NANTUCKET INDUSTRIES INC
Form 10QSB
July 15, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 31, 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	58-0962699
(State or other jurisdiction of incorporation or organization)	(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.

Yes X 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 July 15, 2002 the Company had 7,836,000 shares of common stock outstanding, $0.10 par value.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements:

NANTUCKET INDUSTRIES, INC.
FINANCIAL STATEMENTS
AS OF MAY 31, 2002

Index to Financial Statements

Nantucket Industries, Inc.
and Subsidiaries

Consolidated Balance Sheets (Unaudited)

	May 31, 2002	February 28, 2002 (1)
Assets		
Cash and cash equivalents	$ 7,400	$ 6,266
Accounts receivable	142,492	120,214
Inventories	5,940	5,125
Prepaid expenses	120,000	120,000
Other current assets	35,440	2,225
Total current assets	311,272	253,830
Property, plant and equipment, net	80,383	81,458
Other assets, net		
Covenant not to compete	285,000	300,000
Customer list	295,271	311,984
Prepaid expenses	110,000	110,000
	$1,081,926	$1,057,272
Liabilities and Stockholders' Equity		
Line of credit	$ 30,000	$ -
Accounts payable	107,806	102,635
Pre-petition taxes	3,964	3,964
Total current liabilities	141,770	106,599
Loan payable	45,000	-
Pre-petition taxes, net of current portion	19,821	19,821

Total liabilities	206,591	126,420
Stockholders' equity		
Common stock, $.10 par value; authorized 20,000,000 shares; issued 9,151,000	915,100	903,600
Additional paid-in capital	13,188,261	13,180,261
Accumulated deficit	(13,228,026)	(13,153,009)
Total stockholders' equity	875,335	930,852
	$1,081,926	$ 1,057,272

(1) Derived from audited financial statements

See accompanying notes to financial statements.

NANTUCKET INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THIRTEEN WEEKS ENDED May 31, 2002 AND August 31, 2001
(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.

We experienced significant losses from operations in recent years which resulted in severe cash flow deficiencies. As a result of such losses and our inability to raise financing to continue operations, we became insolvent and, finally, we terminated all business operations in October 1999.

On March 3, 2000, we filed a Voluntary Petition under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. The goal of the projected reorganization will be for us to be merged with, or to acquire the assets or the capital stock of, existing businesses, or to effect similar business combinations. Our subsidiaries would all be dissolved. Our second amended Plan of Reorganization, dated July 5, 2001 and the Disclosure Statement thereto, was filed by Management on July 6, 2001 with the Bankruptcy Court. This Plan proposed that we acquire, in a "reverse acquisition", Accutone Inc. a Delaware Corporation ("Accutone"). In a "reverse acquisition", the shareholders of the company which is acquired (in this case, Accutone) would end up owning the preponderance of the issued and outstanding capital stock of the company which was the acquirer (in this case, Nantucket Industries, Inc.). An order approving the Disclosure Statement was presented to the Court for Settlement on October 17, 2001 and a hearing to confirm the Plan was scheduled for December 10, 2001. The a Plan of Reorganization was not confirmed by the Bankruptcy Court, management would not have been able to successfully complete a merger or acquisition, and would have ceased to exist.

Our plan of reorganization and disclosure statement was confirmed by the U.S. Federal Bankruptcy on December 10, 2001 and became effective on December 20, 2001.

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.

Our voluntary petition under Chapter 11 of the United States Bankruptcy Code was filed on March 3, 2000 in the U.S. Bankruptcy Court for the Southern District of New York. At the time such petition was filed until it acquired Accutone, we were a dormant Delaware corporation.

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

On June 21, 2002, we filed a Form 8-K with the SEC. The purpose of the Form 8-K filing was to announce the termination of our consulting agreement with Westminster Holdings, Ltd. Based upon the termination, we rescinded the order to issue 1,200,000 shares of our common stock to Westminster that it was to receive for the consulting agreement.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Net sales refers 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 which 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.

Primarily as a result of our contract\ to acquire the audiology practice of Park Avenue, we expect both sales and related receivables to add to our growth.

THREE MONTHS ENDED MAY 31, 2002 COMPARED TO THREE MONTHS ENDED MAY 31, 2001

Sales for the first quarter of fiscal year ended 2002 and 2001 were $123,245 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.

Cost of sales was $90,366 and $0 revenues, respectively. The increase is due to the acquisition of Accuntone, Inc. and the inactive status of our company in that prior quarter.

General and Administrative costs were $90,366 and $0, respectively. The difference being attributable to the acquisition of Accutone, Inc. and the inactive status of our company in that prior quarter.

Liquidity and Capital Resources

Cash Flows from operating activities were $1,134 and $0 respectively. Cash Flows from financing activities were $94,500 and $0 respectively. Each of these changes were due to the acquisition of Accutone, Inc. and the inactive status of our company in that prior quarter.

Outlook

Considerable ongoing efforts have been put into key areas: increasing sales by signing contracts with additional nursing homes and assisted living facilities, increasing the sales of hearing aids at the retail level in our existing offices and facilities which we are currently contracted and to minimize the collection time related to our Medicare and third party payors.

We continue to give attention to developing 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 revenues 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 materially. In combination these advances and improvements in these three areas will be the driving force in order that we can provide 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.

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 July 15, 2002.

NANTUCKET INDUSTRIES, INC.

By: /s/ John H. Treglia

John H. Treglia, President, Secretary and CFO