

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10QSB**

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

For the quarterly period ended March 31<sup>st</sup> 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number \_\_\_\_\_

FLEXIBLE SOLUTIONS INTERNATIONAL INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation  
or organization)

91-1922863

(IRS Employer Identification No.)

2614 Queenswood Dr. Victoria BC Canada V8N 1X5

(Address of principal executive offices)

( 250 ) 477 - 9969

( Issuer's telephone number)

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

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

Check whether the registrant filed all documents and reports required to be filed by Section 12,13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: Common stock \$.001 par value 9,231,136 shares as of March 31<sup>st</sup> 2001.

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

## **PART 1 - FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS.**

Attached hereto and incorporated herein by reference.

### **Item 2. MANagements Discussion and Analysis of Financial Condition and Results of Operations**

The following information contains certain forward looking statements that anticipate future trends or events. These statements are based on certain assumptions that may prove to be erroneous and are subject to certain risks including but not limited to the risks of increased competition in the Company's industry and other risks detailed in the Company's Securities and Exchange Commission filings. Accordingly, actual results may differ, possibly materially, from the predictions contained herein.

During the three months ended March 31<sup>st</sup> 2001, the Company experienced a net after tax income of \$100,994 as compared to income of \$27,093 for the three months ended March 31<sup>st</sup> 2000. The increase was due to a significant expansion of operations which began in the fourth quarter of 2000 and continued through the first quarter of 2001. During this period the Company hired additional personnel, expanded corporate headquarters and increased production. The overall result was a net income of \$100,994.

#### **RESULTS OF OPERATIONS**

Reference is made to Item 2, "Management's Discussion and Analysis" included in the Company's registration statement on Form 10-SB for the year ended December 31<sup>st</sup> 1999, as amended, on file with the Securities and Exchange Commission and to the same section of the Company's 10K-SB for the period ended Dec. 31<sup>st</sup> 2000 on file with the Securities and Exchange Commission. The following analysis and discussion pertains to the Company's results of operations for the three month period ended March 31<sup>st</sup> 2001, compared to the results of operations for the three month period ended March 31<sup>st</sup> 2000, and to changes in the Company's financial condition from December 31<sup>st</sup> 2000 to March 31<sup>st</sup> 2001.

#### **THREE MONTHS ENDED March 31<sup>st</sup> 2001 and 2000**

For the first quarter of the current fiscal year ending March 31<sup>st</sup> 2001, sales were \$351,447 compared to \$260,328 for the same quarter of the previous year. The increase in sales were as a result of our distributors selling to more retail outlets in more geographic areas and selling larger quantities to older accounts.

Operating expenses were \$75,799 for the first quarter, up from \$66,978 for the first quarter of last year. This is as a result of increased costs in all categories of expenses due to the significant expansion in sales. The largest increases were in the areas of administrative salaries and benefits (13,164), travel (8,454) and stock promotion (5,471).

The net income for the quarter was \$100,994 which represents a substantial increase over first quarter last year when the net income was \$27,093. The increase in income was a result of increased sales, and lower cost of sales.

The earnings per share (fully diluted) was \$0.01 for the three months ended March 31<sup>st</sup> 2001 compared to \$0.00 for the three months ended March 31<sup>st</sup> 2000.

#### LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has financed its cash flow requirements through retained earnings from sales. Cash provided by net earnings which occurred during the three months ended March 31<sup>st</sup> was \$100,994. This resulted in a total cash and cash equivalent position of \$60,579 at the end of the period.

As of March 31<sup>st</sup> 2001 the Company had working capital of \$486,938 which represented an increase of \$200,211 as compared to the working capital of March 31<sup>st</sup> 2000. The increase was a result of retained earnings from the second, third and fourth quarters of 2000 and the first quarter of 2001.

The Company has no external sources of liquidity in the form of credit lines from banks.

Management believes that its available cash will be sufficient to fund the Company's working capital requirements through December 31<sup>st</sup> 2001. Management further believes that available cash will be sufficient to implement the Company's expansion plans. No investment banking agreements are in place and there is no guarantee that the Company will be able to raise capital in the future should that become necessary.

#### IMPACT OF THE YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the year 2000 issue that may affect the company including those related to customers, suppliers, or other third parties, have been fully resolved.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS:**

The Company does not have any derivative financial instruments as of March 31<sup>st</sup> 2001. However, the Company is exposed to interest rate risk.

The Company's interest income and expense are most sensitive to changes in the general level of U.S. and Canadian interest rates. In this regard, changes in U.S. and Canadian interest rates affect the interest paid on the Company's cash equivalents as well as the interest paid on debt.

#### FOREIGN CURRENCY RISK

The Company operates primarily in Canada. Therefore, the Company's business and financial condition is sensitive to currency exchange rates or any other restriction imposed on its currency.

### Part II - OTHER INFORMATION

Item 1. Legal proceedings - None

Item 2. Changes in Securities

A) On Jan. 14<sup>th</sup> 2001, 100,000 restricted shares were issued to Equity Trust SA in return for services rendered in the compilation of an SB-2 filing document.

B) On Apr. 12<sup>th</sup> 2001 the Company registered by way of an S-8 document, on file with the Securities Exchange Commission, 636,000 options to buy common shares.

Item 3. Default upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Securities Holders - None

Item 5. Other Information - None

Item 6.(a) Exhibit 27 - Financial Data Schedule

Item 6.(b) Reports on Form 8-K - None

### 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.

FLEXIBLE SOLUTIONS INTERNATIONAL INC.  
(Registrant)

Dated: May 4<sup>th</sup> 2001

/s/ Dan O'Brien, President and Director

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.****Consolidated Balance Sheets (Un-audited)****March 31, 2001****(U.S. Dollars)**

	<b>2001</b>	<b>2000</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$35,579	\$3,409
Accounts receivable (note 4)	411,123	228,560
Note receivable	25,000	
Inventory	119,987	132,558
Prepaid expenses	2,494	0
<b>Total Current Assets</b>	<b>594,183</b>	<b>364,527</b>
Property and Equipment (note 5)	60,410	52,654
<b>Total Assets</b>	<b>\$654,593</b>	<b>\$417,181</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	15,158	56,806
Accrued liabilities	0	0
Income tax payable	152,497	73,648
<b>Total Current Liabilities</b>	<b>167,655</b>	<b>130,454</b>
<b>Stockholders' Equity</b>		
<b>Capital Stock</b>		
Authorized		
50,000,000 Common shares with a par value of \$0.001 each		
1,000,000 Preferred shares with a par value of \$0.01 each		
Issued		
9,131,316 Common shares	9,131	9,131
Capital in Excess of Par Value	163,653	163,653
<b>Other Comprehensive Income (Loss)</b>	<b>(2,266)</b>	<b>(3,488)</b>
<b>Retained Earnings</b>	<b>316,420</b>	<b>117,431</b>
	486,938	286,727
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$654,593</b>	<b>\$417,181</b>

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.**  
**Consolidated Statement of Operations (Un-audited)**  
**Quarter Ended March 31**  
**(U.S. Dollars)**

	<b>2001</b>	<b>2000</b>
<b>Sales</b>	\$351,447	\$260,328
<b>Cost of Sales (Exclusive of Depreciation)</b>	112,755	152,317
<b>Gross Profit</b>	238,692	108,011
<b>Operating Expenses</b>		
Wages	24,781	26,657
Administrative salaries and benefits	13,164	0
Advertising	1,520	0
Professional fees	4,213	18,382
Subcontracting	5,629	7,848
Shipping	1,912	2,839
Rent	4,288	2,380
Travel	8,454	2,206
Office	1,590	870
Telephone	553	879
Commission	178	263
Stock promotion and transfer agent fee	5,471	0
Miscellaneous	1,362	2,120
Depreciation	2,684	2,534
	75,799	66,978
<b>Income Before Income Tax</b>	162,893	41,033
<b>Income Tax</b>	61,899	13,940
<b>Net Income</b>	\$100,994	\$27,093
<b>Net Income Per Share</b>	\$0.01	\$0.00
<b>Weighted Average Number of Shares</b>	9,131,316	9,131,316

**FLEXIBLE SOLUTIONS INTERNATIONAL INC.**  
**Consolidated Statement of Cash Flow (Un-audited)**  
**Quarter Ended March 31**  
**(U.S. Dollars)**

	<b>2001</b>	<b>2000</b>
<b>Operating Activities</b>		
Net income	\$100,994	\$27,036
provided by (used in) operating activities		
Depreciation	2,684	2,534
Changes in non-cash working capital		
Accounts receivable	(266,740)	(115,721)
Notes receivable	(25,000)	
Inventory	(26,474)	4,002
Prepaid expenses	(3,657)	520
Accounts payable	2,736	29,795
Accrued liabilities	0	(6,929)
Income tax payable	61,899	4,362
<b>Cash provided (Used in) Operating Activities</b>	<b>(153,558)</b>	<b>(54,401)</b>
<b>Investing Activities</b>		
Acquisitions and Equipment	(10,030)	(5,406)
<b>Financing Activities</b>		
Repayment to shareholder	0	0
<b>Effect of Exchange Rate Changes on Cash</b>	<b>6,887</b>	<b>3,775</b>
<b>Inflow (Outflow) of Cash</b>	<b>(156,701)</b>	<b>(56,032)</b>
<b>Cash, Beginning of Quarter</b>	<b>192,280</b>	<b>59,441</b>
<b>Cash, End of Quarter</b>	<b>\$35,579</b>	<b>\$3,409</b>

**Notes to Financial Statements:**

Foreign Currency - Flexible Solutions functions using the Canadian dollar. Translation to US dollars for reporting is done at the average exchange rates during the year. Losses and gains arising from currency translation are disclosed as other comprehensive income (loss) in shareholders equity.

Estimates - The preparation of consolidated financial statements requires management to make estimates that affect the reported assets and liabilities at the date of the statements. Actual results could differ.

Inventory - Inventory is valued at the lower of cost or net realizable value. Cost is determined on a first in-first out basis.

Property and Equipment - Property and equipment are recorded at cost and depreciated using the declining balance with the following annual rates:

Manufacturing equipment	20%
Trailer	30%
Computer hardware	30%
Furniture and Fixtures	20%
Office equipment	20%

Revenue Recognition - Revenue is recognized when product is shipped. Returns have been insignificant since the Company's inception, therefore no allowance has been established for product returns.

Financial instruments - The Company's instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Management opines that there are no significant currency or credit risks from these instruments.

Income (loss) per share calculation - Calculated by dividing net income by the weighted average number of shares outstanding.

Accounts Receivable - No provision has been made for uncollectible accounts. Management believes all are collectible.