

NANTUCKET INDUSTRIES INC
Form 10-Q
January 14, 2003

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

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended November 30, 2002 .

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____.

Commission file number 003-08955

NANTUCKET INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

58-0962699
(I.R.S. Employer
Identification No.)

45 Ludlow Street, Suite 602
Yonkers, New York 10705
(Address of principal executive offices) (Zip Code)

(914) 375-7591
(Registrant's telephone number, including area code)

Not applicable (Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: As of January 13, 2003 the Company had 8,647,667 shares of common stock outstanding, \$0.10 par value.

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements:**

NANTUCKET INDUSTRIES, INC.
FINANCIAL STATEMENTS
AS OF NOVEMBER 30, 2002
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	Nantucket Ind and Consolidated Balance Sheet
	November 30, 2002
Assets	
Cash and cash equivalents	\$ 4,200
Accounts receivable	117,570
Inventories	5,890
Prepaid expenses	40,000
Stock subscription receivable	35,000
Notes receivable	70,090
Total current assets	272,750
Property, plant and equipment, net	73,233
Other assets, net	
Covenant not to compete	255,000
Customer list	284,345
Prepaid expenses	30,000
	\$ 915,328
Liabilities and Stockholders' Equity	
Line of credit	\$ 30,000
Accounts payable	108,302
Pre-petition taxes	3,964
Total current liabilities	142,266
Loan payable	55,000
Loan payable-officer	1,900
Pre-petition taxes, net of current portion	19,821
Total liabilities	218,987

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Stockholders' equity	
Common stock, \$.10 par value; authorized 20,000,000	864,767
shares; issued 8,647,667	
Common stock subscribed	35,000
Additional paid-in capital	13,143,594
Accumulated deficit	(13,347,020)

Total stockholders' equity	696,341

	\$ 915,328

(1) Derived from audited financial statements

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)

1. Summary of Significant Accounting Policies

a. The Company

Accutone, Inc. and its wholly-owned subsidiary (the "Company") distribute hearing aids.

b. Principles of Consolidation

The consolidated financial statements include the accounts of Accutone, Inc. and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

c. Revenue Recognition

Revenue is recognized when the merchandise is shipped.

d. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

e. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed for financial statement purposes, using the straight-line method over the estimated useful life. For income tax purposes, depreciation is computed using statutory rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

f. Income Taxes

Company and its wholly owned subsidiaries file a consolidated federal income tax return. Deferred income taxes arise as a result of differences between financial statement and income tax reporting.

g. Estimates

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The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions, that affect the reported amounts of the assets and liabilities at the date of the financial statements, the revenues and expenses during the period as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

h. Long - Lived Assets

The company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less cost to sell.

NANTUCKET INDUSTRIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THIRTEEN WEEKS ENDED November 30, 2002 (unaudited)

The following notes to the consolidated financial statements should be read in light of the following: As a result of the following, all information which appears in the financial statements included in this report, is purely historical and will have no impact on future operations and results, if any. For an explanation of our historical accounting policies and data, reference is made to the notes to the Financial Statements included in our annual report on Form 10-K for the fiscal year ended February 28, 2002.

On January 25, 2002, we effected a "reverse acquisition" pursuant to which we acquired all of the issued and outstanding capital stock of Accutone, Inc., a Pennsylvania corporation. The acquisition was made on a stock-for-stock basis pursuant to the terms of our Chapter 11 Plan of Reorganization. The assets of Accutone, which were acquired by us through our acquisition of the Accutone stock, include all facilities, contracts, service agreements, accounts receivable, patent rights, customer lists, and the like.

As a result of the above-described acquisition, Accutone Inc. (together with Accutone's wholly- owned subsidiary, Interstate Hearing Aid Service Inc.) is now our wholly owned subsidiary. We have no business or assets other than those which we acquired through our acquisition of Accutone. With respect to our current business, history, and prospects, Accutone is the predecessor of Nantucket.

We are directly, and indirectly through our subsidiaries, Accutone Inc. and Interstate Hearing Aid Service Inc., in the business of distributing and dispensing custom hearing aids. Our predecessor, Accutone Inc. was formed under the laws of the State of Pennsylvania in October 1996 for the purpose of engaging in the manufacture, dispensing, and distribution of hearing aids. In 1998, Accutone acquired 100% ownership of Interstate, a Pennsylvania corporation and an FDA licensed hearing aid manufacturer which has been in the hearing aid business for approximately 35 years. In the Fall of 2000, Accutone discontinued all manufacturing operations and changed the focus of its marketing to include, not only the individual, self-pay patient, but health care entities and organizations which could serve as patient referral sources for us.

SUBSEQUENT EVENTS

None.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Net sales refer to fees earned by the provision of audiological testing in our offices as well as those provided on site in Nursing Homes, Assisted Living Facilities, Senior Care Facilities and Adult Day Care Centers as well as the sales and distribution of hearing aids generated in each of these venues. A majority of our sales represent reimbursement from Medicare, Medicaid and third party payors. Generally, reimbursement from these parties can take as long as 120 to 180 days. We have recently implemented the billing of Medicare on-line which should cut reimbursement time to approximately 60 days. Medicaid reimbursements can only be billed with various submissions which are mailed on a weekly basis. While we are attempting to find a method of expediting this paper submission process it seems unlikely that we will be able to accomplish this in our near future. As a result, Medicaid payments, which constitute approximately 60% of our reimbursement will continue to take 120 to 180 days to be realized.

The anticipated growth in revenues resulting from the prior acquisition of the audiology practice of Park Avenue has not yet come to fruition. This was caused in part by our inability to attract additional audiologists on a timely basis. We believe that this will not be long lived since we are developing new compensation packages that will include incentives of cash and common stock.

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THREE MONTHS ENDED NOVEMBER 30, 2002 COMPARED TO THREE MONTHS ENDED NOVEMBER 30, 2001

Sales for the third quarter of fiscal year ended 2002 and 2001 were \$94,321 and \$0 respectively. Management attributes the growth to the acquisition of Accutone, Inc. as of January 25, 2002 and the inactive status of our company in that prior quarter. The revenue decrease from the first quarter was due for the most part to summer vacation scheduling both in our company as well as in most nursing homes and long term care facilities. In addition, management has been actively involved in pursuing potential merger and/or acquisition candidates in related fields, which diminished marketing efforts by the company to attempt to increase the number of facilities being serviced and therefore adding to our revenue base.

Cost of sales was \$76,067 and \$0 revenues, respectively. The increase is due to the acquisition of Accutone, Inc. and the inactive status of our company in that prior quarter.

General and Administrative costs were \$73,036 and \$0, respectively. The difference is attributable to the acquisition of Accutone, Inc. and our inactive status in that prior quarter.

Liquidity and Capital Resources

Cash Flows from operating activities were (\$103,896) and \$0 respectively. Cash Flows from financing activities were (\$106,900) and \$0 respectively. These changes were due primarily to the cancellation of a consulting agreement, as previously reported on Form 8-K filed on June 21, 2002, and the issuance of additional shares of common stock and loans to the company.

Outlook

We intend to continue to devote ongoing efforts to increase our professional staff so as to enable us to increase the number of additional nursing homes and assisted living facilities we service. During the next twelve to eighteen months we intend to add a new advertising program to increase the number of resale sales which carry higher sales prices and related gross profit percentages.

We are currently exploring several potential acquisitions. All of these businesses are in medically related fields which we believe can add favorably to our revenue base and overall profitability. Along with this we are aggressively seeking additional sources of new capital to allow us to expand our operations.

We intend to continue to strive to develop a sales and marketing force to assist in the addition of those senior care facilities, hospitals, day care and senior care centers who can add to our referral base of patient and customers.

By increasing revenues generated by these increases in sales and services we expect to enjoy increased sales over the same previous periods in the foreseeable future. By increasing these revenue streams, we feel confident that our gross profit margins will also increase. The anticipated acceleration of collection time of our accounts receivable will enhance our cash flows. In combination these advances and improvements in these three areas will be the driving force in order that to assist us in providing to all our shareholders a fair revenue.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and rates. Our short-term debt bears interest at fixed rates; therefore our results of operations would not be affected by interest rate changes.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and Chief Financial Officer (collectively the "Certifying Officers") maintain a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed, is accumulated and communicated to management timely. Under the supervision and with the participation of management, the Certifying Officers evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule [13a-14(c)/15d-14(c)] under the Exchange Act) within 90 days prior to the filing date of this report. Based upon that evaluation, the Certifying Officers concluded that our disclosure controls and procedures are effective in timely alerting them to material information relative to our company required to be disclosed in our periodic filings with the SEC.

(b) Changes in internal controls.

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Our Certifying Officers have indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no such control actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

- Item 1. Legal Proceedings. None
- Item 2. Changes in Securities. None
- Item 3. Defaults Upon Senior Securities. Not Applicable
- Item 4. Submission of Matters to a Vote of Security Holders. None
- Item 5. Other Information. None
- Item 6. Exhibits and Reports of Form 8-K. None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on January 13, 2003.

NANTUCKET INDUSTRIES, INC.

By: /s/ John
H. Treglia

John H.
Treglia, CEO,
CFO and
President

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, John Treglia, certify that:

CERTIFICATION OF CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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1. I have reviewed this quarterly report on Form 10-Q of Nantucket Industries, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: January 13, 2003

/s/ John Treglia

John Treglia
Chief Executive Officer