VIEW SYSTEMS INC
Form 10QSB
November 14, 2003

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

FORM 10-QSB

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

For the quarterly period ended September 30, 2003

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

Commission File Number 0-30178

VIEW SYSTEMS, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	59-2928366
(State of incorporation)	(I.R.S. Employer Identification No.)

1100 Wilso Drive
Baltimore, Maryland 21223
(Address of principal executive offices)

(410) 646-3000
(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [X] No [ ]

As of November 11, 2003, View Systems Inc. had 62,330,619 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The financial information set forth below with respect to our statements of operations for the three and nine month periods ended September 30, 2003 and 2002 is unaudited. This financial information, in the opinion of management, includes all adjustments consisting of normal recurring entries necessary for the fair presentation of such data. The results of operations for the nine month period ended September 30, 2003, are not necessarily indicative of results to be expected for any subsequent period. These statements should be read in conjunction with our Form 10-KSB for the year ended December 31, 2002, which was filed with the Securities and Exchange Commission on March 31, 2003.

VIEW SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2003	December 31, 2002
	(Unaudited)	
CURRENT ASSETS:		
Cash	$ 73,810	$ 3,229
Accounts receivable (Net of allowance for uncollectible accounts of $10,000 at September 30, 2003 and December 31, 2002 respectively.)	228,042	62,711
Inventory	-	171,326
Total current assets	301,852	237,266
PROPERTY AND EQUIPMENT:		
Equipment	348,385	348,385
Leasehold improvements	17,940	17,940
Software tools	34,571	34,571
Vehicles	46,832	46,832

	447,728	447,728
Less accumulated depreciation	251,407	204,247
Net value of property and equipment	196,321	243,481
OTHER ASSETS:		
Goodwill	781,248	781,248
Licenses and patents	1,494,960	1,626,855
Due from affiliated entities	118,827	123,327
Deposits	2,532	2,532
Total other assets	2,397,567	2,533,962
TOTAL ASSETS	$ 2,895,740	$ 3,014,709

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 260,457	$ 445,623
Accrued interest	52,250	72,843
Notes payable	141,500	599,450
Total current liabilities	454,207	1,117,916
STOCKHOLDERS' EQUITY:		
Common stock-par value $0.001		
100,000,000 shares authorized,		
58,295,619 shares issued and outstanding	58,295	-
44,598,620 shares issued and outstanding	-	44,598
Additional paid-in capital	15,326,844	13,810,878
Accumulated deficit	(12,943,606)	(11,958,683)
Total stockholders' equity	2,441,533	1,896,793
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,895,740	$ 3,014,709

See Accompanying Notes

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VIEW SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended   Nine Months Ended

	September 30, 2003	September 30, 2002	September 30, 2003	September 3 2002
REVENUE:				
Sales of security systems	$ 51,806	$ 175,061	$ 151,564	$ 306,65
Sales of weapons detection portals	187,928	92,480	300,345	92,48
Total sales	239,734	267,541	451,909	399,13
Cost of goods sold	132,770	149,747	227,760	221,86
GROSS PROFIT ON SALES	106,964	117,794	224,149	177,27
OPERATING EXPENSES:				
Advertising and promotion	5,652	22,915	17,524	32,02
Amortization	43,965	-	131,895	
Bad debts	-	627,821	-	862,63
Business development	25,817	23,888	55,709	94,14
Depreciation	15,720	15,189	47,160	45,56
Dues and subscriptions	-	-	122	
Insurance	8,704	8,768	15,792	25,26
Interest	2,940	4,192	8,906	15,84
Investor relations	4,281	4,035	20,400	55,86
Miscellaneous expense	3,085	973	7,976	10,90
Office expense	19,854	27,266	50,295	122,80
Professional fees	27,622	571,517	68,091	892,70
Rent	13,920	11,566	51,700	37,83
Repairs and maintenance	-	3,369	-	7,43
Research and development	13,745	26,843	25,177	101,72
Salaries and benefits	423,532	471,445	666,598	766,47
Taxes-other	(230)	-	2,060	2,15
Travel	11,659	3,037	26,408	33,81
Utilities	2,076	4,596	13,259	13,24
Total operating expenses	622,342	1,827,420	1,209,072	3,120,43
NET LOSS	$ (515,378)	$ (1,709,626)	$ (984,923)	$ (2,943,16
NET LOSS PER SHARE:				
Basic	$ (0.01)	$ (0.05)	$ (0.02)	$ (0.0
Diluted	$ (0.01)	$ (0.05)	$ (0.02)	$ (0.0
WEIGHTED AVERAGE SHARES OUTSTANDING	46,132,270	34,439,000	45,828,321	31,370,33

See Accompanying Notes

VIEW SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED

	September 30, 2003 (Unaudited)	September 30, 2003 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (984,923)	$ (2,943,160)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	179,055	45,567
Bad debt expense	-	862,630
Stock-based compensation	261,500	1,068,259
Changes in operating assets and liabilities:		
Accounts receivable	(165,331)	(155,419)
Inventory	171,326	(28,609)
Deposits and other assets	-	(570)
Accounts payable	(185,166)	17,710
Accrued interest	8,250	8,250
Net cash used in operating activities	(715,289)	(1,125,342)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(27,854)
Funds advanced (to) from affiliated entities	4,500	(15,594)
Cash element in Milestone acquisition	-	58,849
Net cash provided by investing activities	4,500	15,401
CASH FLOWS FROM FINANCING ACTIVITIES:		
Funds advanced (to) from shareholders	472,820	(4,834)
Repayment of note payable-bank	-	(6,052)
Net proceeds from sales of stock	308,550	1,038,700
Net cash provided by financing activities	781,370	1,027,814
NET INCREASE (DECREASE) IN CASH	70,581	(82,127)
CASH AT BEGINNING OF PERIOD	3,229	73,344
CASH AT END OF PERIOD	$ 73,810	$ (8,783)

SIGNIFICANT NON-CASH INVESTING ACTIVITIES:
Common stock issued in exchange for net assets of Milestone Technology, Inc. as follows:

Accounts receivable	-	28,132
Inventory	-	359,647
Fixed assets	-	188
Patents	-	1,317,467
Accounts payable	-	(6,470)
Notes payable	-	(703,449)
Accrued interest	-	(28,843)
SIGNIFICANT NON-CASH FINANCING ACTIVITIES:		
Common stock issued in payment of notes payable	959,613	194,000
Reduction in notes payable due to renegotiations	164,450	-

See Accompanying Notes

VIEW SYSTEMS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003 AND 2002

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder Equity
Balances at December 31, 2001	$ 20,193	$ 10,119,024	$ (8,035,214)	$ 2,104,00
Sales of common stock	6,075	1,032,625	-	1,038,70
Issuance of common stock in exchange for interest in Milestone Technology, Inc.	3,300	1,019,700	-	1,023,00
Issuance of common stock (employee and other compensation)	10,682	1,057,577	-	1,068,25
Issuance of common stock in payment of a note payable	735	193,265	-	194,00
Net loss for the nine months ended September 30, 2002	-	-	(2,943,160)	(2,943,16
Balances at September 30, 2002 (Unaudited)	40,985	13,422,191	(10,978,374)	2,484,80
Sales of common stock	2,475	251,025	-	253,50
Issuance of common stock (employee and other compensation)	1,138	137,662	-	138,80
Net loss for the three months ended December 31, 2002	-	-	(980,309)	(980,30

Balances at December 31, 2002	44,598	13,810,878	(11,958,683)	1,896,79
Sales of common stock	2,897	305,653	-	308,55
Issuance of common stock (employee and other compensation)	-	261,500	-	261,50
Issuance of common stock in payment of note payables	10,800	948,813	-	959,61
Net loss for the nine months ended September 30, 2003	-	-	(984,923)	(984,92
Balances at September 30, 2003 (Unaudited)	$ 58,295	$ 15,326,844	$(12,943,606)	$ 2,441,53

See Accompanying Notes

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VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

View Systems, Inc. (the "Company") designs and develops computer software and hardware used in conjunction with surveillance capabilities. The technology utilizes the compression and decompression of digital inputs. In March 2002, the Company acquired Milestone Technology, Inc. which has developed a concealed weapons detection portal.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations. It is management's opinion, however, that all adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Milestone Technology, Inc.

("Milestone"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from the estimates that were used.

Revenue Recognition

The Company and its subsidiaries recognize revenue and the related cost of goods sold upon shipment of the product, the price of the product is fixed or determinable and collectibility is reasonably assured.

VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in-first-out method (LIFO). The inventory at December 31, 2002 consists entirely of weapons detection portals.

Property and Equipment

Property and equipment is recorded at cost and depreciated over their estimated useful lives, using the straight-line and accelerated depreciation methods. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. The useful lives of property and equipment for purposes or computing depreciation are as follows:

Equipment	5-7 years
Software tools	3 years
Leasehold improvements	Life of lease

Repairs and maintenance charges, which do not increase the useful lives of assets, are charged to operations as incurred. Depreciation expense for the nine months ended September 30, 2003 and 2002 amounted to $47,160 and $45,567, respectively.

Income Taxes

Deferred income taxes are recorded under the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences, measured by enacted tax rates, attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the rate change becomes effective. Valuation allowances are recorded for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

Research and Development

Research and development costs are expensed as incurred. Equipment and facilities acquired for research and development activities that have alternative future uses are capitalized and charged to expense over the estimated useful lives.

Advertising

Advertising costs are charged to operations as incurred. Advertising costs for the nine months ended September 30, 2003 and 2002 were $17,524, and $32,025, respectively.

Nonmonetary Transactions

Nonmonetary transactions are accounted for in accordance with Accounting Principles Board Opinion No. 29 Accounting for Nonmonetary Transactions which requires the transfer or distribution of a nonmonetary asset or liability to be based, generally, on the fair value of the asset or liability that is received or surrendered, whichever is more clearly evident.

Financial Instruments

For most financial instruments, including cash, accounts receivable, accounts payable and accruals, management believes that the carrying amount approximates fair value, as the majority of these instruments are short-term in nature.

Goodwill

Goodwill represents the excess of the cost of assets acquired in business combinations accounted for under the purchase method of accounting over the fair value of the net assets acquired at the dates of acquisition. Effective January 1, 2002 goodwill will no longer be amortized but rather tested for impairment on an annual basis.

Licenses and Patents

The Company has assigned a value to licenses and patents acquired in its acquisition of Milestone which are being amortized on a straight-line basis over a ten-year period.

Net Loss Per Common Share

Basic net loss per common share ("Basic EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares and dilutive potential common share equivalents then outstanding. Potential common shares consist of shares issuable upon the exercise of stock options and warrants. The calculation of the net loss per share available to common stockholders for the three and nine month periods ended September 30, 2003 does not include potential shares of common stock equivalents, as their impact would be antidilutive.

VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003

Segment Reporting

The company has determined that it does not have any separately reportable operating segments as of September 30, 2003.

2. FINANCIAL CONDITION

Since its inception, the Company has incurred significant losses and as of September 30, 2003 had an accumulated deficit of $12.9 million. The Company believes that it will incur operating losses for the foreseeable future. There can be no assurance that the Company will be able to generate sufficient revenues to achieve or sustain profitability in the future.

3. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 30, 2003			December 31, 2002	
	Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets - Licenses and patents	10.0	$ 1,758,594	$ 263,634	$ 1,758,594	$ 131,739
Intangible assets not subject to amortization - Goodwill		$ 1,346,972	$ 565,724	$ 1,346,972	$ 565,724

Amortization expense for the three and nine months ended September 30, 2003 was $43,965 and $131,895, respectively.

Estimated amortization expense for each of the following years ending on December 31, is as follows:

2003	$175,860
2004	175,860
2005	175,860
2006	175,860
2007	175,860

VIEW SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003

4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46 Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN 46). FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements. FIN 46 is effective immediately for VIEs created after January 31, 2003 and is effective beginning in the third quarter of 2003 for VIEs created prior to the issuance of the interpretation. The adoption of this standard will not have a material impact on the Company's financial statements.

Statement of Financial Accounting Standards (SFAS) No. 148 Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123 (SFAS 123) provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure requirements of SFAS 123 Accounting for Stock-Based Compensation to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of this standard will not have a material impact on the Company's financial statements.

On May 15, 2003, the FASB issued SFAS 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity and is effective May 31, 2003 for all new and modified financial instruments and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 changes the accounting for certain financial instruments that, under previous guidance issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities (or assets in some circumstances). The adoption of this standard did not have a material impact on the Company's financial statements.

In this report references to "View Systems," "we," "us," and "our" refer to View Systems, Inc.

FORWARD LOOKING STATEMENTS

This quarterly report contains certain forward looking statements that involve risks and uncertainties, such as statements of View System's plans and expectations. Any statements contained in this report that are not statements of historical fact may be deemed to be forward looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within View Systems's control. These factors include, but are not limited to, economic conditions generally and in the industry which View Systems participates; competition within View Systems's chosen market and failure by View Systems to successfully develop business relationships.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

View Systems designs and develops computer software and hardware used in conjunction with surveillance capabilities. We have incurred losses for the past two fiscal years and have an accumulated deficit of $12,488,813 at September 30, 2003. Management believes we will incur operating losses for the foreseeable future. However, management expects projected sales revenues and anticipated equity infusions and advances from management to be sufficient to provide funding to sustain operations through September 30, 2004.

Since start-up of operations in September 1998, we have devoted most of our resources to the development of digital video surveillance products. However, in March 2002 we shifted the focus of our operations to the introduction of our SecureScan Concealed Weapons Detection System. We have worked diligently to make engineering design changes to the Concealed Weapons Detection product to accommodate the price points required by competitive pressures. The engineering design changes required locating new sources for components and limited field testing. In addition, demonstration of the product involves the shipping of a large bulky archway and a highly trained technical staff; consequently, sales cycle times are lengthy.

Acquisition Treatment

In December of 2001 we entered into a joint venture agreement with Milestone Technology, Inc., an Idaho corporation, to develop its Concealed Weapons Detection portal. As part of the agreement we issued 500,000 shares of View Systems common stock for a 6% interest in Milestone Technology and the rights to the Concealed Weapons Detection technology. Then on March 25, 2002, View Systems acquired the remaining 94% interest of Milestone Technology in exchange for 3,300,000 common shares. This acquisition was valued at approximately $1,298,000 and was accounted for under the purchase method of accounting. Accordingly, Milestone Technology's results of operation have been included with View Systems from the closing date in March 2002 and its consolidated assets and liabilities have been recorded at their fair values on the same date. In May 2003 a controversy arose regarding the ownership of Milestone Technology, Inc. and the Concealed Weapons Detection technology. In October 2003 the controversy was settled and the acquisition of Milestone Technology was finalized and the license rights to the Concealed Weapons Detection technology were re-assigned to View Systems.

Results Of Operations

The following discussion and analysis should be read in conjunction with our unaudited financial statements and the accompanying notes for the three and nine month periods ended September 30, 2003 and 2002, which are included in this report.

Revenue - For the nine months ended September 30, 2003, revenue from sales of our products increased $52,772, or 13%, to $451,909 from $399,137 in the same period last year. For the three months ended September 30, 2003, revenues from sales of our products decreased $27,807 or 10%, to $239,734 from $267,541 in the same

period last year. In comparing the 2002 and 2003 nine month periods, we have shifted the source for the majority of our revenues from predominately security systems to SecureScan Concealed Weapons Detection portals. The sales cycles in the concealed weapons detection market are long and require the approval of highly bureaucratic decision makers. However, in contrast to digital video storage, the Concealed Weapons Detection product price points and profit margins are larger.

Costs Of Goods Sold - Cost of products and services sold consist principally of the costs of hardware components and supplies. We generally operate through resellers who install and service the units. We do not determine our inventory on a quarterly basis, instead we do it on an annual basis. Therefore, our cost of goods sold calculations are based on estimates of inventory used in products sold. However, as of September 30, 2003, we had no weapons detection system portals in inventory. Assembly of the new portals commenced in October 2003.

The cost of products and services sold was $227,760 for the nine months ended September 30, 2003, and represented 50% of revenue for the period, compared to $221,861 for the nine months ended September 30, 2002, which represents 56% of revenues for that period. The cost of products and services sold was $132,770 for the three months ended September 30, 2003, and represented 55% of revenue for the period, compared to $149,747 for the three months ended September 30, 2002, which represented 56% of revenues for that period. Because of our low sales volume during this period, we do not consider the costs of goods sold to be a good measure of our true costs of goods sold. As our product sales increase and account for a larger percentage of our overall sales, we expect that our costs of goods and services sold will decline and stabilize as a percentage of total revenue. We are continually working on engineering changes in our security products that we expect will lower component costs for these products.

Gross Profit - Gross profit on sales for the nine months ended September 30, 2003, increased $46,873, or 26%, to $224,149 compared with $177,276 in the same period last year. Gross profit margin for the nine months ended September 30, 2003, was 50% compared with 44% in the same period last year. Gross profit on sales for the three months ended September 30, 2003, decreased $10,830, or 9%, to $106,964 compared with $117,794 for the same period last year. Gross profit margin for the three months ended September 30, 2003, was 45% compared to 44% for the same period last year. Because of low net sales we achieved in the period ended September 30, 2003, we do not believe gross profit margin comparisons are meaningful at this state of our operations.

Total Operating Expense - Operating expenses for the nine months ended September 30, 2003, decreased to $1,209,072, compared with $3,120,436 for the comparable period in 2002. The decrease is principally due to unusually large bad debts in the prior year of $862,630 compared to none in the current period, and decreased expenditures in professional fees. Amortization expense associated with the value of licenses and patents amounted to $131,895 for the nine months ended September 30, 2003, compared with no amortization expense in the same period last year.

Operating expenses for the three months ended September 30, 2003, decreased to $622,342, compared with $1,827,420 for the comparable period in 2002. The decrease is principally due to unusually large bad debts in the prior period of $627,821 and significant decreases in professional fees.

Research and Development Expense - We spent $25,177 on research and development for the nine months ended September 30, 2003, as compared with $101,729 in the same period last year. We spent $13,745 on research and development for the three months ended September 30, 2003, as compared with $26,843 in the same period last year. We are working on changing our production facilities to manufacture the Concealed Weapons Detection portal in our facility. Management believes this change will allow our profit margins to increase due to a reduction in costs of production.

Salaries and Benefits - We spent $666,598 on salaries and benefits for the nine months ended September 30, 2003, as compared with $766,471 in the same period last year. We spent $423,532 on salaries and benefits for the three months ended September 30, 2003, as compared with $471,445 in the same period last year.

Net Loss - As a result of the foregoing, we recorded a net loss from operations of $984,923 for the nine months ended September 30, 2003, compared to a net loss of $2,943,160 for the nine months ended September 30, 2002. The net loss from operations was $515,378 for the three months ended September 30, 2003, compared to a net loss of $1,709,626 for the three months ended September 30, 2002. As a result, we recorded a net less per diluted share of $0.02 for the nine month period ended September 30, 2003, compared to a net loss per diluted share of $0.09 for the comparable 2002 period.

Liquidity and Capital Resources

Historically, we have funded our cash requirements primarily through equity transactions. We are not currently generating sufficient cash from our operations to finance our business and will continue to need to raise capital from other sources. We used the proceeds from these sales of equity to fund operating activities, including, product development, sales and marketing, and to invest in the acquisition of technology, assets and business. We also have relied on our management for cash infusions to sustain operations. These cash infusions are in the form of advances without repayment terms and we anticipate that we will require additional advances in the future; however, there can be no assurance that these funds will be available in the future

Starting on August 6, 2003, we conducted a Regulation D Rule 505 offering for an aggregate offering amount of $1,500,000. As of September 25, 2003, we had sold 14,320,000 common shares at $0.10 per share for an aggregate amount of $1,432,000. We realized proceeds of $1,417,608 which we intend to use for manufacturing capital and working capital.

As of September 30, 2003, we had total assets of $2,895,740, a decrease of $118,969 from $3,014,709 at December 31, 2002. Total liabilities were $454,207, at September 30, 2003, resulting in stockholders' equity of $2,441,533, an increase of $544,740 from the December 31, 2002, balance of

$1,896,793. As a result of the foregoing, at September 30, 2003, we had negative working capital of $152,355, including $228,042 in net trade accounts receivable and $0 in inventory.

During the nine months ended September 30, 2003, our cash increased from $3,229 at December 31, 2002, to $73,810 at September 30, 2003. Net cash used in operating activities was $715,289 for the nine months ended September 30, 2003, compared to net cash used by operating activities of $1,125,342 for the comparable 2002 period. This decrease primarily is a result of increases in accounts receivable of $165,331, decreases in inventory of $171,326, and decreases in accounts payable of $185,166.

Net cash provided by investing activities was $4,500 for the nine month period ended September 30, 2003, and was related to advances from affiliated entities. Net cash provided by investing activities was $15,401 for the 2002 comparable period and was primarily the result of the acquisition of cash in the Milestone Technology acquisition

Net cash generated from financing activities during the nine months ended September 30, 2003, was $781,370; consisting of proceeds received from sales of stock of $308,550 and loans from shareholders of $472,820. Net cash provided for the 2002 comparable period was $1,027,814; primarily from proceeds from sales of common stock.

Commitments and Contingent Liabilities

Our commitments include operating leases and current liabilities. At December 31, 2002, future minimum payments for operating leases related to properties in Colorado, Maryland and Idaho were $183,069 through 2006. Other commitments include accounts payable of $260,457 and notes payable of $141,500.

Financing

We operate in a very competitive industry that requires continued large amounts of capital to develop and

promote our products. We currently estimate we will need between $1 million and $2 million to fully develop our products and further expand our business operations. We believe that it will be essential to continue to raise additional capital, both internally and externally, to compete in this industry. We cannot assure that we will be able to obtain financing on favorable terms and we may be required to further reduce expenses and scale back our operations. In addition to accessing the public and private equity markets, we will pursue bank credit lines and equipment leases for certain capital expenditures, if necessary.

ITEM 3: CONTROLS AND PROCEDURES

Our CEO and principal financial officer, has reevaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report and determined that there continued to be no significant deficiencies in these procedures. Also, there were no changes made or corrective actions to be taken related to our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On May 8, 2003, View Systems, Inc. filed a complaint against Messrs. Steve Williams and Paul Reep, former officers and shareholders of Milestone Technology, Inc. The complaint was filed in the United States District Court for the District of Maryland Division and the controversy is related to the ownership of Milestone Technology, Inc. and the Concealed Weapons Detection System. View Systems claims ownership of Milestone Technology, Inc. and the exclusive licensing rights to the Concealed Weapons Detection System. Management and counsel negotiated a settlement with Mr. Williams and Milestone Technology, Inc. in July 2003; but we continue to pursue Mr. Reep. In October 2003 we moved to amend the complaint to add additional claims against Mr. Reep for intentional interference with contractual relations, tortious interference with economic relations and conversion. The court stayed consideration of our motion pending the appearance by new counsel for Mr. Reep.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

Articles of Incorporation and Bylaws

On July 25, 2003, View Systems incorporated View Systems, Inc. as a wholly-owned Nevada corporation for the sole purpose of changing the domicile of the company from Florida to Nevada. On July 31, 2003, articles of merger were filed with the state of Nevada to complete the domicile merger. As a result of the domicile merger the articles of incorporation and bylaws of View Systems are those of the Nevada corporation. The Florida and Nevada articles of incorporation and bylaws are similar to each other in most material respects. The Nevada articles of incorporation increase the authorized common stock to 100,000,000 shares, par value $0.001, and authorize a preferred class of 10,000,000 shares, par value $0.01. Also, the number of shareholders required to establish a quorum at a shareholders' meeting is increased from one-third of the voting stock to a majority of the voting stock.

Pursuant to Nevada Revised Statutes Section 78.7502 and 78.751, our articles of incorporation and bylaws provide for the indemnification of present and former directors and officers and each person who serves at our request as our officer or director. Indemnification for a director is mandatory and indemnification for an officer, agent or employee is permissive. We will indemnify such individuals against all costs, expenses and liabilities incurred in a threatened, pending or completed action, suit or proceeding brought because such individual is our director or officer. Such individual must have conducted himself in good faith and reasonably believed that his conduct was in, or not opposed to, our best interest.

In a criminal action the individual must not have had a reasonable cause to believe his conduct was unlawful. This right of indemnification is limited to our financial ability to pay such expenses, but shall not be exclusive of other rights the individual is entitled to as a matter of law or otherwise. Our bylaws provide that individuals may receive advances for expenses if the individual provides a written affirmation of his good faith

belief that he has met the appropriate standards of conduct and he will repay the advance if he is judged not to have met the standard of conduct.

We will not indemnify an individual adjudged liable due to his negligence or wilful misconduct toward us, or if he improperly received personal benefit. Indemnification in a derivative action is limited to reasonable expenses incurred in connection with the proceeding. Also, we are authorized to purchase insurance on behalf of an individual for liabilities incurred whether or not we would have the power or obligation to indemnify him pursuant to our bylaws.

Recent Sales of Unregistered Securities

On October 14, 2003, we issued an aggregate of 190,000 common shares in consideration for services. We issued 100,000 shares to Ruediger Klose and 90,000 shares to Charlotte DeLoof for services rendered under their employment agreements. We relied on an exemption from the registration requirements of the Securities Act for a private transaction not involving a public distribution provided by Section 4(2) under the Securities Act.

On September 10, 2003, our board of directors authorized the issuance of an aggregate of 950,000 common shares valued at $114,000 for services rendered to View Systems. We issued 500,000 shares to Daniel W. Jackson for legal services valued at $60,000. We issued 200,000 shares to William D. Smith for services rendered to the company valued at $24,000. We issued 250,000 shares to Barry Feldman for services rendered to the company valued at $30,000. We relied on an exemption from the registration requirements of the Securities Act for a private transaction not involving a public distribution provided by Section 4(2) under the Securities Act.

On September 2, 2003, our board of directors authorized the issuance of 1,150,000 common shares to Gunther Than in consideration for services rendered to the company valued at $138,000. We relied on an exemption from the registration requirements of the Securities Act for a private transaction not involving a public distribution provided by Section 4(2) under the Securities Act.

Starting on August 6, 2003 we conducted a Regulation D Rule 505 offering for an aggregate offering amount of $1,500,000. As of September 25, 2003, we had sold 14,320,000 common shares at $0.10 per share to accredited investors and two purchasers for an aggregate amount of $1,432,000. We relied on an exemption from the registration requirements of the Securities Act of 1933 for a limited offering provided by Section 3(b) and Regulation D.

We believe each purchaser in the above transactions:

- was aware that the securities had not been registered under federal securities laws;
- acquired the securities for his/her/its own account for investment purposes under the federal securities laws;
- understood that the securities would need to be held indefinitely unless registered or an exemption from registration applied to a proposed disposition; and,
- was aware that the certificate representing the securities would bear a legend restricting its transfer.

ITEM 5: OTHER INFORMATION

Technology License - As a result of the settlement of our lawsuit with the former management of Milestone Technology in early October 2003, we were able to resolve the ownership issues surrounding the Concealed Weapons Detection technology. On November 11, 2003, the Idaho National Energy and Environmental Laboratories re-assigned the exclusive license to commercialize, manufacture and market the Concealed Weapons Detection technology to View Systems.

Product Development - In early October 2003 we announced an alliance with School Technology

Management to integrate and market its products with ours. School Technology Management has developed the Comprehensive Attendance Administration and Security System which is designed to use a magnetic card swipe system to monitor identification of students entering a school and to verify each student's attendance. Our intent is to combine School Technology Management's card swipe system with our SecureScan portal. With the combined technology a student will enter the portal and be scanned for any threat objects and his or her identity will be concurrently confirmed to school security officers. We anticipate that the National Institute of Justice will study a prototype of the combined portal during the next calendar year.

Production of Portals - In early October 2003, we began production of twenty SecureScan Portals. The SecureScan portal consists of two components; the work station contains the software and display imagery, and the archway holds the sensors which detect threat objects. The control unit of the portal continues to be manufactured internally at our facilities in Baltimore, Maryland. The archway and sensor are being manufactured and assembled through Quantum Magnetics, a United States Laboratory supplier. Once complete, the portal is sent to our Baltimore facility to be tested and shipped to its final destination.

Of the twenty units, we anticipate four will be installed at federal and state court facilities in the United States. Thirteen will be designated for international delivery, training and demonstration. On October 10, 2003, we announced delivery and installation of the first international SecureScan portal at the Federation Building, Parliament Hill, Ottawa, Ontario. This sale was completed through Levitt-Safety Ltd., a Canadian reseller.

ITEM 6. EXHIBITS AND REPORT ON FORM 8-K

Part II Exhibits

3.1	Articles of Incorporation of View Systems, as amended
3.2	By-Laws of View Systems
10.1	View Systems, Inc. Employment Agreement with Gunther Than. (Incorporated by reference to registration statement on Form SB-2, filed January 11, 2000)
21.1	Subsidiaries (Incorporated by reference to Form 10-KSB, filed March 31, 2003)
31.1	Chief Executive Officer Certification
31.2	Principal Financial Officer Certification
32.1	Section 1350 Certification

Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIEW SYSTEMS, INC.

/s/ Gunther Than

Date: November 13, 2003 By:____

Gunther Than
CEO, Principal Financial Officer, Treasurer
and Director

/s/ Barry Feldman

Date: November 13, 2003 By:____

Barry S. Feldman
President and Director

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