UNIVERSAL SECURITY INSTRUMENTS INC
Form 10-K
August 25, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2015 or

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to ________.

Commission file number: 001-31747

UNIVERSAL SECURITY INSTRUMENTS, INC.

(Exact name of registrant as specified in its charter)

MARYLAND	52-0898545
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11407 Cronhill Drive, Suite A, Owings Mills, Maryland	21117
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (410) 363-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	NYSE MKT LLC

Securities registered pursuant to Section 12(g) of the Act:

None
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Act). Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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 ¨ Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of Common Stock, $.01 par value, held by non-affiliates of the registrant based on the closing sales price of the Common Stock on the New York Stock Exchange (NYSE MKT LLC) on September 30, 2014, was $10,501,401.

The number of shares of common stock outstanding as of June 15, 2015 was 2,312,887.

documents incorporated by reference

To the extent specified, Part III of this Form 10-K incorporates information by reference to the Registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders.

UNIVERSAL SECURITY INSTRUMENTS, INC.

2015 ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

General

Universal Security Instruments, Inc. ("we" or "the Company") designs and markets a variety of popularly-priced safety products consisting primarily of smoke alarms, carbon monoxide alarms and related products. Most of our products require minimal installation and are designed for easy installation by the consumer without professional assistance, and are sold through retail stores. We also market products to the electrical distribution trade through our wholly-owned subsidiary, USI Electric, Inc. ("USI Electric"). The electrical distribution trade includes electrical and lighting distributors as well as manufactured housing companies. Products sold by USI Electric usually require professional installation.

In 1989 we formed Eyston Company Limited, a limited liability company under the laws of Hong Kong, as a joint venture with a Hong Kong-based partner, to manufacture various products in the Peoples Republic of China (the "Hong Kong Joint Venture"). We currently own a 50% interest in the Hong Kong Joint Venture and are a significant customer of the Hong Kong Joint Venture (41.8% and 38.9% of its sales during fiscal 2015 and 2014 respectively), with the balance of its sales made to unrelated customers worldwide. We import all of our products from foreign suppliers. For the fiscal year ended March 31, 2015, approximately 87.3% of our purchases were imported from the Hong Kong Joint Venture.

Our sales for the year ended March 31, 2015 were $9,891,554 compared to $12,577,127 for the year ended March 31, 2014. We reported a net loss of $3,704,985 in fiscal 2015 compared to a net loss of $4,450,244 in fiscal 2014, a decrease in net loss of $745,259 (16.7%). The decrease in the net loss is primarily due to a non-cash charge of $2,310,835 included in the operating results of the fiscal year ended March 31, 2014 that established an allowance for unrealizable deferred tax assets offset by an approximate $969,000 increase in equity in loss of the Hong Kong Joint Venture and lower gross profit due to the decline in sales as mentioned above.

The Company was incorporated in Maryland in 1969. Our principal executive office is located at 11407 Cronhill Drive, Suite A, Owings Mills, Maryland 21117, and our telephone number is 410-363-3000. Information about us may be obtained from our website www.universalsecurity.com. Copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, are available free of charge on our website as soon as they are filed with the Securities and Exchange Commission (SEC) through a link to the SEC's EDGAR reporting system. Simply select the "Investor Relations" menu item, then click on the "SEC Filings" link. The SEC's EDGAR reporting system can also be accessed directly at www.sec.gov.

Safety Products

We market a line of residential smoke and carbon monoxide alarms under the trade names "UNIVERSAL" and "USI Electric" both of which are manufactured by the Hong Kong Joint Venture.

Our line of smoke alarms consists of battery powered, ten year sealed battery powered, electrical and electrical with battery backup alarms. Our products contain different types of batteries with different battery lives, and some with alarm silencers. The smoke alarms marketed to the electrical distribution trade also include hearing impaired and heat alarms with a variety of features. We also market carbon monoxide alarms, door chimes and ventilation products.

Over the past six fiscal years we developed new smoke, carbon monoxide, and natural gas detection technologies which we consider the "next generation" of our safety products, and we have applied for thirteen patents on these new technologies and features. In addition, we have developed a line of sealed battery alarms utilizing our next generation technologies. Most of our new technologies and features have been trademarked under the trade name IoPhic®. To date we have been granted ten patents (including six for the new technologies and features), and we are currently awaiting notification from the U.S. Patent Office regarding the remaining patent applications.

We also submitted each of our new products for independent testing agency approval, and have introduced products into the marketplace as approvals were received. This process began during the fourth quarter of our 2010 fiscal year and continues with the development and testing of our sealed battery alarms. Currently, we have received independent testing agency approvals on certain sealed battery products and we are awaiting approval of additional models of our sealed battery products before our entire line of new products will have been introduced to the market by the end of our fiscal year ending March 31, 2016.

Our wholly-owned subsidiary, USI Electric, Inc., focuses its sales and marketing efforts to maximize safety product sales, especially smoke alarms and carbon monoxide alarms manufactured by our Hong Kong Joint Venture, to the electrical distribution trade and to foreign customers.

Import Matters

We import all of our products. As an importer, we are subject to numerous tariffs which vary depending on types of products and country of origin, changes in economic and political conditions in the country of manufacture, potential trade restrictions, and currency fluctuations. We have attempted to protect ourselves from fluctuations in currency exchange rates to the extent possible by negotiating commitments in U.S. dollars.

Our inventory purchases are also subject to delays in delivery due to problems with shipping and docking facilities, as well as other problems associated with purchasing products abroad. Substantially all of our safety products, including products we purchase from our Hong Kong Joint Venture, are imported from the People’s Republic of China.

Sales and Marketing; Customers

We sell our products to various customers, and our total sales market can be divided generally into two categories; sales by the Company to retailers, including wholesale distributors, chain, discount, television retailers and home center stores, catalog and mail order companies and other distributors (“retailers”), and sales by our USI Electric subsidiary to the electrical distribution trade (primarily electrical and lighting distributors and manufactured housing companies) and foreign customers. Products marketed by the Company have historically been retailed to “do-it-yourself” consumers by these retailers. Products marketed by our USI Electric subsidiary to the electrical distribution trade typically require professional installation. We do not currently market a significant portion of our products directly to end users.

A significant portion of our sales are made by approximately 45 independent sales organizations, compensated by commission, which represents approximately 230 sales representatives, some of which have warehouses where USI Electric products are maintained for sale. In addition, the Company has established a national distribution system with nine regional stocking warehouses throughout the United States which generally enables customers to receive their orders the next day without paying for overnight freight charges. Our agreements with these sales organizations are generally cancelable by either party upon 30 days’ notice. We do not believe that the loss of any one of these organizations would have a material adverse effect upon our business. Sales are also made directly by the officers and full-time employees of the Company and our USI Electric subsidiary, seven of whom have other responsibilities for the Company. Sales outside the United States are made by our officers and through exporters, and amounted to approximately 9.9% in fiscal 2015 and 17.5% of total net sales in fiscal 2014.

We also market our products through our website and through our own sales catalogs and brochures, which are mailed directly to trade customers. Our customers, in turn, may advertise our products in their own catalogs and brochures and in their ads in newspapers and other media. We also exhibit and sell our products at various trade shows, including the annual National Hardware Show.

Our backlog of orders as of March 31, 2015 was approximately $231,000. Our backlog as of March 31, 2014 was approximately $691,873. This decrease in backlog is primarily due to the timing of orders of our safety products.

Hong Kong Joint Venture

We have a 50% interest in Eyston Company Limited, the Hong Kong Joint Venture, which has manufacturing facilities in the People's Republic of China, for the manufacturing of certain of our electronic and electrical products.

We believe that the Hong Kong Joint Venture arrangement will ensure a continuing source of supply for a majority of our safety products at competitive prices. During fiscal years 2015 and 2014, 87.3% and 92.4%, respectively, of our total inventory purchases were made from the Hong Kong Joint Venture. The products produced by the Hong Kong Joint Venture include smoke alarms and carbon monoxide alarms. Negative changes in economic and political conditions in China or any other adversity to the Hong Kong Joint Venture will unfavorably affect the value of our investment in the Hong Kong Joint Venture and would have a material adverse effect on the Company's ability to purchase products for distribution.

Our purchases from the Hong Kong Joint Venture represented approximately 41.8% of the Hong Kong Joint Venture's total sales during fiscal 2015 and 38.9% of total sales during fiscal 2014, with the balance of the Hong Kong Joint Venture's sales being primarily made in Europe and Australia, to unrelated customers. The Hong Kong Joint Venture's sales to unrelated customers were $9,162,424 in fiscal 2015 and $11,644,850 in fiscal 2014. Please see Note D of the Financial Statements, management's discussion and analysis, and the financial statements of the Hong Kong Joint Venture included with this filing for a comparison of annual sales and earnings of the Hong Kong Joint Venture.

Other Suppliers

Certain private label products not manufactured for us by the Hong Kong Joint Venture are manufactured by other foreign suppliers. We believe that our relationships with our suppliers are good. We believe that the loss of our ability to purchase products from the Hong Kong Joint Venture would have a material adverse effect on the Company. The loss of any of our other suppliers would have a short-term adverse effect on our operations, but replacement sources for these other suppliers could be developed.

Competition

In fiscal years 2015 and 2014, sales of safety products accounted for substantially all of our total sales. In the sale of smoke alarms and carbon monoxide alarms, we compete in all of our markets with First Alert and Walter Kidde Portable Equipment, Inc. These companies have greater financial resources and financial strength than we have. We believe that our safety products compete favorably in the market primarily on the basis of styling, features and pricing.

The safety industry in general involves changing technology. The success of our products may depend on our ability to improve and update our products in a timely manner and to adapt to new technological advances.

Employees

As of March 31, 2015, we had 15 employees, 12 of whom are engaged in administration and sales, and the balance of whom are engaged in product development. Our employees are not unionized, and we believe that our relations with our employees are satisfactory.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Effective January 2009, we entered into a ten year operating lease for a 12,000 square foot office and warehouse located in Baltimore County, Maryland. In June 2009, we amended this lease to include an additional 3,000 square feet of warehouse space contiguous to our existing warehouse in Baltimore County, Maryland. Monthly rental expense, with common area maintenance, currently approximates $12,170 and increases 3% per year.

Effective March 2003, we entered into an operating lease for an approximately 2,600 square foot office in Naperville, Illinois. This lease was renewed in March 2015 and increased to approximately 3,400 square feet and extends through February 2017. The monthly rental, with common area maintenance, approximated $3,457 per month during the current fiscal year and increased to $5,113 upon renewal in March 2105 and is subject to increasing rentals of 3% per year.

The Hong Kong Joint Venture currently operates an approximately 100,000 square foot manufacturing facility in the Guangdong province of Southern China and a 250,000 square-foot manufacturing facility in the Fujian province of Southern China. In addition, the Hong Kong Joint Venture has construction in progress related to an additional 126,000 square foot facility in southern China. The Hong Kong Joint Venture's offices are leased pursuant to a five year lease with rental payments of approximately $18,000 per month.

The Company believes that its current facilities, and those of the Hong Kong Joint Venture, are currently suitable and adequate.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in various lawsuits and legal matters. It is the opinion of management, based on the advice of legal counsel, that there are no outstanding material claims outside the ordinary course of business.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is information about the Company's executive officers.

NAME	AGE	POSITIONS
Harvey B. Grossblatt	68	President, Chief Operating Officer and Chief Executive Officer
James B. Huff	63	Chief Financial Officer, Secretary and Treasurer

HARVEY B. GROSSBLATT has been a director of the Company since 1996. He served as Chief Financial Officer from October 1983 through August 2004, Secretary and Treasurer of the Company from September 1988 through August 2004, and Chief Operating Officer from April 2003 through August 2004. Mr. Grossblatt was appointed Chief Executive Officer in August 2004.

JAMES B. HUFF was appointed Chief Financial Officer in August 2004 and Secretary and Treasurer in October 2004.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

Our common stock, $.01 par value (the "Common Stock") trades on the NYSE MKT LLC exchange, under the symbol UUU. As of August 6, 2015, there were 219 record holders of the Common Stock. The closing price for the Common Stock on that date was $6.40. We have not paid any cash dividends on our common stock, and it is our present intention to retain all earnings for use in future operations. The following table sets forth the high and low prices for the Common Stock for each full quarterly period during the fiscal years indicated.

Fiscal Year Ended March 31, 2015		
First Quarter	High	$4.65
	Low	$4.11
Second Quarter	High	$4.75
	Low	$3.58
Third Quarter	High	$6.45
	Low	$4.49
Fourth Quarter	High	$6.54
	Low	$4.95
Fiscal Year Ended March 31, 2014		
First Quarter	High	$5.40
	Low	$4.13
Second Quarter	High	$5.00
	Low	$4.03
Third Quarter	High	$5.00
	Low	$4.25
Fourth Quarter	High	$4.99
	Low	$4.15

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

When used in this discussion and elsewhere in this Annual Report on Form 10-K, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and readers are advised that various factors, including Risk Factors discussed in earlier filings and other risks, could affect our financial performance and could cause our actual results for future periods to differ materially from those anticipated or projected. We do not undertake and specifically disclaim any obligation to update any forward-looking statements to reflect occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

General

We are in the business of marketing and distributing safety and security products which are primarily manufactured through our 50% owned Hong Kong Joint Venture. Our financial statements detail our sales and other operational results, and report the financial results of the Hong Kong Joint Venture that is accounted for using the equity method. Accordingly, the following discussion and analysis of the fiscal years ended March 31, 2015 and 2014 relate to the operational results of the Company and its consolidated subsidiaries only and includes the Company's equity share of earnings in the Hong Kong Joint Venture. A discussion and analysis of the Hong Kong Joint Venture's operational results for these periods is presented below under the heading "Hong Kong Joint Venture."

While we believe that our overall sales are likely affected by the current global economic situation, we believe that we are specifically negatively impacted by the severe downturn in the U.S. housing market. As stated elsewhere in this report, our USI Electric subsidiary markets our products to the electrical distribution trade (primarily electrical and lighting distributors and manufactured housing companies); every downturn in new home construction and new home sales negatively impacts sales by our USI Electric subsidiary. Our operating results for the current fiscal years ended March 31, 2015 and 2014 continue to be significantly impacted by the economic downturn of the U.S. housing market. We anticipate that when and as the housing market recovers, sales by our USI Electric subsidiary will improve, as well.

We further believe that our fiscal 2015 retail sales were impacted by the movement of the smoke and carbon monoxide alarm retail markets toward ten-year sealed alarms to comply with new laws passed in several states, including California and New York. In May 2014, the Company previewed eleven new sealed smoke and carbon monoxide alarms at the International Hardware Show in Las Vegas, and the Company believes that prospective customers' responses were very positive. The Company believes that based on projected sales of the new sealed units, the Company will begin to return to profitability after the complete line of sealed units is available for sale later this fiscal year.

Comparison of Results of Operations for the Years Ended March 31, 2015 and 2014

Sales. In fiscal year 2015, our net sales are $9,891,554 compared to sales in the prior year of $12,577,127, a decrease of $2,685,573 (21.4%). Our lower sales are primarily attributable to delays in engineering and independent approvals causing delays in the introduction of the Company's new sealed battery alarms.

Gross Profit. Gross profit margin is calculated as net sales less cost of goods sold expressed as a percentage of net sales. Our gross profit margin for the fiscal year ended March 31, 2015 was 23.5% compared to 22.6% in fiscal 2014. The increase in 2015 gross margin is attributed the mix of products sold that includes a higher percentage of the Company's new products that generally have higher margins.

Selling, General and Administrative Expense. Selling, general and administrative expenses decreased from $4,251,274 in fiscal 2014 to $4,175,584 in fiscal 2015. As a percentage of net sales, these expenses were 42.2% for the fiscal year ended March 31, 2015 and 33.8% for the prior fiscal year. The decrease in dollars primarily reflects a lower costs associated with lower sales, and the increase as a percentage is due to the fixed nature of certain selling, general and administrative expenses.

Research and Development. Research and development expense for the fiscal year ended March 31, 2015 was $776,778, of which approximately $600,000 was for new product development. Research and development expense for the fiscal year ended March 31, 2014 was $592,488, of which approximately $450,000 was for new product development. The increase in overall research and development expense for the 2015 period compared to the 2014 period was due to the cost of independent testing of additional new products in development.

Interest Income and Other Income. Interest income for the fiscal year ended March 31, 2015 consisted of interest earned on cash deposits with our factor. During the fiscal years ended March 31, 2015 and 2014, we earned interest of $22,826 and $23,316, respectively from these deposits.

Interest Expense. During the fiscal years ended March 31, 2015 and 2014, we incurred no interest expense.

Income Taxes. For the fiscal years ended March 31, 2015 and 2014, our statutory Federal rate of tax is 34.0%. The rate of tax indicated by the provision for income tax expense as shown on the Consolidated Statements of Operations for the March 31, 2015 and 2014 varies from the expected statutory rate. Footnote H to the financial statements provides a reconciliation between the amount of tax that would be expected at statutory rates and the amount of tax expense or benefit provided at the effective rate of tax for each fiscal period.

For the fiscal year ended March 31, 2015 and 2014, we generated net operating loss carryovers to offset future federal and state taxable income of approximately $2,497,000 and $1,430,000, respectively. At March 31, 2015 and 2014, we had net operating loss carryovers of approximately $6,370,000 and $3,687,000, respectively. The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets or liabilities and their reported amounts in the financial statements. These temporary differences may result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are reviewed periodically for recoverability and valuation allowances are provided whenever it is more likely than not that a deferred tax asset will not be realized. Accordingly, the Company has a full valuation allowance of $3,727,908 and $3,120,203 on its deferred tax asset at March 31, 2015 and 2014, respectively, to recognize that certain tax credits expiring in future fiscal years are not likely to be realized. See "Critical Accounting Policies" below for further discussion regarding the need to reserve the previously established deferred tax assets.

Net Loss. We reported a net loss of $3,704,985 for the fiscal year 2015, compared to a net loss of $4,450,244 for fiscal 2014, a $745,259 (16.7%) decrease in net loss. The decrease in the net loss is primarily due to a non-cash charge of $2,310,835 included in the operating results of the fiscal year ended March 31, 2014 that established an allowance for unrealizable deferred tax assets.

Our equity in the loss of the Hong Kong Joint Venture increased to $1,128,559 in fiscal 2015 from a loss of $159,947 in fiscal 2014, a $968,612 (605.6%) increase in the loss.

Financial Condition, Liquidity and Capital Resources

For the fiscal year ended March 31, 2015, the Company reported losses from domestic operations in the amount of $2,601,426 on sales of $9,891,554. Furthermore, during the fiscal year ended March 31, 2015, working capital (computed as the excess of current assets over current liabilities) decreased by $2,543,227 from $8,154,779 on March 31, 2014, to $5,611,552 on March 31, 2015.

Our operating activities used cash of $1,369,660 for the year ended March 31, 2015 principally as a result of a loss from operations of $3,704,985. The operating loss was partially offset by the non-cash loss of the Hong Kong Joint Venture of $1,128,559 and decreases in accounts receivable and amounts due from factor of $554,699. Our operating activities used cash of $851,941 for the year ended March 31, 2014 principally as a result of a loss from operations of $4,450,244. The operating loss was partially offset by a non-cash allowance for unrealizable deferred income tax assets of $2,310,835, and decreases in accounts receivable and amounts due from factor of $630,310 and decreases in prepaid expenses of $192,672.

Our investing activities used cash of $631,906 during the fiscal year ended March 31, 2015 related to funds held by factor and provided $382,792 during fiscal 2014, principally as a result of cash distributions of the Hong Kong Joint Venture of $416,275.

Financing activities provided cash of $81,250 during the fiscal year ended March 31, 2014 as a result of the sale of common stock to an employee in exercise of a stock purchase option.

Management believes that sales by the Company and by our USI Electric subsidiary have been negatively impacted by the ongoing downturn in the U.S. housing market and delays in commencing sales of the Company’s new line of sealed smoke and carbon monoxide (CO) alarms. Management believes that with an improved housing market and sales of our new sealed products, the Company will start to return to profitability. The Company has completed and received approval of its complete line of sealed ionization models, and is continuing to develop its line of sealed photoelectric products that it expects to be completed later this fiscal year.

Our sealed products will compete on price and functionality when we introduce them to the market with similar products offered by our larger competitors. While we believe there will be market acceptance of our new products we cannot be assured of this. Should our products not achieve the level of acceptance we anticipate this will have a significant impact on our future operations, will cause a continued decline in our sales and potentially impact our ability to continue operating in our current fashion.

Our short-term borrowings to finance trade accounts receivable and foreign inventory purchases are provided pursuant to the terms of our Factoring Agreement with Merchant Factors Corp. (Merchant). The Company previously reported that advances from the Company’s factor, were at the sole discretion of Merchant based on their assessment of the Company’s receivables, inventory and financial condition at the time of each request for an advance. Subsequent to that report, management has entered into discussions with Merchant to stipulate that Merchant will provide advances unless the Company is in default or the Company’s dilution percentage changes substantially. Management anticipates that our agreement with Merchant will be modified to reflect these changes but we are not certain Merchant will agree to such changes. In addition we have also secured 90 day payment terms on purchases of the new sealed battery products inventory, of $1,000,000 from our Hong Kong Joint Venture. This unsecured inventory financing bears interest at 3.25%, and provides for repayment terms of ninety days for each advance thereunder. The combined availability of these facilities totaled approximately $2,977,000 at March 31, 2015.

The Company's recent history of operating losses, declining revenue, and over reliance on our credit line raises substantial doubt about our ability to continue as a going concern. Our consolidated financial statements included in this Report do not include any adjustments that might result from the outcome of this uncertainty. Our auditors have included an explanatory paragraph to this effect in their audit report. Management's plan in response to these conditions includes increasing sales resulting from the delivery of the Company's new line of sealed battery ionization smoke alarms and carbon monoxide products, decreasing expenses, and obtaining additional financing on its credit facility. Though no assurances can be given, if management's plan is successful over the next twelve months, the Company anticipates that it should be able to meet its cash needs. Management is in discussions with Merchant to amend the factoring agreement to provide access to working capital when needed. However no assurances can be given regarding management's plan including the timing of sales, the reduction of expenditures, or the availability of financing under the facilities discussed above.

Hong Kong Joint Venture

The financial statements of the Hong Kong Joint Venture are included in this Form 10-K beginning on page JV-1. These financial statements are presented in accordance with International Financial Reporting Standards as issued by the International Financial Standards Board (IFRS) and there are no IFRS to US GAAP differences in the Hong Kong Joint Venture's accounting policies.

In fiscal year 2015, sales of the Hong Kong Joint Venture were $15,753,815 compared to $19,054,691 in fiscal 2014. During the fiscal years ended March 31, 2015 and 2014, sales to the Company declined approximately $822,041 and $2,235,000, respectively due to decreased purchasing by the Company in line with decreased demand in the U.S. domestic market, and sales to unaffiliated customers declined approximately $2,484,441 and $744,000 respectively due to the European economic slowdown.

Net loss was $2,418,189 for fiscal year 2015 compared to a net loss of $437,940 for the fiscal year ended March 31, 2014. The increase in the net loss for fiscal 2015 was primarily due to lower sales to the Company and unaffiliated customers and higher costs for salaries and wages included in selling, general and administration expenses.

Gross margins of the Hong Kong Joint Venture for fiscal 2015 decreased to 15.3% from 23.3% in the prior fiscal year. The primary reason for the decrease is the increase in included labor in production costs.

Selling, general and administrative expenses of the Hong Kong Joint Venture for fiscal 2015 were $5,245,720, compared to $5,310,546 in the prior fiscal year. As a percentage of sales, these expenses were 33.3% and 27.9%, respectively, for the fiscal years ended March 31, 2015 and 2014.

Investment income and interest income, net of interest expense was $674,961 for fiscal year 2015, compared to $681,883 for fiscal year 2014.

Cash needs of the Hong Kong Joint Venture are currently met by cash on hand. During fiscal year 2015, working capital decreased from $9,287,873 on March 31, 2014 to $5,387,533 on March 31, 2015.

Critical Accounting Policies

Management’s discussion and analysis of our consolidated financial statements and results of operations are based upon our Consolidated Financial Statements included as part of this document. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates, including those related to bad debts, inventories, income taxes, impairment of long-lived assets, and contingencies and litigation. We base these estimates on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect management’s more significant judgments and estimates used in the preparation of its consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note A to the consolidated financial statements included in this Annual Report. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and actual results could differ from these estimates. These judgments are based on our historical experience, terms of existing contracts, current economic trends in the industry, information provided by our customers, and information available from outside sources, as appropriate. Our critical accounting policies include:

Income Taxes: The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets or liabilities and their reported amounts in the financial statements. These temporary differences may result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. The deferred tax assets are reviewed periodically for recoverability and a valuation allowance is provided whenever it is more likely than not that a deferred tax asset will not be realized. The Company established an initial valuation allowance of $300,000 on its deferred tax assets during the year ended March 31, 2013 to recognize that certain foreign tax credits expiring in future periods will likely not be realized. Upon further review of updated projected taxable income and the components of the deferred tax asset in accordance with applicable accounting guidance at September 30, 2013, it was determined that it is more likely than not that the tax benefits associated with the remaining components of the deferred tax assets will not be realized. This determination was made based on continued taxable losses during fiscal 2014, which were not in line with projections, as well as product offering delays which cause uncertainty as to whether the Company will generate sufficient taxable income to use the deferred tax assets prior to their expiration. Accordingly, a valuation allowance was established to fully offset the value of the deferred tax assets. Our ability to realize the tax benefits associated with the deferred tax assets depends primarily upon the timing of future taxable income and the expiration dates of the components of the deferred tax assets. If sufficient future taxable income is generated, we may be able to offset a portion of future tax expenses.

The Company follows ASC 740-10 that gives guidance to tax positions related to the recognition and measurement of a tax position taken or expected to be taken in a tax return and requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties related to income tax matters are recorded as income tax expenses. The Company has recorded a long-term liability of $0 and $25,000 at March 31, 2015 and 2014, respectively, for an uncertain income tax position, tax penalties, and any imputed interest thereon. See Note F, Income Taxes.

Revenue Recognition: Revenue is recognized at the time product is shipped and title passes pursuant to the terms of the agreement with the customer, the amount due from the customer is fixed and collectability of the related receivable is reasonably assured. We establish allowances to cover anticipated doubtful accounts and sales returns based upon historical experience. The Company nets the factored accounts receivable with the corresponding advance from the Factor, with the net amount reflected in the consolidated balance sheet. The Company assigns trade receivables on a pre-approved non-recourse basis to the Factor under the Factoring Agreement on an ongoing basis.

Inventories: Inventories are valued at the lower of market or cost. Cost is determined on the first in/first out method. We evaluate inventories on a quarterly basis and write down inventory that is deemed obsolete or unmarketable in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions.

Recently Issued Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America (U.S. GAAP) are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASU's. Recently issued ASU's were evaluated and determined to be either not applicable or are not expected to have a material impact on our consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 8 are included in the Company's Consolidated Financial Statements and set forth in the pages indicated in Item 15(a) of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as such item is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) that is designed to provide reasonable assurance that information, which is required to be disclosed by us in the reports that we file or submit under the Securities and Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner. Our Chief Executive Officer and Chief Financial Officer have evaluated this system of disclosure controls and procedures as of the end of the period covered by this annual report, and have concluded that disclosure controls and procedures were not effective because of the material weaknesses in internal control over financial reporting as discussed below. Material weaknesses arose in our oversight of the accounting function of the Hong Kong Joint Venture (HKJV) that by virtue of the Hong Kong Joint Venture's materiality to the Company extends the material weakness to our system of disclosure controls and procedures. Under the terms of the Joint Venture Agreement, the Company does not have operating control over the daily operations of the HKJV. The Company has discussed these weaknesses with management of the HKJV and will monitor implementation of suggested improvements. In addition, material weaknesses arose in our domestic operations in the reconciliation of account balances and period end cut-off procedures, as well as the application of period costs to the inventory as burden.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-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 our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles (GAAP). Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our Chief Financial Officer, with the participation of our Chief Executive Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 1992 framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company’s internal control over financial reporting was not effective as of March 31, 2015 for the reasons described above. As noted above, material weaknesses related to our oversight of the internal controls and accounting functions of our domestic operations and our Hong Kong Joint Venture were identified.

Changes in Internal Control Over Financial Reporting

During the current fiscal year management remediated a material weakness noted in the prior year’s evaluation of the effectiveness of our internal control over financial reporting related to revenue recognition when a substantial right to return exists. The remediation involved additional procedures used to identify and track sales to a customer when that customer has a substantial right of return. Except for the remediation of the material weakness noted and the recognition of material weaknesses in our domestic operations in the reconciliation of account balances and period end cut-off procedures, as well as the application of period costs to the inventory as burden, there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting except as discussed above.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information with respect to the identity and business experience of the directors of the Company and their remuneration set forth in the section captioned “Election of Directors” in the Company’s definitive Proxy Statement filed pursuant to Regulation 14A and issued in conjunction with the 2014 Annual Meeting of Shareholders (the “Proxy Statement”) is incorporated herein by reference. The information with respect to the identity and business experience of executive officers of the Company is set forth in Part I of this Form 10-K. The information with respect to the Company’s Audit Committee is incorporated herein by reference to the section captioned “Meetings and Committees of the Board of Directors” in the Proxy Statement. The information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the section captioned “Compliance with Section 16(a) of the Exchange Act” in the Proxy Statement. The information with respect to the Company’s Code of Ethics is incorporated herein by reference to the section captioned “Code of Ethics” in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections captioned “Director Compensation” and “Executive Compensation” in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership is incorporated herein by reference to the sections captioned “Beneficial Ownership” and “Information Regarding Share Ownership of Management” in the Proxy Statement. Information required by this item regarding our equity compensation plans is incorporated herein by reference to the Section entitled “Executive Compensation” in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the sections captioned “Transactions with Management”, if any, and “Election of Directors” in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the section captioned "Independent Registered Public Accountants" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)1. Financial Statements.

(a)2. Financial Statement Schedules.

(a)3. Exhibits required to be filed by Item 601 of Regulation S-K.

Exhibit No.	
3.1	Articles of Incorporation (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 1988, File No. 1-31747)
3.2	Articles Supplementary, filed October 14, 2003 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 31, 2002, file No. 1-31747)
3.3	Bylaws, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 13, 2011, File No. 1-31747)
10.1	2011 Non-Qualified Stock Option Plan (incorporated by reference to the Company's Proxy Statement with respect to the Company's 2011 Annual Meeting of Shareholders, filed July 26, 2011, File No. 1-31747)
10.2	Hong Kong Joint Venture Agreement, as amended (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended March 31, 2003, File No. 1-31747)
10.3	Discount Factoring Agreement between the Registrant and Merchant Factors Corp., dated January 6, 2015 (substantially identical agreement entered into by USI's wholly-owned subsidiary, USI Electric, Inc.) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 16, 2015, file No. 1-31747)
10.4	Lease between Universal Security Instruments, Inc. and St. John Properties, Inc. dated November 4, 2008 for its office and warehouse located at 11407 Cronhill Drive, Suites A-D, Owings Mills, Maryland 21117

	(incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2008, File No. 1-31747)
10.5	Amendment to Lease between Universal Security Instruments, Inc. and St. John Properties, Inc. dated June 23, 2009 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended March 31, 2009, File No. 1-31747)
10.6	Amended and Restated Employment Agreement dated July 18, 2007 between the Company and Harvey B. Grossblatt (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2007, File No. 1-31747), as amended by Addendum dated November 13, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 15, 2007, File No. 1-31747), by Addendum dated September 8, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 8, 2008, File No. 1-31747), by Addendum dated March 11, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 12, 2010, File No. 1-31747), by Addendum dated July 19, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 20, 2012, File No. 1-31747) , by Addendum dated July 3, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 8, 2013, File No. 1-31747), and by Addendum dated July 21, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 21, 2014, File No. 1-31747)
21	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-K for the year ended March 31, 2012, File No. 1-31747)
23.1	Consent of Grant Thornton LLP*
23.2	Consent of Grant Thornton LLP (Hong Kong)*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer*
32.1	Section 1350 Certifications*

99.1	Press Release dated August 25, 2015*
101	Interactive data files providing financial information from the Registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2015 in XBRL (eXtensible Business Reporting Language) pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of March 31, 2015 and 2014; (ii) Consolidated Statements of Operations for the years ended March 31, 2015 and 2014; (iii) Consolidated Statements of Shareholders' Equity for the years ended March 31, 2015 and 2014; (iv) Consolidated Statements of Cash Flows for the years ended March 31, 2015 and 2014; and (v) Notes to Consolidated Financial Statements*

*Filed herewith

(c) Financial Statements Required by Regulation S-X.

Separate financial statements of the Hong Kong Joint Venture

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

UNIVERSAL SECURITY INSTRUMENTS, INC.

August 25, 2015 By: /s/ Harvey B. Grossblatt
Harvey B. Grossblatt
President and Chief Executive Officer
(principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Harvey B. Grossblatt Harvey B. Grossblatt	President, Chief Executive Officer and Director	August 25, 2015
/s/ James B. Huff James B. Huff	Chief Financial Officer (principal financial officer and principal accounting officer)	August 25, 2015
/s/ Cary Luskin Cary Luskin	Director	August 25, 2015
/s/ Ronald A. Seff Ronald A. Seff	Director	August 25, 2015
/s/ Ira Bormel Ira Bormel	Director	August 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Universal Security Instruments, Inc.

We have audited the accompanying consolidated balance sheets of Universal Security Instruments, Inc. (a Maryland Corporation) and subsidiaries (the “Company”) as of March 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Universal Security Instruments, Inc. and subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a history of operating losses and declining revenue, along with other matters as set forth in Note B – *Financial Condition, Liquidity and Capital Resources”* that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Grant Thornton LLP

McLean, Virginia August 25, 2015

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UNIVERSAL SECURITY INSTRUMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31 2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$49,427	$2,050,993
Funds held by Factor	631,906	-
Accounts receivable:		
Trade less allowance for doubtful accounts of approximately $57,000 at March 31, 2015 and 2014	381,254	686,228
Receivables from employees	53,990	67,583
Receivable from Hong Kong Joint Venture	135,768	137,360
	571,012	891,171
Amount due from factor	1,217,311	1,397,951
Inventories	3,852,182	4,194,213
Prepaid expenses	438,745	406,012
TOTAL CURRENT ASSETS	6,760,583	8,940,340
INVESTMENT IN HONG KONG JOINT VENTURE	12,943,280	14,002,270
PROPERTY AND EQUIPMENT – NET	104,618	146,212
INTANGIBLE ASSET - NET	71,547	76,020
OTHER ASSETS	26,000	38,134
TOTAL ASSETS	$19,906,028	$23,202,976
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable – trade	$668,846	606,314
Accounts payable - Hong Kong Joint Venture	299,985	28,681
Accrued liabilities:		
Accrued payroll and employee benefits	69,180	78,054
Accrued commissions and other	111,020	72,512
TOTAL CURRENT LIABILITIES	1,149,031	785,561

Long-term obligation – other	-	25,000
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value per share; 20,000,000 authorized, 2,312,887 shares outstanding at March 31, 2015 and 2014	23,129	23,129
Additional paid-in capital	12,885,841	12,885,841
Retained earnings	4,588,332	8,293,317
Accumulated other comprehensive income	1,259,695	1,190,128
TOTAL SHAREHOLDERS' EQUITY	18,756,997	22,392,415
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$19,906,028	$23,202,976

The accompanying notes are an integral part of these consolidated financial statements

UNIVERSAL SECURITY INSTRUMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended March 31	
	2015	2014
Net sales	$9,891,554	$12,577,127
Cost of goods sold – acquired from Joint Venture	6,616,789	9,008,944
Cost of goods sold - other	946,655	727,199
GROSS PROFIT	2,328,110	2,840,984
Research and development expense	776,778	592,488
Selling, general and administrative expense	4,175,584	4,251,274
Operating loss	(2,624,252)	(2,002,778)
Other income :		
Interest and other	22,826	23,316
LOSS BEFORE EQUITY IN LOSS OF JOINT VENTURE	(2,601,426)	(1,979,462)
Equity in loss of Hong Kong Joint Venture	(1,128,559)	(159,947)
Loss from operations before income taxes	(3,729,985)	(2,139,409)
Income tax benefit (expense)	25,000	(2,310,835)
NET LOSS	$(3,704,985)	$(4,450,244)
Loss per share:		
Basic	$(1.60)	$(1.94)
Diluted	$(1.60)	$(1.94)
Weighted average number of shares used in computing net loss per share:		
Basic	2,312,887	2,290,010
Diluted	2,312,887	2,290,010

The accompanying notes are an integral part of these consolidated financial statements

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UNIVERSAL SECURITY INSTRUMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	March 31 2015	2014
NET LOSS	$(3,704,985)	$(4,450,244)
Other Comprehensive Income (Loss) Company's Portion of Hong Kong Joint Venture's Other Comprehensive Income (Loss):		
Currency translations	(53,289)	(44,678)
Unrealized gain (loss) on investment securities	122,856	(141,605)
Total Comprehensive Income (Loss)	69,567	(186,283)
COMPREHENSIVE LOSS	$(3,635,418)	$(4,636,527)

The accompanying notes are an integral part of these consolidated financial statements

UNIVERSAL SECURITY INSTRUMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

	Common Stock					
	Shares	Amount	**Additional Paid-In Capital**	**Retained Earnings**	**Other Compre-hensive Income (Loss)**	Total
Balance at April 1, 2013	2,287,887	$22,879	$12,749,256	$12,743,561	$1,376,410	$26,892,106
Stock based compensation	-	-	55,585	-		55,585
Currency translation	-	-	-	-	(44,678)	(44,678)
Investment securities	-	-	-	-	(141,604)	(141,604)
Exercise of stock options	25,000	250	81,000	-		81,250
Net loss	-	-	-	(4,450,244)	-	(4,450,244)
Balance at March 31, 2014	2,312,887	23,129	12,885,841	8,293,317	1,190,128	22,392,415
Currency translation					(53,289)	(53,289)
Investment securities					122,856	122,856
Net loss				(3,704,985)		(3,704,985)
Balance at March 31, 2015	2,312,887	$23,129	$12,885,841	$4,588,332	$1,259,695	$18,756,997

The accompanying notes are an integral part of these consolidated financial statements

UNIVERSAL SECURITY INSTRUMENTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
OPERATING ACTIVITIES		
Net loss	$(3,704,985)	$(4,450,244)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	46,067	43,943
Stock based compensation	-	55,585
Deferred income taxes (benefit) tax	(25,000)	2,310,835
Loss of the Hong Kong Joint Venture	1,128,559	159,947
Changes in operating assets and liabilities:		
Decrease in accounts receivable and amounts due from factor	554,699	630,310
Decrease in inventories	288,131	147,439
(Increase) Decrease in prepaid expenses	(32,733)	192,672
Increase in accounts payable and accru		