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Derycz Scientific Inc
Form 10-Q
May 13, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2010

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

For the transition period from _____ to _____

Commission File No. 333-148392
DERY CZ SCIENTIFIC, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

11-3797644
(I.R.S. Employer Identification No.)

1524 Cloverfield Blvd., Suite E, Santa Monica, California
(Address of principal executive offices)

90404
(Zip Code)

(310) 477-0354
(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 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 than the registrant was required to submit and post such files). Yes No

Indicate 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 company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a 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

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: As of May 12, 2010, there were 12,961,830 shares of common stock outstanding.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION	3
Item 1. Financial Statements (unaudited)	3
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	19
Item 4. Controls and Procedures	19
PART II — OTHER INFORMATION	19
Item 1. Legal Proceedings	19
Item 1A. Risk Factors	19
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3. Defaults Upon Senior Securities	19
Item 4. [Removed and Reserved]	19
Item 5. Other Information	19
Item 6. Exhibits	20
SIGNATURES	21

PART 1 — FINANCIAL INFORMATION

Item 1. Financial Statements

Derycz Scientific, Inc.
Condensed Consolidated Balance Sheets

	March 31, 2010 (unaudited)	June 30, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,248,767	\$ 1,854,093
Accounts receivable, net of allowance of \$35,000	4,138,459	3,499,848
Inventory	9,992	10,188
Prepaid royalties	35,770	217,980
Other current assets	81,735	37,890
TOTAL CURRENT ASSETS	6,514,723	5,619,999
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$281,052 and \$188,266	363,860	340,776
INTANGIBLE ASSETS		
Customer lists, net of accumulated amortization of \$0 and \$43,056	-	6,944
Intellectual property licenses, net of amortization of \$259,086 and \$163,209	712,681	600,887
GOODWILL	223,385	223,385
TOTAL ASSETS	\$ 7,814,649	\$ 6,791,991
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,057,348	\$ 3,036,615
Capital lease obligation, current	33,008	17,861
Income tax payable	3,054	3,659
Other current liabilities	75,989	116,769
TOTAL CURRENT LIABILITIES	4,169,399	3,174,904
CAPITAL LEASE OBLIGATIONS	52,191	43,617
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock; \$0.001 par value; 20,000,000 shares authorized; no shares issued and outstanding		
Common stock; \$0.001 par value; 100,000,000 shares authorized; 12,961,830 shares issued and outstanding	12,962	12,962

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Additional paid-in capital	5,453,524	5,450,223
Accumulated deficit	(1,914,870)	(1,937,072)
TOTAL STOCKHOLDERS' EQUITY	3,551,616	3,526,113
NONCONTROLLING INTEREST	41,443	47,357
TOTAL EQUITY	3,593,059	3,573,470
TOTAL LIABILITIES AND EQUITY	\$ 7,814,649	\$ 6,791,991

See notes to condensed consolidated financial statements

Derycz Scientific, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
NET SALES	\$ 6,201,431	\$ 3,818,500	\$ 18,575,589	\$ 10,448,179
COST OF SALES	4,843,169	2,802,344	14,965,411	8,030,463
GROSS PROFIT	1,358,262	1,016,156	3,610,178	2,417,716
OPERATING EXPENSES:				
General and administrative	1,154,177	826,770	3,333,872	2,409,883
Marketing and advertising	60,222	33,267	123,788	71,855
Depreciation and amortization	52,523	58,517	151,017	190,416
TOTAL OPERATING EXPENSES	1,266,922	918,554	3,608,677	2,672,154
INCOME (LOSS) FROM OPERATIONS	91,340	97,602	1,501	(254,438)
Realized gain on marketable securities	-	60,833	-	33,668
Other income	6,101	-	19,361	-
Interest expense	(1,955)	(1,753)	(5,098)	(32,853)
Interest income	1,273	2,709	3,578	34,469
INCOME (LOSS) BEFORE INCOME TAXES AND NONCONTROLLING INTEREST	96,759	159,391	19,342	(219,154)
PROVISION FOR INCOME TAXES	(3,054)	(35,751)	(3,054)	(24,338)
NET INCOME (LOSS)	93,705	123,640	16,288	(243,492)
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTEREST	4,456	(2,823)	5,914	(534)
NET INCOME (LOSS) ATTRIBUTABLE TO DERYCHZ SCIENTIFIC, INC.	\$ 98,161	\$ 120,817	\$ 22,202	\$ (244,026)
NET INCOME (LOSS) PER SHARE:				
BASIC AND DILUTED	\$ 0.01	\$ 0.01	\$ 0.00	\$ (0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC AND DILUTED	12,961,830	12,961,830	12,961,830	12,939,607

See notes to condensed consolidated financial statements

Derycz Scientific, Inc.

Condensed Consolidated Statement of Stockholders' Equity
For the nine months ended March 31, 2010
(unaudited)

	Common stock	Additional	Accumulated	Noncontrolling	Total
Shares	Amount	paid-in capital	Deficit	Interest	stockholders' equity