Diamond Ranch Foods, Ltd., NEW
Form 10-Q
February 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: DECEMBER 31, 2010

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to_______

Commission file number 000-51206

DIAMOND RANCH FOODS, LTD.

(Name of small business issuer in its charter)

Nevada

20-1389815

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

355 Food Center Drive B-1, Bronx, NY

10474

(Address of principal executive offices)

(Zip Code)

Registrant s telephone number, including area code: **(718) 991-9595**

Securities registered under Section 12(b) of the Exchange Act:	**None**
Securities registered under Section 12(g) of the Exchange Act:	**Common stock, par value $0.0001 per share** (Title of Class)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (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 ¨

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) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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 Exchange Act). Yes ¨ No x

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: As of February 1, 2011, the issuer had 11,290,300 shares of its common stock issued and outstanding.

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

DIAMOND RANCH FOODS, LTD

BALANCE SHEETS

	December 31, 2010 (unaudited)	**March 31, 2010**
ASSETS		
Current Asset:		
Cash	$ 18,955	$

7,434

Marketable Securities

-

22,000

Accounts Receivable, net

806,895

1,183,280

Inventory

137,178

231,398

Other Current Assets

16,598

2,734

Total Current Assets

979,626

1,446,846

Fixed Assets Net

269,896

281,021

Total Assets

$

1,249,522

$

1,727,867

LIABILITIES & STOCKHOLDERS' DEFICIT

Current Liabilities:

Bank overdraft	$ 87,814	$ 48,660
Accounts Payable and Accrued Expenses	921,995	1,353,049
Related Party Payable	1,972,525	1,874,408
Shareholder Loans	2,581,844	2,526,887
Interest payable		

	489,467
	425,689
Total Current Liabilities	
	6,053,645
	6,228,693
TOTAL LIABILITIES	
	6,053,645
	6,228,693

STOCKHOLDERS' DEFICIT	
Preferred Stock, authorized 10,000,000 shares, par value $.0001, 5,284,000 shares issued and 5,284,000 outstanding as of December 31, 2010 and March 31, 2010	1
	1
Common Stock, authorized 500,000,000 shares, $0.0001 par value $.0001, 11,290,300 and 11,290,300 shares issued and outstanding as of December 31, 2010 and March 31, 2010	1,129
	1,129
Additional Paid-In Capital	

	4,375,115	4,484,942
Retained Deficit	(9,180,368)	(8,986,898)
Total Stockholders Deficit	(4,804,123)	(4,500,826)
Total Liabilities and Stockholders' Deficit	$ 1,249,522	$ 1,727,867

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

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DIAMOND RANCH FOODS, LTD

STATEMENTS OF OPERATIONS

(UNAUDITED)

Three Months Ended

Nine Months Ended

December 31,

December 31,

December 31,

December 31,

2010

2009

2010

2009

Revenues

$

1,756,105

$

2,111,288

$

5,894,709

$

5,713,770

Cost of Goods Sold

1,158,365

1,693,950

4,368,179

4,581,399

Gross Profit

597,740

417,338

1,526,530

1,132,371

Expenses:

Payroll

198,590

182,932

639,303

519,842

Factoring Fee

4,807

27,468

21,453

61,074

Rent Expense	38,499	41,129	116,664	159,782
Depreciation & Amortization	-	2,870	21,587	8,610
General & Administrative	182,014			

198,869

564,526

526,046

Sales
Commission

110,973

111,621

370,559

263,023

Total Expenses	
	534,883
	564,889
	1,734,092
	1,538,377
Operating Income (Loss)	
	62,857

(147,551)

(207,562)

(406,006)

Interest Expense

(21,263)

(33,782)

(63,788)

(107,852)

Other Income (Expense)

(21,088)

-

77,877

83,975

Net Income (Loss)

$

20,506

$

(181,333)

$

(193,473)

$

(429,883)

Basic & diluted loss per share

$

0.00

$

(0.02)

$

(0.02)

$

(0.05)

Weighted Avg. Shares Outstanding
11,290,300
10,777,800
11,290,300
10,777,800

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

DIAMOND RANCH FOODS, LTD
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit (Loss)	$ (193,473)	$ (429,883)
Adjustments to reconcile net loss to net cash provided by operating activities -		
Depreciation and Amortization	21,587	8,610
Gain on forgiveness of debt	(55,000)	-
Gain on sale of marketable securities	-	(83,972)
(Increase) Decrease in Inventory	94,220	(27,595)
(Increase) Decrease in Accounts Receivable	376,385	(113,504)
(Increase) Decrease in Deposits and Prepaid Expenses	(13,864)	8,744
(Decrease) Increase in Accounts Payable and Accrued Expenses	(332,937)	622,192
(Decrease) Increase in Interest Payable	63,778	68,597
Net Cash Provided by Operating Activities	(39,304)	53,189
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of available for sale securities	22,000	83,972
Changes in marketable securities	-	(4,800)
Sale (Purchase) of Equipment	(10,462)	(270,248)
Net Cash Used in Investing Activities	11,538	(191,076)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Capital Lease Obligation	-	(2,849)
Factoring Payable	-	161,105
Bank Overdraft	39,157	6,500
Shareholder and Related Party Debt	125,130	52,066
Repurchase of shares	(125,000)	-

Payments on Notes Payable		-		(20,000)
Net Cash Provided (Used) by Financing Activities		39,287		196,822
Net (Decrease) Increase in Cash and Cash Equivalents		11,521		58,935
Cash and Cash Equivalents at Beginning of Period		7,434		7,057
Cash and Cash Equivalents at End of Period		18,955		65,992
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	$	-	$	39,255
Taxes	$	-	$	-
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Stock issued for services	$	-	$	108,200

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

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DIAMOND RANCH, LTD

NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2010 AND 2009

(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustment relating to recoverability and classification of recorded amounts of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's continued existence is dependent upon its ability to continue to execute its operating plan and to obtain additional debt or equity financing. There can be no assurance the necessary debt or equity financing will be available, or will be available on terms acceptable to the Company.

Management plans include acquiring additional meat processing and distribution operations and obtaining additional financing to fund payment of obligations and to provide working capital for operations and to finance future growth. The Company is actively pursuing alternative financing and has had discussions with various third parties, although no firm commitments have been obtained. In the interim, shareholders of the Company have committed to meeting its operating expenses. Management believes these efforts will generate sufficient cash flows from future operations to pay the Company's obligations and realize other assets. There is no assurance any of these transactions will occur.

The accompanying interim financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the consolidated financial position as of December 31, 2010, and the results of operations and cash flows for all periods presented have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company s March 31, 2010, audited financial statements. The results of operations for the three and nine month periods ended December 31, 2010 are not necessarily indicative of the operating results for the full year.

Nature of Business

The Company is a meat processing and distribution company now located in the Hunts Point Coop Market, Bronx, NY. The Companies operations consist of packing, processing, labeling, and distributing products to a customer base,

including, but not limited to; in-home food service businesses, retailers, hotels, restaurants, and institutions, deli and catering operators, and industry suppliers.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies for Diamond Ranch Foods, Ltd. is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and statement of operations for the year then ended. Actual results may differ from these estimates. Estimates are used when accounting for allowance for bad debts, collect ability of accounts receivable, amounts due to service providers, depreciation and litigation contingencies, among others.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Revenue recognition

The Company derives its revenue from the sale of meat and associated grocery products. Revenue is recognized when earned; as such policy complies with the following criteria: (i) persuasive evidence of a sales contract exists; (ii) the product has been shipped or delivered; (iii) the sales amount is fixed and determinable, and (iv) collectability is reasonably assured. In the event that a customer pays up front, deferred revenue is recognized for the amount of the payment in excess of the revenue earned.

Concentration of Credit Risk

The Company has no significant off-balance sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements. The Company s customers are located in the Eastern United States; however, no single customer accounts for more than ten percent of total sales.

Fixed Assets

Fixed assets are recorded at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed when incurred.

Earnings per Share

Basic gain or loss per share has been computed by dividing the loss for the period applicable to the common stockholders by the weighted average number of common shares outstanding during the years. There are no dilutive outstanding common stock equivalents as of December 31, 2010 and 2009.

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Income Taxes

The Company accounts for income taxes under the provisions of FASB ASC Topic, "Accounting for Income Taxes." which requires recognition of deferred income tax assets and liabilities for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting and tax bases of assets and liabilities.

Inventory

Inventory consists of finished meat products, and is valued at the lower of cost, determined on the first-in, first-out basis (FIFO), or market value.

Financial Instruments

Current accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring the fair value of financial instruments as follows:

Level 1.

Observable inputs such as quoted market prices in active markets.

Level 2.

Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly, and

Level 3.

Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company had no assets or liabilities that were measured and recognized at fair value on a non-recurring basis as of December 31, 2010, and as such, had no assets or liabilities that fell into the tiers described above.

Recent Accounting Pronouncements

The adoption of these accounting standards had the following impact on the Company s statements of income and financial condition:

- *FASB ASC Topic 855, Subsequent Events* . In May 2009, the FASB issued FASB ASC Topic 855, which establish general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this Statement sets forth : (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This FASB ASC Topic should be applied to the accounting and disclosure of subsequent events. This FASB ASC Topic does not apply to subsequent events or transactions that are within the scope of other applicable accounting standards that provide different guidance on the accounting treatment for subsequent events or transactions. This FASB ASC Topic was effective for interim and annual periods ending after June 15, 2009, which was June 30, 2009 for the Corporation. The adoption of this Topic did not have a material impact on the Company's financial statements and disclosures.

- *FASB ASC Topic 105, The FASB Accounting Standard Codification and the Hierarchy of Generally Accepted Accounting Principles* . In June 2009, the FASB issued FASB ASC Topic 105, which became the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this FASB ASC Topic, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-SEC accounting literature not included in the Codification will become non-authoritative. This FASB ASC Topic identify the sources of accounting principles and the framework for selecting the principles used in preparing the financial statements of nongovernmental entities that are presented in conformity with GAAP. Also, arranged these sources of GAAP in a hierarchy for users to apply accordingly. In other words, the GAAP hierarchy will be modified to include only two levels of GAAP: authoritative and non-authoritative. This FASB ASC Topic is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this topic did not have a material impact on the Company s disclosure of the financial statements.
- *FASB ASC Topic 320, Recognition and Presentation of Other-Than-Temporary Impairments* . In April 2009, the FASB issued FASB ASC Topic 320 amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FASB ASC Topic does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FASB ASC Topic shall be effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009, is not permitted. This FASB ASC Topic does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FASB ASC Topic requires comparative disclosures only for periods ending after initial adoption. The adoption of this Topic did not have a material impact on the Company s financial statements and disclosures.
- *FASB ASC Topic 860, Accounting for Transfer of Financial Asset .,* In June 2009, the FASB issued additional guidance under FASB ASC Topic 860, *Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities"*, which improves the relevance, representational faithfulness, and comparability

of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. The Board undertook this project to address (i) practices that have developed since the issuance of FASB ASC Topic 860, that are not consistent with the original intent and key requirements of that statement and (ii) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. This additional guidance requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor s beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. Enhanced disclosures are required to provide financial statement users with greater transparency about transfers of financial assets and a transferor s continuing involvement with transferred financial assets. This additional guidance must be applied as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This additional guidance must be applied to transfers occurring on or after the effective date. The adoption of this standard did not have an effect on the Company s financial reporting.

- *FASB ASC Topic 810, Variables Interest Entities* . In June 2009, the FASB issued FASB ASC Topic 810, which requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics: (i)The power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and (ii)The obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity s economic performance. This FASB Topic requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, which was based on determining which enterprise absorbs the majority of the entity s expected losses, receives a majority of the entity s expected residual returns, or both. This FASB ASC Topic shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.The adoption of this standard did not have an effect on the Company s financial reporting.
- *FASB ASC Topic 820*, *Fair Value measurement and Disclosures* , an Accounting Standard Update. In September 2009, the FASB issued this Update to amendments to Subtopic 82010, *Fair Value Measurements and Disclosures* . Overall, for the fair value measurement of investments in certain entities that calculates net asset value per share (or its equivalent). The amendments in this Update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this Update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity s measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this Update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this Update, such as the nature of any restrictions on the investor s ability to redeem its

investments at the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be made by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in GAAP on investments in debt and equity securities in paragraph 320-10-50-lB. The disclosures are required for all investments within the scope of the amendments in this Update regardless of whether the fair value of the investment is measured using the practical expedient. The amendments in this Update apply to all reporting entities that hold an investment that is required or permitted to be measured or disclosed at fair value on a recurring or non recurring basis and, as of the reporting entity s measurement date, if the investment meets certain criteria The amendments in this Update are effective for the interim and annual periods ending after December 15, 2009. The adoption of this standard had no effect on the Company s financial reporting.

- *FASB ASC Topic 740*, *Income Taxes* , an Accounting Standard Update. In September 2009, the FASB issued this Update to address the need for additional implementation guidance on accounting for uncertainty in income taxes. The guidance answers the following questions: (i) Is the income tax paid by the entity attributable to the entity or its owners? (ii) What constitutes a tax position for a pass-through entity or a tax-exempt not-for-profit entity? (iii) How should accounting for uncertainty in income taxes be applied when a group of related entities comprise both taxable and nontaxable entities? In addition, this Updated decided to eliminate the disclosures required by paragraph 740-10-50-15(a) through (b) for nonpublic entities. The implementation guidance will apply to financial statements of nongovernmental entities that are presented in conformity with GAAP. The disclosure amendments will apply only to nonpublic entities as defined in Section 740-10-20. For entities that are currently applying the standards for accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this standard did not have an effect on the Company s financial reporting.

NOTE 3 - MARKETABLE SECURITIES

At March 31, 2010 the company held securities in a publicly traded company valued at $22,000, consisting of 2,000,000 shares valued at market of $0.011 cents per share. During the nine months ended December 31, 2010, the company sold the remaining 2,000,000 shares for total proceeds of $22,000. As the total proceeds equaled the Company s basis in the securities, no gain or loss on the sale has been recorded.

NOTE 4 - OPERATING LEASE COMMITMENTS

The Companies operating facility consists of approximately 3,500 sq. ft. The Company leases the space on a month-to-month basis at $9,000 per month.

The Company also leases space on a month-to-month basis for truck and equipment rental on an as needed basis.

NOTE 5 FACTORING LINE OF CREDIT

In 2007 the Company entered into an agreement with a factoring corporation. Under the terms of the agreement, the Company would receive 90 percent of the purchase price up front and 10 percent would be held in reserves until the receivables are collected. The term of the agreement is one year, renewable at the Corporations discretion. A discount charge of nine tenths of one per cent is charged, with increases based upon a time frame of receivables outstanding. Receivables over 90 days are returned to the Company.

These factoring lines of credit have been included in Accounts Payable. As of December 31, 2010 the company did not have any factored Accounts Receivable that had not been collected. Discounts provided during factoring of the accounts receivable have been expensed on the accompanying Statements of Operations as Factoring Fees.

NOTE 6 RELATED PARTY TRANSACTIONS

As of December 31, 2010, the Company has multiple outstanding notes payable to a shareholder totaling $2,581,844. The notes payable were issued withinterest rates ranging from five to six percent (5-6%) per annum and both principal and interest are due on the maturity dates of the notes payable, which range from three to five years. Of the total balance, $946,000 previously reached maturity and, together with the remaining notes, have been renegotiated in to remove the default and set the interest rate at 3%. The Company has accrued approximately $489,467 in interest on this note at December 31, 2010. During the nine months ended December 31, 2010, the Company borrowed $125,000 from a shareholder to satisfy the stock buyback settlement reached with certain shareholders of the company (see Note 8). During the nine months ended December 31, 2010, this same related party forgave $15,000 in convertible debt which has been recorded as an increase in paid-in-capital.

The Company purchases a significant amount of inventory from a company controlled by a shareholder of Diamond Ranch. As of December 31, 2010, the amount due to this vendor was $1,972,525.

NOTE 7 SIGNIFICANT VENDOR

At December 31, 2011 the Company was indebted to a related party vendor representing 67% of the total payables. While the Company can if needed replace this vendor in buying product to sell, the loss of this relationship would have a material impact on the Company.

NOTE 8 OTHER INCOME & EXPENSE

During the nine months ended December 31, 2010, the Company recorded $55,000 in debt forgiveness as Other Income resulting from the settlement of a convertible debenture payable to an unrelated party. Also included in Other Income and Expense is $21,088 in bad debt expense and $43,965 in Other Income generated from the collection of receivables previously written off.

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NOTE 9 - SIGNIFICANT EVENT

In March of 2009 the Company received a petition for involuntary bankruptcy by five disgruntled former affiliates of The Company to extract value for stock they held in the company in excess of its fair market value. Federal bankruptcy laws permit a small number of *bona fide* creditors of a company to petition for involuntary relief under the Bankruptcy Code. These former affiliates attempted to utilize those laws to compel the company to pay this value.

The Company defended that effort, as it owed no debt to these individuals and thus they did not qualify as petitioning creditors under bankruptcy laws. In addition, the Company filed claims against the former affiliates for abuse of the bankruptcy laws and sought damages from them in excess of $8 million. Due to the seriousness of the Company s allegations, the Bankruptcy Court scheduled a full evidentiary hearing on the company s claims, which commenced a protracted and expensive litigation.

Despite the merits and strength of its claims, the Company determined that continuation of the lawsuit against the petitioners was impracticable due to two factors: (i) the expense of continuing the litigation; and (ii) the likelihood that the company would realize very little if it was successful (given the low net-value of the petitioners).

Thus, in an effort to continue focusing on the growth of its business, the Company agreed to settle with the petitioners, pursuant to which settlement the company agreed to dismiss its lawsuit provided that the petitioners relinquished and canceled their stock holdings in the company, and the petitioners agreed to dismiss their involuntary petition for relief under the Bankruptcy Code provided that they recovered their legal fees - which aggregated approximately $125,000. The Company agreed to the terms and is currently paying the settlement amount in monthly installments over a 12 month period so as not adversely affect the company s cash flow. The Company recorded the payment of the $125,000 as a reduction in Paid-in Capital as the result was a cancellation of previously issued shares. As of December 30, 2010, the total amount had been paid in full and the shares were returned and cancelled.

The settlement was consummated in or about September 29, 2009, on which date the Bankruptcy Court entered an Order dismissing the involuntary petition. Notably, throughout the proceeding, no Order was ever entered declaring the Company a bankrupt, no court ever determined that the Company was eligible or suitable for a bankruptcy case under any chapter of the Bankruptcy Code, and no creditors or any other parties, other than the disgruntled former affiliates, ever joined in the proceedings or sought any relief from the Bankruptcy Court.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This statement includes projections of future results and "forward looking statements" as that term is defined in Section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). All statements that are included in this Quarterly Report, other than statements of historical fact, are forward looking statements. Although management believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

SALES

Our revenues from operations for the three months ended December 31, 2010 were $1,756,105 compared to the same period of 2009 which were $2,111,288, a decrease of $355,183 or 18.4%. The decline in revenues is attributed to a decline inthe sales of our meat products and services.

Our revenues from operations for the nine months ended December 31, 2010 were $5,894,709 compared to the same period of 2009 which were $5,713,770, an increase of $108,939 or 1.9%. The increase which was anticipated was the result of the company s commitment to opening new accounts. The sales were generated from the sale of our meat products and services.

The Company continues to work on a daily basis to bring in new product, either by the request of the customer, or by management's initiative, to capture more of our existing customers' business. Using a personal approach with customers, our salesmen work to satisfy their specific needs as well as their general product requirements. We intend to grow at a steady and proportionate rate, and therefore, would project that the coming quarter's growth increase would be the same ratio of 80% existing customer vs. 20% new customer. To continue operations in a controlled and manageable fashion, we seek to add approximately 5 new customers per week, or approximately 20 customers per month.

COST OF SALES AND GROSS PROFIT

Our cost of sales for the three months ended December 31, 2010 was $1,158,365, generating a gross profit of $597,740, or 34.04%.

Our cost of sales for the three months ended December 31, 2009 was $1,693,950 generating a gross profit of $417,338, or 19.77%.

Our cost of sales for the nine months ended December 31, 2010 was $4,368,179, generating a gross profit of $1,526,530, or 25.90%.

Our cost of sales for the nine months ended December 31, 2009 was $4,581,399 generating a gross profit of $1,132,371, or 19.82%.

The reason for the increasein gross profit was the result of the company s commitment to opening new accounts. We believe we will continue to increase our margins.

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We will continue to grow through increased sales efforts made by our management team using standard marketing procedures, such as in-person sales visits and demonstrations and "warm" referrals through existing clientele.

EXPENSES

Our Payroll expenses for the three months ended December 31, 2010 was $198,590, which was an increase of $15,658 over the amount of $182,932 for the three months ended December 31, 2009. Our Payroll expenses for the nine months ended December 31, 2010 was $639,303, which was an increase of $119,461 over the amount of $519,842 for the nine months ended December 31, 2009. This increase was mostly attributable to the increase in size of our workforce.

Our Rent expenses for the three months ended December 31, 2010 was $38,499, which was a decrease of $2,630 over the amount of $41,129 for the three months ended December 31, 2009. Our Rent expenses for the nine months ended December 31, 2010 was $116,664, which was a decrease of $43,118 over the amount of $159,782 for the nine months ended December 31, 2009. This decrease was mostly attributable to the decrease in rent amount in connection with the rental of equipment and trucks.

Our Sales Commission for the three months ended December 31, 2010 was $110,973, which was a decrease from $111,621 over the amount for the three months ended December 31, 2009. Our Sales Commission for the nine months ended December 31, 2010 was $370,559, which was an increase from $263,023 over the amount for the nine months ended December 31, 2009. The nine month period increase is attributable to the shifting to commission-based expenses from salary-based expense.

Our General and Administrative expenses during the three months ended December 31, 2010 decreased to $182,014 from $198,869. Our General and Administrative expenses during the nine months ended December 31, 2010 increased to $564,526 from $526,046 or $38,480. The increasewas attributable to increased contract labor costs, credit card transaction fees, and increase cellular usage.

LIQUIDITY AND CAPITAL RESOURCES

For the Nine-Months ended December 31, 2010; the Company's cash used in operating activities totaled $39,304, cash provided by investing activities was $11,538 and cash provided by financing activities was $39,287.

For the Nine-Months ended December 31, 2009; the Company's cash provided for operating activities totaled $53,189, cash used in investing activities totaled $191,076, and cash provided by financing activities was $196,822.

PLAN OF OPERATION

For the next twelve months we plan to operate the business using our new methods. We will continue to outsource manufactured products. We will continue to increase sales using commission-based salesmen.

Management continuously evaluates operating practices and is ready to make modifications to our present-day operations when necessary. We feel our attempts to be more efficient have proven viable since our losses have decreased for the nine months ended December 31, 2010 as compared to the losses for the nine months ended December 31, 2009. With a continuous increase in revenues and the continued implementation of stringent purchasing controls, we believe an increase in gross profit will occur, leading to increased net profits. The Company's long-term existence is dependent upon our ability to execute our operating plan and to obtain additional debt or equity financing to fund payment of obligations and provide working capital for operations. There can be no assurance the necessary debt or equity financing will be available, or will be available on terms acceptable to the Company.

We intend to expand our business through acquisitions of additional meat distribution operations, but that would require obtaining debt or equity financing to finance this future growth as is indicated in our auditor's going concern opinion. In preparation for such expansion, we have engaged in several substantive discussions with prospective equity investors. To date, no terms have been finalized or contracts signed, and although there is no guarantee, we anticipate finalizing favorable financing terms for our business to continue as a going concern.

SALES AND COLLECTION PROCEDURES

We retained the services of Agricap to act as our invoice factoring company for 40% of our transactions during the nine ended December 31, 2010. They fully manage our sales ledger and provide us with credit control and collection services of all our outstanding debts. We send Agricap all of our sales invoices and receive an 80% cash advance of the invoice amount. The balance, less their service fee, is paid when the customer makes payment directly to them. Ultimately the Company s intention would be to handle 100% of all invoice transactions without any outsourcing involved.

We elect to factor our receivables to immediately access cash owed to our Company so it may be used to purchase the raw materials for our products whose vendors require payment on receipt. By having our cash unlocked from the unpaid invoices, we are afforded a smoother, more consistent cash flow, which enhances purchasing power and provides for the accurate prediction of payment.

Typically, we would have to wait 30-45 days to receive payment on invoices for products that have already been delivered, not accounting for late-payers. Because we offer our customers payment terms, there is a minimal time period that must elapse prior to our reimbursement by the factoring company. We have a sizeable customer base, we don't rely on any few customers to sustain operations, and our clientele have favorable reputations in the industry, but we still elect not to be dependent on timely payments for our receivables since these funds need to be recycled for our next-day fresh product purchases. Working with an invoice factoring company eliminates the threat of non-payment, cash shortfalls, and enables an increased focus on revenue generation than bill collection.

ACQUISITIONS

We will need to raise additional funds should management decide to acquire existing like-minded businesses. Certain candidates have been identified however no definitive agreements exist. We have targeted several businesses for acquisition in New York City and surrounding areas. We would acquire 100% of the stock and operations of these entities, including, without limitation, all rights, title, know-how, assignment of property leases, equipment, furnishings, inventories, processes, trade names, trademarks, goodwill, and other assets of every nature used in the entities' operations.

All of the facilities that may be acquired are located within the tri-state area, thus affording the Company the ability to take advantage of the economies of scale for delivery, purchasing, and other daily operating responsibilities.

If we were successful in raising funds through the sale of our common stock, and were able to enter into negotiations for the purchase of any and/or all of the selected businesses, initially no changes in day-to-day operations in any acquired facilities would be necessary.

No negotiations have taken place, and no contracts have been entered into, to purchase any such businesses described herein. We assume that if such purchase(s) were to be completed, additional funds would be required to renovate the existing facilities, as well as improve or replace machinery as prescribed by the existing landlord or pursuant to USDA regulation.

We anticipate no significant changes in the number of employees within the next twelve months.

TRENDS

Although restaurant menus follow public consumption trends, the Company supplies a wide variety of specialty products and cuts to its customers. The selection of value-added products can be adjusted to consumer trends very easily. These items typically produce higher margin returns. The Company inventories many products, so if beef preferences increase and poultry preferences decrease, Company sales would shift by item but remain stable by volume. The Company would preserve its financial condition should public consumption trends change by adjusting its inventory and buying cycles.

Management has perceived a variety of recent trends that have had a material impact on our current revenues and our projected revenues for the coming quarters. Meat consumption has dramatically increased overall due to dieting habits; most famously known is The Atkins Diet, as well as other diets, that emphasize high-protein, low-carbohydrate intake. These diets suggest eating meats, including red, instead of high carbohydrate foods, and specifically recommend avoiding refined carbohydrates. High protein consumption has become a part of American culture, more than a societal tendency, in that in order to meet increasing customer requests for low-carb type items, one of our customers, TGI Friday's, has become an Atkins Nutritional Approach partner by featuring a selection of Atkins-approved menu items. We consider that the market research conducted by this customer was ample to effectuate such a menu change and concurs with our perception that the demand for beef, poultry, and other meats is a continuing and upwards trend. We substantiate the same claims through our own customers' purchasing trends which are evidenced by our increased revenues. The marketplace also indicates that poultry consumption is rising steadily. In order to maximize this trend, we are expanding our pre-cooked poultry offerings to all food providers, as well as those without full-service cooking establishments. Aside from the lack of a cooking facility, many purveyors seek pre-cooked poultry for safety reasons since these products offer a significantly low safety risk at causing bacterial cross-contamination. We offer pre-cooked items currently, and feel that making the investment to market these products under own branded name will increase our revenue due to heightened product awareness and our reputation for quality-conscious production methods.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect our reported assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. We base our estimates and judgments on historical experience

and on various other assumptions we believe to be reasonable under the circumstances. Future events, however, may differ markedly from our current expectations and assumptions. While there are a number of significant accounting policies affecting our financial statements, we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments.

Revenue recognition

The Company derives its revenue from the sale of meat products, and the revenue is recognized when the product is delivered to the customer.

Intangible and Long-Lived Assets

We follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, Property Plant and Equipment , which establishes a primary asset approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long lived asset to be held and used. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Goodwill is accounted for in accordance with ASC Topic 350, Intangibles Goodwill and Other . We assess the impairment of long-lived assets, including goodwill and intangibles on an annual basis or whenever events or changes in circumstances indicate that the fair value is less than its carrying value. Factors that we consider important which could trigger an impairment review include poor economic performance relative to historical or projected future operating results, significant negative industry, economic or company specific trends, changes in the manner of our use of the assets or the plans for our business, market price of our common stock, and loss of key personnel. We have determined that there was no impairment of goodwill during 2010 or 2009.

Potential Derivative Instruments

We periodically assess our financial and equity instruments to determine if they require derivative accounting. Instruments which may potentially require derivative accounting are conversion features of debt and common stock equivalents in excess of available authorized common shares.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITIVE DISCLOSURES ABOUT MARKET RISK RISKS RELATED TO OUR BUSINESS

We Have Historically Lost Money and Losses May Continue in the Future

We have historically lost money. The loss for the fiscal year March 31, 2010 was $829,823and future losses are likely to occur. Accordingly, we may experience significant liquidity and cash flow problems if we are not able to raise additional capital as needed and on acceptable terms. No assurances can be given we will be successful in reaching or maintaining profitable operations.

We Will Need to Raise Additional Capital to Finance Operations

Our operations have relied almost entirely on external financing to fund our operations. Such financing has historically come from a combination of borrowings and from the sale of common stock and assets to third parties. We will need to raise additional capital to fund our anticipated operating expenses and future expansion. Among other things, external financing will be required to cover our operating costs. We cannot assure you that financing whether from external sources or related parties will be available if needed or on favorable terms. The sale of our common stock to raise capital may cause dilution to our existing shareholders. Our inability to obtain adequate financing will result in the need to curtail business operations. Any of these events would be materially harmful to our business and may result in a lower stock price.

There is Substantial Doubt About Our Ability to Continue as a Going Concern Due to Recurring Losses and Working Capital Shortages, Which Means that We May Not Be Able to Continue Operations Unless We Obtain Additional Funding

The report of our independent accountants on our March 31, 2010 financial statements include an explanatory paragraph indicating that there is substantial doubt about our ability to continue as a going concern due to recurring losses and working capital shortages. Our ability to continue as a going concern will be determined by our ability to

obtain additional funding. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our Common Stock May Be Affected By Limited Trading Volume and May Fluctuate Significantly

There has been a limited public market for our common stock and there can be no assurance that an active trading market for our common stock will develop. As a result, this could adversely affect our shareholders' ability to sell our common stock in short time periods, or possibly at all. Our common stock has experienced, and is likely to experience in the future, significant price and volume fluctuations that could adversely affect the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. Substantial fluctuations in our stock price could significantly reduce the price of our stock.

There is no Assurance of Continued Public Trading Market and Being a Low Priced Security may Affect the Market Value of Our Stock

To date, there has been only a limited public market for our common stock. Our common stock is currently quoted on the OTCBB. As a result, an investor may find it difficult to dispose of, or to obtain accurate quotations as to the market value of our stock. Our stock is subject to the low-priced security or so called "penny stock" rules that impose additional sales practice requirements on broker-dealers who sell such securities. The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure in connection with any trades involving a stock defined as a penny stock (generally, according to recent regulations adopted by the SEC, any equity security that has a market price of less than $5.00 per share, subject to certain exceptions that we no longer meet). For example, brokers/dealers selling such securities must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in such securities. Included in this document are the following:

- the bid and offer price quotes in and for the "penny stock," and the number of shares to which the quoted prices apply,

- the brokerage firm's compensation for the trade, and

- the compensation received by the brokerage firm's sales person for the trade.

In addition, the brokerage firm must send the investor:

- a monthly account statement that gives an estimate of the value of each "penny stock" in the investor's account, and

- a written statement of the investor's financial situation and investment goals.

If the person purchasing the securities is someone other than an accredited investor or an established customer of the broker/dealer, the broker/dealer must also approve the potential customer's account by obtaining information concerning the customer's financial situation, investment experience and investment objectives. The broker/dealer must also make a determination whether the transaction is suitable for the customer and whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk

of transactions in such securities. Accordingly, the Commission's rules may limit the number of potential purchasers of the shares of our common stock.

Resale restrictions on transferring "penny stocks" are sometimes imposed by some states, which may make transaction in our stock more difficult and may reduce the value of the investment. Various state securities laws pose restrictions on transferring "penny stocks" and as a result, investors in our common stock may have the ability to sell their shares of our common stock impaired.

There can be no assurance we will have market makers in our stock. If the number of market makers in our stock should decline, the liquidity of our common stock could be impaired, not only in the number of shares of common stock which could be bought and sold, but also through possible delays in the timing of transactions, and lower prices for the common stock than might otherwise prevail. Furthermore, the lack of market makers could result in persons being unable to buy or sell shares of the common stock on any secondary market.

We Could Fail to Retain or Attract Key Personnel

Our future success depends in significant part on the continued services of Louis Vucci, Jr., our President. We cannot assure you we would be able to find an appropriate replacement for key personnel. Any loss or interruption of our key personnel's services could adversely affect our ability to develop our business plan. We have no employment agreements or life insurance on Mr. Vucci.

Nevada Law and Our Charter May Inhibit a Takeover of Our Company That Stockholders May Consider Favorable

Provisions of Nevada law, such as its business combination statute, may have the effect of delaying, deferring or preventing a change in control of our company. As a result, these provisions could limit the price some investors might be willing to pay in the future for shares of our common stock.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act) that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the SEC), and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute assurance of achieving the desired objectives. Also, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, management concluded that our disclosure controls and procedures are effective as of December 31, 2010 to cause the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by SEC, and that such information is accumulated and communicated to management, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal controls over financial reporting identified in connection with the requisite evaluation that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

This item in not applicable as we are currently considered a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [Removed and Reserved]

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Diamond Ranch Foods, Ltd. includes herewith the following exhibits:

Number

Description

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Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Diamond Ranch Foods, Ltd.
(Registrant)

Date: February 4, 2011

By: /s/ Louis Vucci, Jr.

Louis Vucci, Jr., President

(On behalf of the Registrant and as
Principal Executive Officer)

Date: February 4, 2011

By: /s/ Victor Petrone
Victor Petrone, Chief Financial Officer (On behalf of the
Registrant and as Principal Financial Officer)