

World Surveillance Group Inc.
Form 10-Q
August 19, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q
(Mark one)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from _____ to _____

Commission file number 001-32509

WORLD SURVEILLANCE GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

88-0292161
(IRS Employer Identification No.)

State Road 405, Building M6-306A, Room 1400
Kennedy Space Center, Florida 32815
(Address of principal executive offices)

(321) 452-3545
(Issuer's telephone number)

Indicate by check mark whether 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicated by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 8, 2014, there were 739,126,430 shares of the registrant's Common Stock outstanding.

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2014 (Unaudited)	December 31, 2013 (Restated)
CURRENT ASSETS		
Cash	\$ 124,057	\$ 8,907
Accounts receivable	78,307	59,651
Accounts receivable from related party	46,102	59,833
Inventory	82,510	-
Prepaid expenses	38,940	38,940
Current assets – discontinued operations	-	194,407
TOTAL CURRENT ASSETS	369,916	361,738
PROPERTY AND EQUIPMENT		
Property and equipment, net of accumulated depreciation of \$584,170 and \$492,670, at June 30, 2014 and December 31, 2013, respectively.	2,178,466	2,269,966
OTHER NONCURRENT ASSETS		
Available-for-sale securities	9,000,000	-
Deferred financing costs	12,060	22,398
Other assets – discontinued operations	-	809,822
TOTAL NONCURRENT ASSETS	9,012,060	832,220
TOTAL ASSETS	\$ 11,560,442	\$ 3,463,924
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 4,405,956	\$ 4,520,662
Notes payable	9,659,193	9,501,083
Other accrued liabilities	2,960,248	2,795,027
Current liabilities – discontinued operations	-	143,252
TOTAL CURRENT LIABILITIES	17,025,397	16,960,024
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock, \$0.00001 par value, 1,000,000,000 shares authorized; 751,126,430 shares and 681,127,043 shares issued; and 739,126,430 shares and 669,127,043 shares outstanding at June 30, 2014 and December 31, 2013, respectively.	7,391	6,691
Additional paid-in capital	140,024,845	138,909,766
Accumulated other comprehensive income	8,921,000	-

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Accumulated deficit	(154,418,191)	(152,412,557)
TOTAL STOCKHOLDERS' DEFICIT	(5,464,955)	(13,496,100)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 11,560,442	\$ 3,463,924

See accompanying notes to condensed consolidated financial statements

WORLD SURVEILLANCE GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three-Months Ended June 30, 2014	2013 (Restated)	Six-Months Ended June 30, 2014	2013 (Restated)
REVENUES				
Net sales	\$ 498,252	301,605	829,405	763,482
Cost of sales	325,381	169,930	627,930	499,599
Gross profit				