 30, 2005, the Company recorded revenues of $1,136,000 and $2,236,000 for its real estate operations, as compared to $1,116,000 and $2,340,000 for the three and six months ended June 30, 2004. The Company s retirement property is fully occupied and it is anticipated that it will remain so during 2005. The Company s retail shopping mall was approximately 76% occupied at June 30, 2005.

For the three and six months ended June 30, 2005, revenue for the oil and gas operation was $396,000 and $810,000, as compared to $323,000 and $638,000 for the three and six months ended June 30, 2004. The increase was due principally to the increase in the price of oil.

For the three and six months ended June 30, 2005, real estate operating expenses were $661,000 and $1,267,000, as compared to $727,000 and $1,359,000 for the three and six months ended June 30, 2004. The decrease was due principally to a reduction in operating costs for the Gainesville outlet mall.

For the three and six months ended June 30, 2005, operating expenses for the oil and gas operation were $292,000 and $559,000, as compared to $245,000 and $559,000 for the three and six months ended June 30, 2004. The increase was due principally to well repairs incurred in 2005.

For the three and six months ended June 30, 2005, the depletion, depreciation and amortization expense was $138,000 and $247,000, as compared to $100,000 and $187,000 for the three and six months ended June 30, 2004. The increase was due to the additional depreciable asset the Gainesville outlet mall.

For the three and six months ended June 30, 2005, interest income was $28,000 and $68,000, as compared to $54,000 and $128,000 for the three and six months ended June 30, 2004. The decrease was due principally to a reduction in notes receivable in 2005, as compared to 2004.

Interest expense was $133,000 and $268,000 for the three months and six months ended June 30, 2005, as compared to $172,000 and $453,000 for the three months and six months ended June 30, 2004. The decrease was due principally to the refinancing of the Gainesville outlet mall.

Loss on the sale of assets was $118,000 for the six months ended June 30, 2005. The Company sold certain of its non-producing oil wells when it was determined that we were unlikely to operate them in the future. The Company incurred a loss of $76,000 on the sale. The Company also incurred certain legal and closing costs in its sale of the assisted living property in North Carolina.

Inflation

The Company s principal sources of revenue are from rents in a retirement community, an outlet shopping mall and its oil and gas operations. The operation of the real estate entities is affected by rental rates that are highly dependent upon market conditions and the competitive environment in the areas where the properties are located. Worldwide consumption patterns seem to preclude competition in the oil business in the foreseeable future. Compensation to employees and maintenance are the principal cost elements relative to the operations of the entities. Although the Company has not historically experienced any adverse effects of inflation on salaries or other operating expenses, there can be no assurance that such trends will continue or that, should inflationary pressures arise, the Company will be able to offset such costs by increasing rental rates in its real estate properties. The price of oil is dictated by market conditions and the Company could not arbitrarily increase the price of its oil.

Environmental Matters

The Company has conducted environmental assessments on most of its existing owned or leased properties. These assessments have not revealed any environmental liability that the Company believes would have a material adverse effect on the Company s business, assets or results of operations. The Company is not aware of any such environmental liability. The Company believes that all of its properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products. The Company has not been notified by any governmental authority and is not otherwise aware of any material non-compliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of its communities.

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>

Interest Rate Risk

Nearly all of the Company s debt is financed at fixed rates of interest. Therefore, we have minimal risk from exposure to changes in interest rates.

<u>Item 4. Controls and Procedures</u>

As required by Rule 13(a)-15(b), the Company s management, including the principal executive officer, chief financial officer and principal accounting officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of the Company s disclosure controls and procedures as defined in Exchange Act Rule 13(a)-15(e). Based on that evaluation, the chief executive officer and the chief financial officer concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this report. As required by Rule 13(a)-15(d), the Company s management, including the chief executive officer, chief financial officer and principal accounting officer, also conducted an evaluation of the Company s internal controls over financial reporting to determine whether any changes occurred in the first fiscal quarter that materially affected, or are reasonably likely to materially effect, the Company s internal control over financial reporting. Based on that evaluation, there has been no such change during the first fiscal quarter.

It should be noted that any system of controls, however well designed and operated, can only provide reasonable and not absolute assurance that the objectives of the system will be met. In addition, the design of any control system is based in part on certain assumptions about the likelihood of future events.

Part II: Other Information

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>

During the period of time covered by this report, CabelTel International Corporation did not repurchase any of its equity securities. The following table sets forth a summary for the quarter, indicating no repurchases were made and that, at the end of the period covered by this report, no specified number of shares may be purchased under any program in place.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program[(a)]
Balance as of March 31, 2005				
April 1-30, 2005		$		
May 1-31, 2005				
June 1-30, 2005				
Total		$		

(a) As a courtesy to stockholders of less than 100 shares and to relieve such stockholders of having to pay a broker s commission, the Company, although not obligated to do so, has periodically repurchased its common stock at the then most recent closing price of the Company s common stock on the last trading day before the stock certificate(s) is actually received by the Company from the stockholder. The number of such shares purchased in any period of time has been minimal; no purchases were made during the quarter ended June 30, 2005.

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Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference as indicated below.

Exhibit 31.1 Certification of Chief Executive Officer Pursuant to Rule 13(a)-14(a) or Rule 15(d)-14(a)

Exhibit 31.2 Certification of Chief Financial Officer Pursuant to Rule 13(a)-14(a) or Rule 15(d)-14(a)

Exhibit 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13(a)-14(b), 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

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

CabelTel International Corporation

Date: November 21, 2005

By: /s/ Gene S. Bertcher
President & Chief Financial Officer

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