

DEFENSE INDUSTRIES INTERNATIONAL INC
Form 10-Q
May 16, 2011

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2011

Transition report pursuant to Section 13 or 15(d) of the Exchange Act for the transition period from _____ to _____

Commission file number: 0-30105

DEFENSE INDUSTRIES INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

84-1421483
(I.R.S. Employer
Identification No.)

12 Hamefalsim Street, Petach Tikva 49514, Israel
(Address of Principal Executive Offices)

(011) 972-3-7168383
(Registrant's Telephone Number, Including Area Code)

N/A
(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 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

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, or a non-accelerated filer.

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See of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

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

Accelerated filer
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 May 11, 2011 the issuer had 28,150,535 shares of Common Stock, par value \$0.0001, outstanding.

DEFENSE INDUSTRIES INTERNATIONAL, INC. AND SUBSIDIARIES

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Part I - Financial Information:

Item 1.

DEFENSE INDUSTRIES INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIESCONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2011 (UNAUDITED) AND DECEMBER 31, 2010

ASSETS

	March 31, 2011 (Unaudited)	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	\$3,064,038	\$3,502,461
Trading securities	1,788,598	1,894,864
Accounts receivable, net of allowance for doubtful accounts of \$ 375,963, and \$368,477, respectively	2,660,362	2,324,985
Inventories	5,677,356	4,402,517
Deferred taxes	206,042	191,318
Other current assets	653,991	398,297
Total Current Assets	14,050,387	12,714,442
PROPERTY, PLANT AND EQUIPMENT, NET	2,261,875	1,864,346
INVESTMENT AND LOANS TO ASSOCIATED COMPANIES	1,314,238	1,274,991
OTHER ASSETS		
Funds in respect of employee rights upon retirement	953,633	881,184
Intangible assets, net	1,328,307	1,300,445
Deferred taxes	20,543	22,155
Total Other Assets	2,302,483	2,203,784
TOTAL ASSETS	\$19,928,983	\$18,057,563

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

DEFENSE INDUSTRIES INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2011 (UNAUDITED) AND DECEMBER 31, 2010

LIABILITIES AND EQUITY

	March 31, 2011 (Unaudited)	December 31, 2010
CURRENT LIABILITIES		
Accounts payable	\$2,858,633	\$1,519,545
Accounts payable – related parties	33,362	156,753
Short-term debt	1,951,344	1,299,546
Other current liabilities	2,388,450	1,674,027
Total Current Liabilities	7,231,789	4,649,871
LONG-TERM LIABILITIES		
Long-term portion of debt	206,612	240,945
Long-term portion of minimum royalty payment to the Government of Israel	475,613	466,500
Deferred tax liability	275,992	261,866
Liability for employee rights upon retirement	1,029,475	967,309
Total Long-Term Liabilities	1,987,692	1,936,620
TOTAL LIABILITIES	9,219,481	6,586,491
COMMITMENTS AND CONTINGENCIES	---	---
EQUITY		
Preferred stock, \$0.0001 par value, 50,000,000 shares authorized, none issued and outstanding	---	---
Common stock, \$0.0001 par value, 250,000,000 shares authorized, 29,200,535 shares issued and 28,150,535 shares outstanding at March 31, 2011	2,920	2,920
Additional paid-in capital	2,997,370	2,997,370
Treasury stock (1,050,000 shares at cost)	(252,000)	(252,000)
Retained earnings	6,686,630	7,603,276
Accumulated other comprehensive income	1,274,582	1,119,506
TOTAL PARENT COMPANY SHAREHOLDERS' EQUITY	10,709,502	11,471,072
Non-controlling interest	---	---
TOTAL EQUITY	10,709,502	11,471,072
TOTAL LIABILITIES AND EQUITY	\$19,928,983	\$18,057,563

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

DEFENSE INDUSTRIES INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (UNAUDITED)

	For the Three Months Ended March 31,	
	2011	2010
NET REVENUES	\$3,593,437	\$2,993,731
COST OF SALES	2,929,917	2,390,352
GROSS PROFIT	663,520	603,379
OPERATING EXPENSES		
Selling	777,044	115,772
General and administrative	721,895	697,409
Total Operating Expenses	1,498,939	813,181
LOSS FROM OPERATIONS	(835,419)	(209,802)
OTHER INCOME (EXPENSES)		
Financial expenses	(85,231)	(127,892)
Financial income	82	37,858
Other income (expenses), net	(3,718)	50,372
Total Other Expenses	(88,867)	(39,662)
LOSS BEFORE INCOME TAXES	(924,286)	(249,464)
Tax expenses	(865)	(5,125)
LOSS BEFORE SHARE IN PROFIT OF ASSOCIATED COMPANY	\$(925,151)	\$(254,589)
Share in profit of associated company	8,505	---
NET LOSS	(916,646)	(254,589)
Net loss attributable to controlling interest	(916,646)	(254,589)
Basic and diluted net loss per share attributable to controlling interest	(0.033)	(0.091)
Weighted average number of shares outstanding - basic and diluted	28,150,535	28,150,535

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

DEFENSE INDUSTRIES INTERNATIONAL, INC.
AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Comprehensive Loss	Total Pa Comp Shareho Equity
	Shares	Dollars	Shares	Dollars					
Balance as of January 1, 2011	29,200,535	\$2,920	1,050,000	\$(252,000)	\$2,997,370	\$7,603,276	\$1,119,506	(1,812,315)	11,471
Comprehensive loss:									
Net loss						(916,646)		(916,646)	(916,646)
Foreign currency translation gain							155,076	155,076	155,076