

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

Princeton Security Technologies, Inc.

CIK: **1391614** | IRS No.: **000000000** | State of Incorporation: **NJ** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-141482** | Film No.: **111183935**
SIC: **3829** Measuring & controlling devices, nec

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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

For the transition period from _____ to _____

Commission File Number 333-141482

Princeton Security Technologies, Inc.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

20-5506885
(IRS Employer Identification No.)

303C College Road, Princeton, New Jersey 08540
(Address of principal executive offices) (Zip Code)

609-924-7310
(Registrant's telephone number, including area code)

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 past 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer

Accelerated filer

Non-accelerated filer (Do not mark if small 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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

14,408,513 shares of \$0.001 par value common stock on October 31, 2011

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements **Princeton Security Technologies, Inc.** FINANCIAL STATEMENTS September 30, 2011

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. However, in the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position and results of operations for the periods presented have been made. These financial statements should be read in conjunction with the accompanying notes, and with the historical financial information of the Company.

PRINCETON SECURITY TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	(Unaudited)	
ASSETS		
Current Assets		
Cash	\$ 253,779	\$ 39,567
Accounts receivable -net of allowance	336,254	225,827
Other receivables	600	1,030
Inventory	502,611	289,872
Prepaid expenses	<u>58,277</u>	<u>58,729</u>
Total Current Assets	1,151,521	615,025
Property, plant & equipment (net of accumulated depreciation of \$1,405,386 and \$1,398,115 respectively)	<u>31,718</u>	<u>24,596</u>
Total Assets	\$ <u>1,183,239</u>	\$ <u>639,621</u>
LIABILITIES		
Accounts payable	\$ 261,109	\$ 178,074
Accrued expenses	80,760	48,526
Accrued related party expenses	-	36,000
Accrued vacation expenses	36,108	33,647
Credit line advances	30,000	23,684
Deferred revenue	<u>220,020</u>	<u>159,450</u>
Total Current Liabilities	627,997	479,381
Total Liabilities	627,997	479,381
STOCKHOLDERS' EQUITY		
Preferred stock; \$.001 par value, 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock; \$.001 par value, 90,000,000 shares authorized; 14,408,513 and 14,043,513 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively	14,408	14,043
Additional paid-in capital	2,031,310	1,961,575
Retained earnings (deficit)	<u>(1,490,476)</u>	<u>(1,815,378)</u>
Total Stockholders' Equity	555,242	160,240
Total Liabilities and Stockholders' Equity	\$ <u>1,183,239</u>	\$ <u>639,621</u>

See notes to Unaudited Consolidated Financial Statements.

PRINCETON SECURITY TECHNOLOGIES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues				
Sales (net of returns)	\$ 1,091,024	\$ 676,360	\$ 2,853,896	\$ 1,617,137
Costs of goods sold	<u>585,254</u>	<u>327,686</u>	<u>1,459,642</u>	<u>837,310</u>
Gross Profit	505,770	348,674	1,394,254	779,827
Expenses				
Depreciation and amortization	2,201	5,517	7,271	16,554
Selling and marketing	130,322	75,553	255,259	183,675
General and administrative	176,585	129,238	558,610	453,657
Research and development	101,902	74,372	242,362	218,777
Total Expenses	<u>411,010</u>	<u>284,680</u>	<u>1,063,502</u>	<u>872,663</u>
Profit (Loss) from operations	94,760	63,994	330,752	(92,836)
Other income/(expenses)	(1,101)	(427)	(5,850)	(2,198)
Gain on extinguishment of Liabilities		4,581		4,581
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Profit/(Loss)	<u>\$ 93,659</u>	<u>\$ 68,148</u>	<u>\$ 324,902</u>	<u>\$ (90,453)</u>
Net Profit/(Loss) per share of common stock	<u>\$ 0.01</u>	<u>\$ 0.005</u>	<u>\$ 0.02</u>	<u>\$ (0.01)</u>
Weighted average number of common shares	<u>14,408,513</u>	<u>13,788,513</u>	<u>14,178,641</u>	<u>13,748,128</u>

See notes to Unaudited Consolidated Financial Statements.

PRINCETON SECURITY TECHNOLOGIES, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flow from operating activities		
Net income/(loss)	\$ 324,902	\$ (90,453)
Depreciation and amortization	7,271	16,555
Stock issued for services	70,100	20,500
Change in operating assets and liabilities		
Accounts receivable	(110,427)	99,787
Other receivables	430	(15,022)
Inventory	(212,740)	(81,596)
Prepaid expenses	452	8,252
Accounts payable	83,034	(32,964)
Accrued expenses	13,577	2,475
Warranty expenses	(14,880)	(7,875)
Deferred revenue	60,570	245,085
Cash flow provided by operating activities	222,289	164,744
Cash flow from investing activities		
Purchase of property and equipment	(14,393)	(13,800)
Cash flow used in investing activities	(14,393)	(13,800)
Cash flow from financing activities		
Lines of Credit	6,316	(13,597)
Cash flow provided by financing activities	6,316	(13,597)
Increase/(decrease) in cash position	214,212	137,347
Cash position at beginning of period	39,567	21,333
Cash position at end of period	\$ 253,779	\$ 158,680
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest expense	\$ -	\$ -
Income taxes	\$ -	\$ -

See notes to Unaudited Consolidated Financial Statements.

PRINCETON SECURITY TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months ending September 30, 2011 and 2010

Note 1 Organization

Princeton Security Technologies, Inc. (the Company) was incorporated on September 8, 2006 in the State of Nevada. The Company is the holding company of Princeton Gamma-Tech Instruments, Inc. (PGTI). PGTI was incorporated on February 16, 2005 in the State of New Jersey. On February 19, 2005, PGTI purchased the assets of Princeton Gamma-Tech, Inc. This acquisition included the assets, liabilities, operations, clients and intellectual property of Princeton Gamma-Tech, Inc., including its wholly owned subsidiary in the United Kingdom, Princeton Gamma-Tech (UK) Limited. On December 28, 2006, Princeton Gamma-Tech (UK) Limited was sold. The Company has elected a fiscal year end of December 31.

Recently Enacted Accounting Standards

In June 2009, the FASB established the Accounting Standards Codification (“Codification” or “ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) issued under authority of federal securities laws are also sources of GAAP for SEC registrants. Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact our financial statements. The ASC does change the way the guidance is organized and presented.

Statement of Financial Accounting Standards (“SFAS”) No. 165 (ASC Topic 855), “Subsequent Events”, SFAS No. 166 (ASC Topic 810), “Accounting for Transfers of Financial Assets-an Amendment of FASB Statement No. 140”, SFAS No. 167 (ASC Topic 810), “Amendments to FASB Interpretation No. 46(R),” and SFAS No. 168 (ASC Topic 105), “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles- a replacement of FASB Statement No. 162” were recently issued. SFAS No. 165, 166, 167, and 168 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Accounting Standards Update (“ASU”) ASU No. 2009-05 (ASC Topic 820), which amends Fair Value Measurements and Disclosures – Overall, ASU No. 2009-13 (ASC Topic 605), Multiple-Deliverable Revenue Arrangements, ASU No. 2009-14 (ASC Topic 985), Certain Revenue Arrangements that include Software Elements, and various other ASU’s No. 2009-2 through ASU No. 2011-07 which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

Note 2 Business Activity

Princeton Gamma-Tech Instruments, Inc. is a leading supplier of X-ray and Gamma-ray Detectors and Spectroscopy systems and Radioactive Isotope Identifiers. The Company serves a broad customer base in scientific research, industrial materials analysis, and Homeland Security. The Company operates a full customer service and support program, backed by a modern manufacturing and service facility.

Note 3 Use of Estimates in the preparation of the financial statements

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. The interim financial information is unaudited. Interim results are not necessarily indicative of results of operations for the full year. The condensed consolidated financial statements include the accounts of Princeton Security Technologies, Inc. and subsidiary after elimination of inter-company transactions and accounts.

PRINCETON SECURITY TECHNOLOGIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the Three Months ending September 30, 2011 and 2010

Note 4 Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through the date of this filing, and no significant events have occurred.

At the present time there is no projected taxable income as the existing carried over losses will continue to be offset by the valuation allowance.

Note 5 Line of Credit

The Company has an available Credit Line facility in place with the Bank of Princeton up to \$200,000, out of which \$30,000 was utilized during this reporting period. As a subsequent event the \$30 000 has been fully paid off after September 30, 2011.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding Forward-Looking Statements

This periodic report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the Plan of Operations provided below, including information regarding the Company's financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities, and the plans and objectives of management. The statements made as part of the Plan of Operations that are not historical facts are hereby identified as "forward-looking statements."

Business of the Company

Corporate Information

Princeton was founded in February 2005 to acquire the detector and microanalysis business of Outokumpu Oyj. In February 2005, Princeton completed the acquisition of the detector and microanalysis business, which we subsequently sold, from a subsidiary of Outokumpu Oyj. As part of the acquisition of the business, Princeton retained the management and scientific staff of the subsidiary's detector business unit to continue to operate the detection and microanalysis business. Additionally, Princeton assumed the lease on the premises occupied by Outokumpu Oyj. The facilities were located in Rocky Hill, New Jersey and served as the Company's offices, manufacturing and research facilities. In March 2006, Princeton moved its offices to 303C College Road East, Princeton, and New Jersey where its management, manufacturing and research and development are currently located. Princeton's primary focus will continue to be on the X-ray and Gamma-ray Detector systems, as well as Radioactive Isotope Identifier products. Our products detect *radioactive* and other nuclear materials in various security and environmental settings.

Products

Through the purchase of the detector business, Princeton acquired X-ray and Gamma-ray Detectors and Spectroscopy systems, and Radioisotope Identifier products. More importantly, we also acquired the management and scientific teams responsible for the development of this technology. Currently we produce both individual detection units as well as component parts for larger units manufactured and sold by other companies.

The uses for our products encompass a variety of industrial, commercial and security concerns ranging from the homeland security need to detect concealed radioactive material, to silicon wafer fabrication companies that use our products and components to analyze silicon wafers for defects.

The nature of our technology allows our products to encompass a variety of uses. Our products typically have three basic technologies that can be combined to create a detection unit or system. Each of our products contains a sensor or a detector, electronic circuitry to process the signal from the sensor and firmware or software to analyze and interpret the processed signal. Princeton has design, development and manufacturing capability in all three-technology areas. By focusing on these three core competencies used in detectors and components, we are able to design products for multiple industries and users.

As part of our core technology, we have developed the internal capability to produce a high purity germanium radiation detectors, Sodium Iodide and Lanthanum Bromide Isotope Identifier solutions, which are the key component in Gamma-ray detection systems. We do also have an internal capability to process x-ray detectors, such as SiLi and Silicon Drift detectors. These capabilities allow us to compete with the limited number of companies who have the ability to work with these types of sensors. These sensors are most frequently used to detect radioactive isotopes.

Currently, our product line includes the following component and detectors:

- Category 1: Radioactive Isotope Identifier Products.

The current product is termed the SAM Radioactive Isotope Identifiers (RIID). This hand-held instrument is a self-contained radiation detector, low-noise signal processor, and user interface. Our proprietary analysis software provides an intuitive color display suitable for both First Responders as well as more technically trained Health Physicists. This product and product versions are mainly used for large homeland security market applications, as well as for environmental, industrial and medical purposes. This product detects neutron and gamma radiation from over 100 isotopes. The SAM was designed to meet the latest American National Standards Institute “ANSI” and other government standards for portable radiation detection equipment.

We introduced recently a Fixed Installation unit, called Area Monitor, to our product offering. That product is being offered and used in e.g. building security applications, hospitals, and industrial applications and generally in security applications where an identified area or facility needs to be secured. We recently introduced gamma – neutron Area Monitor which is the latest addition to our Radioactive Isotope Identifier product family.

- Category 2: Nuclear/ Gamma-ray detectors and spectrometers:

Princeton is one of the handful of companies worldwide that manufactures and processes High Purity Germanium Detectors and associated electronics and software for the most sensitive and accurate detection and analysis of radioactive samples in a laboratory environment. A typical application is the measurement of very low-levels of radioisotopes in soil, water or geological samples to determine the efficacy of radioactive waste cleanup or to conduct geophysics research. This type of lab-based instrumentation is also used by the nuclear power industry for on-line monitoring. Customers include Federal and State governmental authorities, research laboratories and large corporations.

- Category 3: X-ray detectors and spectrometers.

These products address the research and industrial analysis need in the Microanalysis or XRF market. The Microanalysis Market is the branch of industry and scientific research that requires the non-destructive analysis of materials on a sub-millimeter dimensional scale.

The non-destructive testing of materials by X-ray analysis utilizes a range of detector products from small hand-held units to large systems installed on a Synchrotron and used for the fundamental research of materials. Princeton supplies both detector components as an OEM supplier and also complete X-ray spectrometer systems. Applications include quality control (e.g., for Silicon wafer fabrication), fundamental material research (e.g., on a synchrotron), and industrial control and monitoring, (e.g., engine wear analysis). A typical application is analyzing various metals for quality or research purposes.

Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited Condensed Consolidated Financial Statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. The Company believes there have been no significant changes during the period ended September 30, 2011.

The Company's accounting policies are more fully described in Note 1 of the consolidated financial statements. As discussed in Note 1, the preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about the future events that affect the amounts reported in the consolidated financial statements and the accompanying notes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual differences could differ from these estimates under different assumptions or conditions. The Company believes that the following addresses the Company's most critical accounting policies.

We recognize revenue in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB 104"). Under SAB 104, revenue is recognized at the point of passage to the customer of title and risk of loss, when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured. We recognize revenue as services are provided with specific long lead-time orders.

Our allowance for doubtful accounts is maintained to provide for losses arising from customers' inability to make required payments. If there is deterioration of our customers' credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required. For example, at September 30, 2011, every additional one percent of our accounts receivable that becomes uncollectible would reduce our operating income by approximately \$3,363.

We account for income taxes in accordance with ASC Topic 740. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets will be reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized. A valuation allowance has currently been recorded to reduce our deferred tax asset to \$0.

Our Business Growth

For the quarter ended September 30, 2011 our sales increased approximately 62% to \$1,091,024 from \$676,360 for the same period last year. Our gross profit increased to \$505,770 compared to \$348,674 for the same period in 2010. This represents approximately 45% increase in Gross Profit. Our Radioactive Isotope Identifier Products had the biggest sales volume of all product categories, \$745,346, totaling about 68 % of the total sales for the quarter ending September 30, 2011; Nuclear Detector Products produced 27% and X-ray Detectors 5%. The largest growth in the quarter ended September 30, 2011, came from Radioactive Isotope Identifier Products, due to purchases from our domestic OEM customers as well as new customers who received orders related to Japan Nuclear power crises during the quarter ended September 30, 2011.

For the 9 month period ending September 30, 2011 our sales revenue increased 76% from \$1,617,137 to \$2,853,896. Our gross profit increased 78% from \$779,827 to \$1,394,254 for the same 9 months period.

We anticipate the biggest growth to continue to come from Radioactive Isotope Identifier products due to continued demand coming from increased awareness of the Nuclear threats as well as from Nuclear detectors due to increased demand on Nuclear Power market.

Results of Operations

Total sales increased 62% for the comparable quarterly periods in September 30, 2011 from 2010 due to increased sales in Radioactive Isotope Identifier Products. Our gross profit increased by 45% or \$157,096 for the quarter ending September 30, 2011 compared to the same period in 2010. Our operating expenses increased to \$411,010 for the quarter ended September 30, 2011, from \$284,680 for the same period last year. Our Net Profit was \$93,659 compared to \$68,148 for the same period in 2010.

For the 9 months period ending September 30, 2011, our gross profit increased by 78% or \$614,427 compared to the same 9 months period ending September 30, 2010. Our operating expenses increased to \$1,063,502 for the period ending September 30, 2011 from \$872,663 for the period ending September 30, 2010. Our Net Profit increased to \$324,902 for the 9 months period ending September 30, 2011 from the Net Loss of \$90,453 for the same period previous year. The quarterly profit was a combination of increased overall sales volume and the higher gross profit margin compared to previous quarters due to more favorable product mix as well as improved cost of goods. Our accumulative profit margin was 49% for the 9 months period. We continue to invest in our Research and Development activities, which partially affects our net profit for the next few quarters. Due to the increased production in year 2011, we have been able to cut our costs resulting in increased margins. We anticipate that our R&D will generate new products, which will increase our sales and our profitability.

Overall we will be dependent on sales to stay on current levels in order to stay profitable. We may have to seek additional financing to fund some additional R&D projects.

Seasonality and Cyclical

In our business, we have experienced lower sales volume during the past years in the first two quarters in general. We believe this trend may continue in the future, as well.

Liquidity and Capital Resources

Historically, we have financed our working capital requirements through internally generated funds and sales of equity and debt securities, until recently when we added a credit line bank facility. Since inception through September 30, 2011, we raised approximately \$2 million from the sale of equity securities. As we continue to expand our operations, we anticipate seeking additional capital through the sale of equity securities. Our goal is to position Princeton to be able to raise larger amounts of equity capital through the public markets or through private investments. At this time we do not know the extent of the overall financing we will need in the future. Financing will depend on how well our products are received in the marketplace or how much we'll be willing to invest in our inventory.

At September 30, 2011, we had \$523,524 in working capital. Our current assets consist of \$253,779 in cash, \$336,854 in accounts receivable and \$502,611 in inventory. Our Accounts Payables were \$261,109 and Total Current Liabilities \$621,762 at September 30, 2011. We will be dependent on selling our inventory and collecting receivables to cover our payables. We may seek additional Credit Line increase or equity capital to cover any liquidity needs that may arise as we try and increase sales.

We anticipate profits to continue for the year because of an estimated higher sales volume, due to existing order backlog for the next quarter. However, it is our goal to increase R&D expenses for the new products, which may require additional capital. In the future, we may issue additional debt or equity securities to satisfy our cash needs. Any debt incurred or issued may be secured or unsecured, at a fixed or variable interest rates and may contain other terms and conditions that our board of directors deems prudent. Any sales of equity securities may be at or below existing market prices.

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements as of September 30, 2011.

Forward-looking Statements

The Private Securities Litigation Reform Act of 1995 (the “Act”) provides a safe harbor for forward-looking statements made by or on behalf of our Company. Our Company and our representatives may from time to time make written or oral statements that are “forward-looking,” including statements contained in this Quarterly Report and other filings with the Securities and Exchange Commission and in reports to our Company’s stockholders. Management believes that all statements that express expectations and projections with respect to future matters, as well as from developments beyond our Company’s control including changes in global economic conditions are forward-looking statements within the meaning of the Act. These statements are made on the basis of management’s views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance; however, that management’s expectations will necessarily come to pass. Factors that may affect forward- looking statements include a wide range of factors that could materially affect future developments and performance, including the following:

Changes in Company-wide strategies, which may result in changes in the types or mix of businesses in which our Company is involved or chooses to invest; changes in U.S., global or regional economic conditions, changes in U.S. and global financial and equity markets, including significant interest rate fluctuations, which may impede our Company’s access to, or increase the cost of, external financing for our operations and investments; increased competitive pressures, both domestically and internationally, legal and regulatory developments, such as regulatory actions affecting environmental activities, the imposition by foreign countries of trade restrictions and changes in international tax laws or currency controls; adverse weather conditions or natural disasters, such as hurricanes and earthquakes, labor disputes, which may lead to increased costs or disruption of operations.

This list of factors that may affect future performance and the accuracy of forward-looking statements are illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

This item is not required for Smaller Reporting Companies.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our President and Principal Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our President and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management, with the participation of the President and Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of September 30, 2011. Based on this evaluation, our management, with the participation of the President and Principal Financial Officer, concluded that, as of September 30, 2011, our internal control over financial reporting was effective.

Changes in internal control over financial reporting

There have been no changes in internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

We have not sold any restricted securities during the three months ended September 30, 2011.

Use of Proceeds of Registered Securities

None. Not applicable.

Purchases of Equity Securities by Us and Affiliated Purchasers

During the three months ended September 30, 2011, we have not purchased any equity securities nor have any officers or directors of the Company.

ITEM 3. Defaults Upon Senior Securities

We are not aware of any defaults upon senior securities.

ITEM 4. Removed and Reserved

ITEM 5. Other Information

None

ITEM 6. Exhibits

(a) Exhibits.

<u>Item 4</u>	<u>Exhibit No.</u>	<u>Instruments Defining the Rights of Security Holders</u>
4.01	4	Specimen Stock Certificate
31.01	31	CEO certification Pursuant to 18 USC Section 1350, as adopted pursuant to Section 302
31.02	31	Principal Financial Officer certification Pursuant to 18 USC Section 1350, as adopted pu
32.01	32	CEO Certification pursuant to Section 906
32.02	32	Principal Financial Officer Certification pursuant to Section 906
	101.INS	XBRL Instance
	101.XSD	XBRL Schema
	101.CAL	XBRL Calculation
	101.DEF	XBRL Definition
	101.LAB	XBRL Label
	101.PRE	XBRL Presentation

* Incorporated by reference from the Company's registration statement on Form SB-2 filed with the Commission, SEC file no. 333-141482.

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.

Princeton Security Technologies
(Registrant)

Date: October 31, 2011

By: /s/ Juhani Taskinen

By: /s/ Trupti Mehta

Juhani Taskinen, CEO and
Trupti Mehta, Principal Financial
Officer

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Juhani Taskinen certify that:

1. I have reviewed this quarterly report on Form 10-Q of Princeton Security Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2011

Princeton Security Technologies, Inc.
/s/ Juhani Taskinen
Juhani Taskinen, Chief Executive Officer



Certification of Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Trupti Mehta certify that:

1. I have reviewed this quarterly report on Form 10-Q of Princeton Security Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2011

Princeton Security Technologies, Inc.
/s/ Trupti Mehta
Trupti Mehta, Principal Financial officer



Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

The undersigned, Juhani Taskinen, Chief Executive Officer, and Trupti Mehta, Principal Financial Officer, of Princeton Security Technologies, Inc. (the "Registrant") do hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period September 30, 2011 of the Registrant, as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: November 3, 2011

By: /s/ Juhani Taskinen
Juhani Taskinen
Chief Executive Officer

November 3, 2011

By: /s/ Trupti Mehta
Trupti Mehta
Principal Financial Office

* A signed original of this written statement required by Section 906 has been provided to Princeton Security Technologies, Inc. and will be retained by Princeton Security Technologies, Inc. and furnished to the Securities Exchange Commission or its staff upon request.

**CONSOLIDATED
BALANCE SHEET
PARENTHETICALS (USD
\$)**

Sep. 30, 2011 Dec. 31, 2010

StockholdersEquityNumberOfSharesParValueAndOtherDisclosuresAbstract

<u>Preferred Stock, par or stated value</u>	\$ 0.001	\$ 0.001
<u>Preferred Stock, shares authorized</u>	10,000,000	10,000,000
<u>Common stock, par or stated value</u>	\$ 0.001	\$ 0.001
<u>Common stock, shares authorized</u>	90,000,000	90,000,000
<u>Common Stock, shares issued</u>	14,408,513	14,043,513
<u>Common Stock, shares outstanding</u>	14,408,513	14,043,513

**UNAUDITED
CONSOLIDATED
STATEMENTS OF
OPERATIONS (USD \$)**

3 Months Ended 9 Months Ended
Sep. 30, 2011 Sep. 30, 2010 Sep. 30, 2011 Sep. 30, 2010

<u>Sales (net of returns)</u>	\$ 1,091,024	\$ 676,360	\$ 2,853,896	\$ 1,617,137
<u>Costs of goods sold</u>	585,254	327,686	1,459,642	837,310
<u>Gross Profit</u>	505,770	348,674	1,394,254	779,827
<u>Depreciation and amortization</u>	2,201	5,517	7,271	16,555
<u>Selling and marketing</u>	130,322	75,553	255,259	183,675
<u>General and administrative</u>	176,585	129,238	558,610	453,657
<u>Research and development</u>	101,902	74,372	242,362	218,777
<u>Total Expenses</u>	411,010	284,680	1,063,502	872,663
<u>Profit (Loss) from operations</u>	94,760	63,994	330,752	(92,836)
<u>Other income/(expenses)</u>	(1,101)	(427)	(5,850)	(2,198)
<u>Gain on extinguishment of Liabilities</u>	0	4,581	0	4,581
<u>Provision for income taxes</u>	0	0	0	0
<u>Net Profit/(Loss)</u>	\$ 93,659	\$ 68,148	\$ 324,902	\$ (90,453)
<u>Net Profit/(Loss) per share of common stock</u>	\$ 0.01	\$ 0.005	\$ 0.02	\$ (0.01)
<u>Weighted average number of common shares</u>	14,408,513	13,788,513	14,178,641	13,748,128

**Document and Entity
Information**

**9 Months Ended
Sep. 30, 2011**

Oct. 31, 2011

Document and Entity Information

<u>Entity Registrant Name</u>	Princeton Security Technologies, Inc.	
<u>Document Type</u>	10-Q	
<u>Document Period End Date</u>	Sep. 30, 2011	
<u>Amendment Flag</u>	false	
<u>Entity Central Index Key</u>	0001391614	
<u>Current Fiscal Year End Date</u>	--12-31	
<u>Entity Common Stock, Shares Outstanding</u>		14,408,513
<u>Entity Filer Category</u>	Smaller Reporting Company	
<u>Entity Current Reporting Status</u>	Yes	
<u>Entity Voluntary Filers</u>	No	
<u>Entity Well-known Seasoned Issuer</u>	No	
<u>Document Fiscal Year Focus</u>	2011	
<u>Document Fiscal Period Focus</u>	Q3	

**Use of Estimates in the
preparation of the financial
statements**

9 Months Ended

Sep. 30, 2011

**Use of Estimates in the
preparation of the financial
statements**

**Use of Estimates in the
preparation of the financial
statements**

Note 3 Use of Estimates in the preparation of the financial statements

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates. The interim financial information is unaudited. Interim results are not necessarily indicative of results of operations for the full year. The condensed consolidated financial statements include the accounts of Princeton Security Technologies, Inc. and subsidiary after elimination of inter-company transactions and accounts.

Note 1 Organization

Princeton Security Technologies, Inc. (the Company) was incorporated on September 8, 2006 in the State of Nevada. The Company is the holding company of Princeton Gamma-Tech Instruments, Inc. (PGTI). PGTI was incorporated on February 16, 2005 in the State of New Jersey. On February 19, 2005, PGTI purchased the assets of Princeton Gamma-Tech, Inc. This acquisition included the assets, liabilities, operations, clients and intellectual property of Princeton Gamma-Tech, Inc., including its wholly owned subsidiary in the United Kingdom, Princeton Gamma-Tech (UK) Limited. On December 28, 2006, Princeton Gamma-Tech (UK) Limited was sold. The Company has elected a fiscal year end of December 31.

Recently Enacted Accounting Standards

In June 2009, the FASB established the Accounting Standards Codification (“Codification” or “ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) issued under authority of federal securities laws are also sources of GAAP for SEC registrants. Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact our financial statements. The ASC does change the way the guidance is organized and presented.

Statement of Financial Accounting Standards (“SFAS”) No. 165 (ASC Topic 855), “Subsequent Events”, SFAS No. 166 (ASC Topic 810), “Accounting for Transfers of Financial Assets-an Amendment of FASB Statement No. 140”, SFAS No. 167 (ASC Topic 810), “Amendments to FASB Interpretation No. 46(R),” and SFAS No. 168 (ASC Topic 105), “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles- a replacement of FASB Statement No. 162” were recently issued. SFAS No. 165, 166, 167, and 168 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Accounting Standards Update (“ASU”) ASU No. 2009-05 (ASC Topic 820), which amends Fair Value Measurements and Disclosures - Overall, ASU No. 2009-13 (ASC Topic 605), Multiple-Deliverable Revenue Arrangements, ASU No. 2009-14 (ASC Topic 985), Certain Revenue Arrangements that include Software Elements, and various other ASU’ s No. 2009-2 through ASU No. 2011-07 which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates

have no current applicability to the Company or their effect on the financial statements would not have been significant.

Subsequent Events

**9 Months Ended
Sep. 30, 2011**

Subsequent Events

Subsequent Events

Note 4 Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through the date of this filing, and no significant events have occurred.

At the present time there is no projected taxable income as the existing carried over losses will continue to be offset by the valuation allowance.

Line of Credit

**9 Months Ended
Sep. 30, 2011**

[Line of Credit](#)

[Line of Credit](#)

Note 5 Line of Credit

The Company has an available Credit Line facility in place with the Bank of Princeton up to \$200,000, out of which \$30,000 was utilized during this reporting period. As a subsequent event the \$30,000 has been fully paid off after September 30, 2011.

**UNAUDITED
CONSOLIDATED
STATEMENTS OF CASH
FLOWS (USD \$)**

9 Months Ended

Sep. 30, 2011 Sep. 30, 2010

<u>Net income/(loss)</u>	\$ 324,902	\$ (90,453)
<u>Depreciation and amortization</u>	7,271	16,555
<u>Stock issued for services</u>	70,100	20,500
<u>Accounts receivable</u>	(110,427)	99,787
<u>Other receivables</u>	430	(15,022)
<u>Inventory</u>	(212,740)	(81,596)
<u>Prepaid expenses</u>	452	8,252
<u>Accounts payable</u>	83,034	(32,964)
<u>Accrued expenses</u>	13,577	2,475
<u>Warranty expenses</u>	(14,880)	(7,875)
<u>Deferred revenue</u>	60,570	245,085
<u>Cash flow provided by operating activities</u>	222,289	164,744
<u>Purchase of property and equipment</u>	(14,393)	(13,800)
<u>Cash flow used in investing activities</u>	(14,393)	(13,800)
<u>Lines of Credit</u>	6,316	(13,597)
<u>Cash flow provided by financing activities</u>	6,316	(13,597)
<u>Increase/(decrease) in cash position</u>	214,212	137,347
<u>Cash position at beginning of period</u>	39,567	21,333
<u>Cash position at end of period</u>	253,779	158,680
<u>Interest expense</u>	0	0
<u>Income taxes</u>	\$ 0	\$ 0

Business Activity

**9 Months Ended
Sep. 30, 2011**

[Business Activity](#)
[Business Activity](#)

Note 2 Business Activity

Princeton Gamma-Tech Instruments, Inc. is a leading supplier of X-ray and Gamma-ray Detectors and Spectroscopy systems and Radioactive Isotope Identifiers. The Company serves a broad customer base in scientific research, industrial materials analysis, and Homeland Security. The Company operates a full customer service and support program, backed by a modern manufacturing and service facility.

**CONSOLIDATED
BALANCE SHEETS (USD
\$)**

	Sep. 30, 2011	Dec. 31, 2010
<u>Current Assets</u>		
<u>Cash</u>	\$ 253,779	\$ 39,567
<u>Accounts receivable -net of allowance</u>	336,254	225,827
<u>Other receivables</u>	600	1,030
<u>Inventory</u>	502,611	289,872
<u>Prepaid expenses</u>	58,277	58,729
<u>Total Current Assets</u>	1,151,521	615,025
<u>Property, plant & equipment (net of accumulated depreciation of \$1,405,386 and \$1,398,115 respectively)</u>	31,718	24,596
<u>Total Assets</u>	1,183,239	639,621
<u>LIABILITIES</u>		
<u>Accounts payable</u>	261,109	178,074
<u>Accrued expenses</u>	80,760	48,526
<u>Accrued related party expenses</u>	0	36,000
<u>Accrued vacation expenses</u>	36,108	33,647
<u>Credit line advances</u>	30,000	23,684
<u>Deferred revenue</u>	220,020	159,450
<u>Total Current Liabilities</u>	627,997	479,381
<u>Total Liabilities</u>	627,997	479,381
<u>STOCKHOLDERS' EQUITY</u>		
<u>Preferred stock; \$.001 par value, 10,000,000 shares authorized; no shares issued and outstanding</u>	0	0
<u>Common stock; \$.001 par value, 90,000,000 shares authorized; 14,408,513 and 14,043,513 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively</u>	14,408	14,043
<u>Additional paid-in capital</u>	2,031,310	1,961,575
<u>Retained earnings (deficit)</u>	(1,490,476)	(1,815,378)
<u>Total Stockholders' Equity</u>	555,242	160,240
<u>Total Liabilities and Stockholders' Equity</u>	\$ 1,183,239	\$ 639,621