

## Quarterly Report for Fiscal Quarter July 31, 2012

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### **KMA Global Solutions International, Inc.** (a Nevada corporation)

438 Gibraltar Dr. No. 11  
Mississauga, ON L5T 2P2  
Canada

Phone: (647) 478-8783

Website: <http://www.kmaglobalsolutions.com>

Email: [investorrelations@kmaglobalsolutions.com](mailto:investorrelations@kmaglobalsolutions.com)

The Quarterly Report for KMA Global Solutions International, Inc. has been prepared with OTC Markets alternative Reporting Standard. All financial data has been prepared as of July 31, 2012.

## **Part A General Company Information**

### **Item 1 The exact name of the issuer and its predecessor (if any)**

The exact name of the issuer is: KMA Global Solutions International, Inc. (the "Company")

The issuer does not have a material predecessor.

### **The address of the Issuer's principal executive office**

438 Gibraltar Dr. No. 11  
Mississauga, ON L5T 2P2  
Canada

Telephone: (647) 478 8783  
Fax: (647) 478 8785

URL: <http://www.kmaglobalsolutions.com>

The person responsible for the Company's investor relations is the Company's Chief Executive Officer and sole director, Jeffrey D. Reid. Mr. Reid's phone number and mailing address are the same as listed above. The email address to reach Mr. Reid for investor relations is [investorrelations@kmaglobalsolutions.com](mailto:investorrelations@kmaglobalsolutions.com)

The Company's transfer agent is American Stock Transfer & Trust Company, LLC., 6201 15<sup>th</sup> Avenue, Brooklyn, NY, 11219 Tel: 718-921-8380 Fax 718-765-8711

### **Item 2 The number of issued shares for each class of securities authorized**

#### **Common Stock**

	<u>Fiscal year end 1</u>	<u>Fiscal year end 2</u>	<u>Q2</u>
Period end date	January 31, 2011	January 31, 2012	July 31, 2012
Number of shares authorized	175,000,000	1,000,000,000	750,000,000*
Number of issued shares	175,000,000	609,420,100	750,000,000
Number of non-restricted shares	100,345,039	543,051,805	724,309,475
Number of of-record shareholders**	16	12	11

### Preferred Stock

	<u>Fiscal year end 1</u>	<u>Fiscal year end 2</u>	<u>Q2***</u>
Period end date	January 31, 2011	January 31, 2012	July 31, 2012
Number of shares authorized	25,000,000	25,000,000	25,000,000
Number of shares issued	0	0	19,376,804
Number of non-restricted shares	0	0	0
Number of of-record shareholders	0	0	1

\*On April 30, 2012, the Issuer amended its Articles of Incorporation in order to decrease the number of shares of capital authorized to 775,000,000 shares of capital stock, par value \$0.001 consisting of 25,000,000 shares of preferred stock and 750,000,000 shares of common stock

\*\* Management does know the number of beneficial owners of the Issuer's shares as of the date hereof (because it has not been able to obtain a Non-Objecting Beneficial Owner List from Broadridge), but intends to obtain a NOBO List (or take other steps to ascertain the number of beneficial owners) as soon as it can reasonably do so.

\*\*\*, On May 3, 2012 the Company filed a Certificate of Designation with the Secretary of State of Nevada designating and authorizing the issuance of 25,000,000 shares of Series A Convertible Preferred Stock. On May 3, 2012 Jeffrey D Reid exchanged 100% of the debt owed to him by the Company in the aggregate amount of \$328,015 in exchange for 25,000,000 shares of Series A Preferred Stock.

On June 7, 2012 Jeffrey D. Reid converted 5,000,000 preferred shares into 125,000,000 common shares. On June 27, 2012, Jeffrey D. Reid converted 623,196 preferred shares into 15,579,900 common shares.

### **Item 3**      **Financial Information for the Issuer's most recent fiscal period**

The Company's interim financial statements for the period ended July 31, 2012 will follow the end of this disclosure statement as an exhibit and is incorporated herein by reference.

### **Item 4**

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may", "will", "expect", "anticipate", "believe", "estimate" and "continue" or similar words. Those statements included statements regarding the intent, belief or current expectations of us or members of our management team as well as the assumptions of which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties and that actual results may differ materially from those contemplated by such forward-looking statements.*



*Readers are urged to carefully review and consider the various disclosures made by us in this report. The following Management's Discussion and Analysis of Financial condition and Results of Operations of the Company should be read in conjunction with the Financial Statements and notes related thereto included in this Quarterly Report.*

### **Management's Discussion and Analysis or Plan of Operation**

KMA Global Solutions International, Inc. ("KMAG" or the "Issuer") was incorporated on March 9, 2006 under the laws of the State of Nevada. The Company's fiscal year end is January 31. The Company has never been subject to bankruptcy, receivership or any similar proceeding. There are no current, past or pending trading suspensions by a securities regulator.

KMAG is the assignee of active patents issued by the U.S. Patent and Trademark Office (as well as corresponding foreign patents granted in Germany, Spain, France, Italy, Netherlands, United Kingdom and Mexico). These patents relate to a sew-on security label, which anticipates and incorporates RFID technology, improvements and manufacturing processes. KMAG also has patent applications pending in the U.S. (as well as corresponding foreign patent applications in Mexico, Germany, Spain, France, Italy, Netherlands, United Kingdom and Canada) relating to its dual technology EAS label and high speed process, which anticipates and incorporates RFID technology and improvements thereof.

KMAG has been engaged in the Electronic Articles Surveillance (EAS) industry since inception. Shrinkage (the value of goods which are not paid for) is caused primarily by shoplifting and employee theft. Products manufactured in the EAS industries are designed to act as a deterrent to control the problem of merchandise theft. To address this market opportunity, KMAG built the necessary infrastructure to be a source for EAS solutions worldwide.

KMAG continues to develop new products for the retail marketplace and the latest product is called the Gemini Tag. This tag is a Dual Tag which provides both EAS and RFID coverage for retailers developing a RFID solution while needing to protect their merchandise. The Gemini Tag is being made in China using a long time manufacturing source which provides similar solutions to KMAG. We anticipate the product to be in the market by Q4. KMAG has spent \$35,000 in developing this product.

Baggage tag continues to be developed along with the client and at this time we are not producing additional tags until our client has solved their technical challenges.

KMAG continues to produce high speed equipment and seek further clients in this market. KMAG developed high speed packaging line equipment which can apply, read and write a RFID tag in a variety of different tag configurations onto a variety of consumer packaging. Specifically we are working with a customer that will use this equipment for tracking merchandise from production throughout distribution to the customers dock. The opportunity is based on applying RFID tags to different packaging containing liquids that allow for reading with 100% confidence. This closed loop start up phase will transition into point of purchase retail solution which will allow for third party use at retail.

High speed labeling equipment has been installed at our primary customer and is being used as a full production machine. Further development is ongoing as we start to promote the equipment to other manufactures.

KMAG has developed a New Solution called the fashion shoe tag which is sold in the retail sector to protect Fashion Footwear (that is, footwear that is sold at a price point that attracts a greater threat as a theft item) without damaging the shoe. The solution has been developed to contain



both EAS and RFID technology. Further R&D expenditures will occur as we develop more sophisticated solutions for niche markets.

KMAG continues to promote and sell EAS solutions and develop products used by its retail customers in both EAS and RFID. KMAG continues to promote the existing business and has augmented its existing intellectual property and knowledge of the RFID industry.

Although there is no present agreement or understanding for KMAG to make any particular acquisition, it does intend to attempt to seek out, entertain and evaluate proposals for acquisition of other assets and/or business opportunities in exchange for shares of its common stock. There cannot be any assurance that any such acquisition proposals will be made to or located by KMAG, and it is likely that any which the board of directors might entertain may be on terms that would be deemed unfavorable to and have a dilutive effect on KMAG's existing shareholders.

KMA Global Solutions International Inc. is located at 438 Gibraltar Drive, Suite 11, Mississauga Ontario. We are located in a 4800 square foot facility where current operations and record keeping takes place.

## **Results of Operations**

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements included herewith. The discussion should not be construed to imply that the results discussed herein will necessarily continue in the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future.

### **Sales**

The Company's sales increased \$3,188,068 or 1957% to \$3,350,938 for the three months ended July 31, 2012 compared to \$162,870 for the three months ended July 31, 2011 and increased \$3,932,482 or 1382% to \$4,217,114 for the six months ended July 31, 2012 compared to \$284,632 for the six months ended July 31, 2011. This increase over last year is primarily due to increasing sales in our current EAS business, as well as, expanding our current EAS product lines to include our fashion shoe tag and hard tags. Sales in our RFID product lines have also contributed to the increase in sales over the previous year.

### **Gross Profit**

The Company's Gross Profit was \$616,728 or 18% of sales for the three months ended July 31, 2012, compared with \$44,504 or 27% of sales for the three months ended July 31, 2011 and \$781,404 or 19% of sales for the six months ended July 31, 2012, as compared with \$91,650 or 32% of sales for the six months ended July 31, 2011. This corresponds with planned margins for the market. Increase in sales also resulted in discounted sales pricing.

### **Net Operating Expenses**

Net Operating Expenses were \$321,787 or 10% of sales for the three months ended July 31, 2012, compared with \$48,053 or 30% of sales for the three months ended July 31, 2011 and \$435,976 or 10% of sales for the six months ended July 31, 2012, as compared to \$99,840 or 35% for the six months ended July 31, 2011. The decrease in ratio of operating expenses to sales is primarily due to the significant increase in sales offset by increased spending primarily in outside consulting fees, travel and R&D expenses

### **Operating Income (Loss)**

Operating Income before taxes was \$295,941 or 9% of sales for the three months ended July 31, 2012 as compared with an operating loss of \$3,549 or 2% of sales for the three months ended July 31, 2011 and \$345,729 or 8% of sales for the six months ended July 31, 2012, as compared with

an operating loss of \$8,190 or 3% of sales for the six months ended July 31, 2011. The increase in operating income for the three and six months ended July 31, 2012 compared to the three and six months ended July 31, 2011 is due to a significant increase in sales in both EAS & RFID product lines, offset by increase in operating expenses primarily in outside consulting, travel and R&D expenses.

### **Capital Resources**

The Company had, for the six months ended July 31, 2012, current assets of \$1,282,754 and current liabilities of \$831,964.

For the six months ended July 31, 2012, the Company had a cash balance of \$86,815. The Company does not have any bank indebtedness and cash is achieved from the collection of receivables which average 60 days payment cycle. Management believes that the Company will generate sufficient cash from its operating activities.

### **Off-Balance Sheet Arrangements.**

1. There are no off-balance sheet arrangements.

### **Item 5**      **Legal Proceedings**

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against KMAG that could have a material effect on KMAG's business, financial condition, or operations.

### **Item 6**      **Defaults upon Senior Securities**

None

### **Item 7**      **Other Information**

No other information.

### **Item 8**      **Exhibits**

No exhibits.



**Item 9****Issuer's Certifications**

I, Jeffrey D. Reid, certify that:

1. I have reviewed this quarterly disclosure statement of KMA Global Solutions International, Inc.
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: September 25, 2012

  
\_\_\_\_\_  
Chief Executive Officer

# KMA GLOBAL SOLUTIONS INTERNATIONAL INC.

## INTERIM BALANCE SHEET (UNAUDITED)

	July 31, 2012 (unaudited)	January 31, 2012 (unaudited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 86,815	\$ 60,394
Accounts Receivable	1,195,939	255,600
<b>Total Current Assets</b>	1,282,754	315,994
Other Receivables	1,556,059	1,556,059
Deposits on Equipment and Patents	45,664	76,664
Capital Assets	102,942	71,776
<b>Total Assets</b>	\$ 2,987,419	\$ 2,020,493
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT</b>		
Accounts Payable and Accrued Liabilities	\$ 831,964	\$ 210,766
Debentures Payable	-	-
Contributed Surplus	-	-
<b>Total Current Liabilities</b>	831,964	210,766
<b>LONG TERM DEBT</b>		
Shareholder Loan	-	328,015
<b>Total Liabilities</b>	\$ 831,964	\$ 538,781
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Preferred Stock	19,377	-
Capital Stock	315,580	175,000
Additional Paid-In Capital	3,178,327	3,010,269
Cumulative Translation Adjustment	43,240	43,240
Retained Deficit	(1,401,069)	(1,746,798)
<b>Total Shareholders' Equity</b>	\$ 2,155,455	\$ 1,481,711
<b>Total Liabilities and Shareholders' Equity</b>	\$ 2,987,419	\$ 2,020,493

The accompanying notes are an integral part of the financial statements



**KMA GLOBAL SOLUTIONS INTERNATIONAL INC.****STATEMENT OF INCOME AND ACCUMULATED DEFICIT  
FOR THE SIX MONTHS ENDED JULY 31,  
(UNAUDITED)**

	<b>Three Months ended</b>		<b>Six Months ended</b>	
	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>SALES</b>	3,350,938	162,870	4,217,114	284,632
<b>COST OF SALES</b>	<u>2,734,210</u>	<u>118,366</u>	<u>3,435,410</u>	<u>192,982</u>
<b>GROSS MARGIN</b>	<u>616,728</u>	<u>44,504</u>	<u>781,704</u>	<u>91,650</u>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>321,787</u>	<u>48,053</u>	<u>435,975</u>	<u>99,840</u>
Income (Loss) before income taxes	<u>294,941</u>	<u>(3,549)</u>	<u>345,729</u>	<u>(8,190)</u>
Income taxes				
<b>NET INCOME (LOSS)</b>	<u>\$ 294,941</u>	<u>\$ (3,549)</u>	<u>\$ 345,729</u>	<u>\$ (8,190)</u>
<b>(Deficit), beginning of period</b>	(1,696,010)	(1,754,507)	(1,746,798)	(1,749,866)
<b>(Deficit), end of period</b>	(1,401,069)	(1,758,056)	(1,401,069)	(1,758,056)

The accompanying notes are an integral part of the financial statements

# KMA GLOBAL SOLUTIONS INTERNATIONAL INC.

## STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JULY 31, 2012 (UNAUDITED)

2012

### CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the year	\$	345,728
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Amortization		4,834
Changes in assets and liabilities:		
Increase in accounts receivable		(940,339)
Increase in accounts payable and accrued liabilities		621,198
Increase in Deposits on Equipment		
<b>Net cash used by operating activities</b>		<u>31,421</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Increase/(Decrease) in advances to shareholders		(328,015)
Decrease in deposits for eqpt & patents		31,000
Increase in capital assets		(36,000)
<b>Net cash provided by investing activities</b>		<u>(333,015)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of preferred shares		328,015
Issuance of capital stock		
<b>Net cash provided (used) by financing activities</b>		<u>328,015</u>

**NET INCREASE IN CASH**  
**CASH, BEGINNING OF YEAR**

\$ 26,421  
60,394

**CASH, END OF YEAR**

\$ 86,815



# KMA GLOBAL SOLUTIONS INTERNATIONAL INC.

## SHAREHOLDERS' EQUITY FOR SIX MONTHS ENDED JULY 31, 2012

	Common Shares	Par Value @ \$0.001	Preferred Stock	Par Value @ \$0.001	Additional Paid- In Capital	Subscriptions Receivable	Comp. Income	Accumulated Earnings
<b>January 31, 2008</b>	<b>75,333,319</b>	<b>75,333</b>			<b>4,845,029</b>	<b>(2,730,000)</b>	<b>(11,230)</b>	<b>(2,509,820)</b>
Shares returned	(8,000,000)	(8,000)			(1,992,000)	1,800,000	-	-
Warrant valuation allocation	-	-			1,149,000	-	-	-
Shares issued for services	36,566,665	36,567			119,797	-	-	-
Shares issued for debt	46,771,200	46,771			177,731	-	-	-
Net Loss January 31, 2009	-	-			-	-	-	(1,196,649)
<b>January 31, 2009</b>	<b>150,671,184</b>	<b>150,671</b>	-	-	<b>4,299,557</b>	<b>(930,000)</b>	<b>(11,230)</b>	<b>(3,706,469)</b>
Cancellation of Warrants/Subscription	-	-			(930,000)	930,000	-	-
Currency translation adjustment	-	-			-	-	(104,047)	-
Net Loss January 31, 2010	-	-			-	-	-	(489,513)
<b>January 31, 2010</b>	<b>150,671,184</b>	<b>150,671</b>	-	-	<b>3,369,557</b>	-	<b>(115,277)</b>	<b>(4,195,982)</b>
Shares issued for consulting services	3,502,776	3,503			8,757	-	-	-
Issue of shares for consulting services	20,826,040	20,826			(12,788)	-	-	-
Currency translation adjustment	-	-			-	-	(114,976)	-
Net Loss January 31, 2011	-	-			-	-	-	(116,899)
<b>January 31, 2011</b>	<b>175,000,000</b>	<b>175,000</b>	-	-	<b>3,365,526</b>	-	<b>(230,253)</b>	<b>(4,312,881)</b>
Adjustment to shareholder equity due to distribution of subsidiary companies to shareholders					(731,465)		310,884	2,563,015
Conversion of Debentures payable	434,420,100				376,208			
Currency translation adjustment							(37,391)	
Net Profit January 31, 2012								3,068
<b>January 31, 2012</b>	<b>609,420,100</b>	<b>175,000</b>	-	-	<b>3,010,269</b>	-	<b>43,240</b>	<b>(1,746,798)</b>
Issue of Preferred shares per Certificate of Designation			25,000,000	25,000	303,015			
Conversion of Preferred shares to common shares	125,000,000	125,000	(5,000,000)	(5,000)	(120,000)			
Conversion of Preferred shares to common shares	15,579,900	15,580	(623,196)	(623)	(14,957)			
Net Profit July 31, 2012								345,729
<b>July 31, 2012</b>	<b>750,000,000</b>	<b>315,580</b>	<b>19,376,804</b>	<b>19,377</b>	<b>3,178,327</b>	-	<b>43,240</b>	<b>(1,401,069)</b>

The accompanying notes are an integral part of the financial statements

## **Notes to Financial Statements**

### **Note 1                      Basis of Presentation**

The accompanying unaudited financial statements include the accounts of KMA Global Solutions International, Inc. ("KMAG" or the "Company") which is incorporated in the state of Nevada in the United States. Amounts that would have been previously eliminated on consolidation are now reflected as assets or liabilities in the financial statements of the Company.

In February 2011, the Company distributed the shares of its wholly owned subsidiaries, KMA Global Solutions (US) Inc, a Company incorporated in the state of Nevada in the United States of America, KMA Global Solutions Inc., a company incorporated in Canada under the Ontario Business Corporations Act and KMA Global Solutions (Hong Kong) Ltd., which is incorporated in Hong Kong. These subsidiaries are not included in the financial statements dated July 31, 2012.

### **Note 2                      Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and short-term investments with original maturities at the time of purchase of less than 90 days that are readily convertible to known amounts of cash and that are subject to an insignificant risk of material change in value.

### **Note 3                      Accounts Receivable and Patents**

Accounts receivable relate to the amounts owed from the sale of products to the Company's customers. These amounts will be collected in the normal course of business.

### **Note 4                      Patents**

KMAG is the assignee of active patents issued by the U.S. Patent and Trademark Office (as well as corresponding foreign patents granted in Germany, Spain, France, Italy, Netherlands, United Kingdom and Mexico. These patents relate to a sew-on security label, which anticipates and incorporates RFID technology, improvements and manufacturing process thereof. KMAG also has patent applications pending in the U.S. (as well as corresponding foreign patent applications in Mexico, Germany, Spain, France, Italy, Netherlands, United Kingdom and Canada) relating to its dual technology EAS label and high speed process, which anticipates and incorporates RFID technology, and improvements thereof. The amounts reflected in the financial statements represent the capitalized costs of the patents.

In February 2010, KMAG licensed its intellectual property to r-pac International Hong Kong, which has distribution in numerous countries and an in depth customer list. KMAG is currently receiving royalty payments from the license.

### **Note 5                      Other Receivables.**

In February 2011, when the Company distributed the shares of its wholly owned subsidiaries, loans payable to KMA Global Solutions International Inc. were outstanding. KMA Global Solutions Inc has an outstanding loan of \$1,409,056 and KMA Global Solutions (Hong Kong) Inc has an outstanding loan of \$147,003 at July 31, 2012. These loans are non-interest bearing, are unsecured and have no fixed term of payment.



**Note 6****Advances from Shareholders**

Advances from our shareholder, Mr. Jeffrey D. Reid, who is also the Company's Chief Executive Officer and sole director, were non-interest bearing, are unsecured and had no fixed term of payment. This loan was converted into Preferred Shares of the Company at the option of Mr. Reid at a 50% discount to the market price. On May 3, 2012 the Company filed a Certificate of Designation with the Secretary of State of Nevada designating and authorizing the issuance of 25,000,000 shares of Series A Convertible Preferred Stock. On May 3, 2012 Jeffrey D Reid exchanged 100% of the debt owed to him by the Company of \$328,015 in exchange for 25,000,000 shares of Series A Preferred Stock.

On June 7, 2012, Jeffrey D. Reid converted 5,000,000 preferred shares into 125,000,000 common shares. On June 27, 2012, Jeffrey D. Reid converted 623,196 preferred shares into 15,579,900 common shares.

**Note 7****Shareholder Equity**

On April 30, 2012, KMAG amended its Articles of Incorporation in order to decrease the number of shares of capital authorized to 775,000,000 shares of capital stock, par value \$0.001 consisting of 25,000,000 shares of preferred stock and 750,000,000 shares of common stock.