ADM TRONICS UNLIMITED INC/DE
Form 10QSB/A
December 09, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2005

OR

[ ] TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission File No. 0-17629

ADM TRONICS UNLIMITED, INC.

(Name of Small Business Issuer in its Charter)

Delaware	22-1896032
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

224 Pegasus Ave., Northvale, New Jersey 07647
(Address of Principal Executive Offices)

Issuer's Telephone Number, including area code: (201) 767-6040

Check whether the Issuer (1) has 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 Issuer was required to file such reports), And (2) has been subject to the 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 practicable date:

53,882,037 shares of Common Stock, $.0005 par value, as of August 22, 2005

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-QSB/A to the Quarterly Report on Form 10-QSB (the "Quarterly Report") of ADM Tronics Unlimited, Inc. (the "Company" or "ADM") filed on August 22, 2005 with the Securities and Exchange Commission (the "SEC") is filed (i) as a result of a restatement of the financial statements for the three month period ended June 30, 2005 primarily to record a beneficial conversion feature related to the Company's convertible notes payable and to record an additional discount related to the fair value of warrants issued with the debt and (ii) to respond to comments received from the SEC. See Note 1 of the Notes to the Company's Consolidated Financial Statements contained in Item 1 of this Amendment No. 1 for a discussion of the restatement. Therefore, the Company is amending and restating in its entirety the Quarterly Report. In addition, the Company is including with this Amendment No. 1 certain currently dated certifications. Except as described above, no other amendments are being made to the Quarterly Report. This Form 10-QSB/A does not reflect events occurring after the August 22, 2005 filing of this Quarterly Report or modify or update the disclosure contained in the Quarterly Report in any way other than as required to reflect the amendments discussed above and reflected below.

ADM TRONICS UNLIMITED, INC.

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)	March 31, 2005 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$1,722,441	$3,011,631
Accounts receivable, net of allowance for doubtful accounts of $132,827 and $72,593, respectively	92,679	102,691
Inventories:		
Raw materials and supplies	170,031	124,393
Finished goods	228,055	248,324
Prepaid expenses and other current assets	389,360	319,296
Total current assets	2,602,566	3,806,335
Property and equipment, net of accumulated		

depreciation of $275,483 and $271,188, respectively	53,319	40,550
Equipment in use and under rental agreements, net of accumulated depreciation of $862,497 and $832,059, respectively	21,353	51,791
Inventory, long term portion	298,570	287,582
Loan receivable, officer	49,188	49,188
Other assets	103,107	104,928
Deferred loan costs, net	790,774	823,564
Deferred offering costs	187,891	133,125
Total assets	$4,106,768	$5,297,063
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable-trade	$ 230,165	$ 172,978
Accrued expenses and other current liabilities	178,480	299,790
Interest payable	116,140	-
Total current liabilities	524,785	472,768
Convertible debentures payable, net of unamortized debt discount of $2,488,190 and $2,628,219, respectively	3,599,310	3,459,281
Warrants issued with registration rights	424,858	1,449,326
Total liabilities	4,548,953	5,381,375
Stockholders' deficit:		
Preferred stock, $.01 par value, 5,000,000 authorized, no shares issued and outstanding	-	-
Common stock, $.0005 par value, 150,000,000 authorized 53,882,037 issued and outstanding	26,941	26,941
Additional paid-in capital	9,394,718	9,391,972
Deferred compensation	(321,576)	(327,615)
Accumulated deficit	(9,542,268)	(9,175,610)
Total stockholders' (deficit) equity	(442,185)	(84,312)
Total liabilities and stockholders' (deficit) equity	$4,106,768	$5,297,063

See accompanying notes to consolidated financial statements.

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED JUNE 30, 2005 AND 2004
(Unaudited)

	THREE MONTHS ENDED June 30,	
	2005 (Restated)	2004
Revenues	$ 321,010	$ 385,297
Costs and expenses:		

Cost of revenue	133,262	169,579
Research and development	167,349	-
Interest and finance costs, net	267,054	(67)
Selling, general and administrative	1,144,471	191,807
Change in fair value of warrant Liability	(1,024,468)	-
Total operating expenses	687,668	361,319
Net (loss) income	$ (366,658)	$ 23,978
Net loss per share, basic and diluted	$ (0.01)	$ 0.00
Weighted average shares outstanding	53,882,037	51,882,037

See accompanying notes to consolidated financial statements.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOS ENDED JUNE 30, 2005 AND 2004
(Unaudited)

	THREE MONTHS ENDED JUNE 30, 2005 (Restated)	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (366,658)	23,978
Adjustments to reconcile net (loss)income to net Cash provided by (used in) operating activities:		
Depreciation and amortization	36,533	33,309
Stock based compensation	18,447	-
Amortization of loan costs	47,429	-
Amortization of debt discount	140,029	-
Change in fair value of warrant liability	(1,024,468)	-
Bad debts	55,490	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable--trade	(45,478)	(45,667)
Inventories and equipment held for sale	(36,357)	62,513
Prepaid expenses	(70,064)	(6,059)
Deposits and other assets	-	1,311
Increase (decrease) in:		
Accounts payable and accrued expenses	27,716	(32,311)
Accrued expenses and other	-	(4,561)

Net cash (used) provided by operating activities	(1,217,381)	32,513
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(17,043)	-
Net cash used by investing activities	(17,043)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deferred offering costs	(54,766)	(19,785)
Net cash provided by financing activities	(54,766)	(19,785)
Net increase in cash and equivalents	(1,289,190)	12,728
Cash and equivalents, beginning of period	3,011,631	90,081
Cash and equivalents, end of period	1,722,441	102,808
Cash paid for:		
Interest	51,133	-
Income taxes paid	-	-

See accompanying notes to consolidated financial statements.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its subsidiaries (collectively, the "Company"). These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the interim periods have been included. Operating results for the three months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending March 31, 2006. The accompanying consolidated financial statements and the information included under the heading "Management's Discussion and Analysis" should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Form 10-KSB for the fiscal year ended March 31, 2005.

Restatement:

The June 30, 2005 financial statements have been restated to record a beneficial conversion feature related to convertible notes payable issued by the Company in the amount of $1,940,693. The Company has also recorded an amount of $867,577 related to the fair value of warrants issued with the debt, which was recorded as a liability due to a registration rights agreement. The result is to record an aggregate discount on debt of

$2,808,270. Additionally, the Company issued compensation warrants related to the debt placement with a fair value of $208,690. The amortization of these items for the three months ended June 30, 2005 increased expense by $144,744. Also, the fair value of the warrants has been recorded at $424,858 at June 30, 2005, and a recovery of expense for the three months ended June 30, 2005 of $1,024,468 has been recorded. As a result of these corrections, net loss for the three months ended June 30, 2005 has decreased by $879,724, to $366,658, and loss per share decreased from $0.02 to $0.01.

Changes to the balance sheet at June 30, 2005 resulting from these corrections are as follows:

	As reported	Restated
Unamortized deferred loan costs	$ 581,446	$ 790,774
Unamortized deferred compensation	$ 93,245	$ 21,576
Unamortized debt discount	$ 283,255	$ 2,488,190
Warrants issued with registration rights	325,000	424,858
Capital in excess of par value	7,022,397	9,394,718
Accumulated deficit	(9,612,682)	(9,542,268)

The March 31, 2005 financial statements have been restated to record the corrections described above, along with additional warrants issued as compensation, cumulative through March 31, 2005.

Changes to the balance sheet at March 31, 2005 resulting from these corrections are as follows:

	As reported	Restated
Unamortized deferred loan costs	$ 670,498	$ 823,564
Unamortized deferred compensation	$ 106,880	$ 327,615
Unamortized debt discount	$ 299,000	$ 2,628,219
Warrants issued with registration rights	325,000	1,449,326
Capital in excess of par value	7,003,968	9,391,972
Accumulated deficit	(8,366,300)	(9,175,610)

Reclassifications:

Certain items in the fiscal 2005 financial statements have been reclassified to conform to the current period presentation.

Use of Estimates

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

Loss Per Share

Basic and diluted loss per common share for all periods presented is computed based on the weighted average number of common shares outstanding during the periods presented as defined by SFAS No. 128, "Earnings Per Share". The assumed exercise of common stock equivalents was not utilized for the three month periods ended June 30, 2005 and 2004 since the effect would be anti-dilutive. There were 50,182,341 common stock equivalents at June 30, 2005 and none at June 30, 2004.

Stock Options and Warrants

The Company accounts for its stock-based employee compensation plans using the intrinsic value based method, under which compensation cost is measured as the excess of the stock's market price at the grant date over the amount an employee must pay to acquire the stock. Stock options and warrants issued to non-employees are accounted for using the fair value based method, under which the expense is measured as the fair value of the security at the date of grant based on the Black-Scholes pricing model. A subsidiary of the Company had 578,500 employee stock options outstanding at June 30, 2005 and 2004.

Pro Forma Information

Employee and Director Common Share Purchase Options - Pro forma information regarding the effects on operations of employee and director common share purchase options as required by SFAS No. 123 and SFAS No. 148 has been determined as if the Company's subsidiary had accounted for those options under the fair value method. Pro forma information is computed using the Black Scholes method at the date of grant of the options based on the following assumptions ranges: (1) risk free interest rate of 3.62%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 67%; and (4) an expected life of the options of 6 years. The foregoing option valuation model requires input of highly subjective assumptions. Because common share purchase options granted to employees and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value of estimates, the existing model does not in the opinion of our management necessarily provide a reliable single measure of the fair value of common share purchase options we have granted to our employees and directors.

Pro forma information relating to employee and director common share purchase options is as follows:

	For the Three Months Ended June 30, 2005	For the Three Months Ended June 30, 2004
Net loss as reported	$(366,658)	$ 23,978
Current period expense calculated under APB 25	-	-
Stock compensation calculated under SFAS 123	(2,491)	(2,491)
Pro forma net loss	$(369,149)	$ 21,487
Historical basic and diluted loss per share	$ (0.01)	$ 0.00
Pro forma basic and diluted loss per share	$ (0.01)	$ 0.00

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces Accounting Principles Board Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company in the first quarter of fiscal 2007. The Company is currently evaluating the effect that the adoption of SFAS 154 will have on its consolidated results of operations and financial condition.

In December 2004, the FASB issued SFAS No.123 (revised 2004), "Share-Based Payment". SFAS 123(R) will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123(R) replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123, as originally issued in 1995, established as preferable a fair- value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Public entities (other than those filing as small business issuers) would have been required to apply SFAS 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. SFAS 123(R) would have been applicable for the Company effective the first interim period that starts after December 15, 2005. In April 2005, the Securities and Exchange Commission announced the adoption of a rule that defers the required effective date of SFAS 123(R) for registrants. SFAS 123(R) is now effective for all registrants as of the beginning of the first fiscal year beginning after June 15, 2005. SFAS 123(R), when effective, will supercede both SFAS 123 and SFAS 148. All public companies will transition to the new standard under the "modified prospective method", which means that the fair value of any stock options which vest after the effective date would be expensed and recorded in the statement of operations. Companies must use fair values reported on a pro forma basis in the notes to the financial statements previously filed. The Company has evaluated the impact of the adoption of SFAS 123(R), and believes that the impact may be significant to the company's future overall results of operations and financial position.

NOTE 2 GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying condensed consolidated financial statements, the Company has a net loss of $366,658 and a negative cash flow from operations of $1,217,381 for the three months ended June 30, 2005, and a stockholders' deficiency of $120,609 as of June 30, 2005. These factors raise substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional funds to finance its operations. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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NOTE 3 SEGMENT INFORMATION

Segment information is as follows:

Three Months Ended June 30, 2005:	Chemical	Medical	Total
Revenues from external customers	280,442	40,568	321,010
Segment profit (loss)	30,537	(397,195)	(366,658)
Identifiable assets	896,959	3,209,809	4,106,768
Three Months Ended June 30, 2004:			
Revenues from external customers	239,957	145,340	385,297
Segment profit (loss)	34,113	(10,135)	23,978

NOTE 4 SUBSEQUENT EVENTS

On April 1, 2005, Ivivi Technologies, Inc. ("Ivivi"), a majority-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Global Medical, L.L.C. ("Global") pursuant to which Global was to provide Ivivi with certain managerial services (the "Services") with respect to the medical devices and products manufactured, distributed, sold or rented by Ivivi (the "Ivivi Products"). The term of the Agreement was two years commencing on April 1, 2005 and was renewable for successive one-year terms if mutually agreed in writing by the parties.

After evaluation of the Agreement, Ivivi elected to terminate the Agreement. Accordingly, on July 22, 2005, Ivivi and Global entered into an agreement (the "Termination Agreement") pursuant to which the Agreement was terminated (the "Termination"). Pursuant to the terms of the Termination Agreement, from July 15, 2005 through September 16, 2005 (the "Transition Period"), Global shall continue to provide certain of the Services to Ivivi as set forth in the Termination Agreement. As compensation for such Services, Ivivi shall pay Global: (i) $20,000 each month during the Transition Period; and (ii) an amount equal to 13% of the aggregate amount invoiced by Global (net of taxes, returns and adjustments) on behalf of and in the name of Ivivi, for the sale or rental of Ivivi Products during the Transition Period.

Pursuant to the terms of the Termination Agreement, from the date of the Termination Agreement until September 30, 2005, or such later date as mutually agreed to by the parties (the "Managed Care Commission Period"), Global shall have the right to enter into agreements with managed care companies pursuant to which Global shall service the managed care companies and their respective patients/members, utilizing Ivivi Products on a local/regional basis. Pursuant to the Termination Agreement, for a period of three years following the date of the Termination, Global shall be entitled to receive commissions equal to 45% of revenues generated from such agreements entered into during the Managed Care Commission Period; provided, that Global continues to service the managed care companies and their respective patients/members under such agreements during such three-year period.

Notwithstanding the Termination, Ivivi and Global agreed that Global may continue to act as a distributor of Ivivi Products under the existing distributor agreement between Ivivi and Global, as such agreement may otherwise be amended by such parties from time to time.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the Company's operations and financial condition should be read in conjunction the Financial Statements and notes thereto included elsewhere in this Quarterly Report on Form 10-QSB.

Forward-Looking Statements

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of the "safe harbor" provisions under section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Act of 1995. The Company uses forward-looking statements in its description of its plans and objectives for future operations and assumptions underlying these plans and objectives. Forward-looking terminology includes the words "may", "expects", "believes", "anticipates", "intends", "forecasts", "projects", or similar terms, variations of such terms or the negative of such terms. These forward-looking statements are based on management's current expectations and are subject to factors and uncertainties which could cause actual results to differ materially from those described in such forward-looking statements. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-KSB to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "Item. 1 Description of Business - Risk Factors" and elsewhere in, or incorporated by reference into this Annual Report on Form 10-KSB.

Critical Accounting Policies

Revenue Recognition:

Sales revenues are recognized when products are shipped to end users and rental and lease revenues are recognized principally on either a monthly or a pay-per use basis in accordance with individual rental or lease agreements and are recognized on a monthly basis as earned. Shipments to distributors are recognized as sales where no right of return exits. This is generally the case with sales of chemicals. This is generally not the case with sales of the SofPulse units. The Company recognizes revenue from the sale of the SofPulse products when the products are shipped to end users. An increasing amount of rental revenue is recognized on a fixed monthly recurring basis as product is utilized by the end-user. Sales returns have been immaterial. Lease revenues through third party distributors have also been immaterial and there have been no sales through third party distributors. The Company's products are principally shipped on a "freight collect" basis. Shipping and handling charges and costs are immaterial.

Use of Estimates:

The Company's discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United states of America. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to reserves, deferred tax assets and valuation allowance, impairment of long-lived assets, fair value of equity instruments issued to consultants for services and fair value of equity instruments issued to others. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, the Company believes that its estimates, including those for the above-described items, are reasonable.

Business Overview

The Company is a technology-based developer and manufacturer of diversified lines of products in the following three areas: (1) environmentally safe chemical products for industrial use, (2) therapeutic non-invasive electronic medical devices and (3) cosmetic and topical dermatological products. The Company derives most of its revenues from the development, manufacture and sale of chemical products, and, to a lesser extent, from its therapeutic non-invasive electronic medical devices and topical dermatological products.

The Company is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. The Company's operations are conducted through the Company itself and its three subsidiaries, Ivivi Technologies, Inc., Pegasus Laboratories, Inc. and Sonotron Medical Systems, Inc.

The June 30, 2005 financial statements have been restated to record a beneficial conversion feature related to the Company's convertible notes payable and to record an additional discount related to the fair value of warrants issued with the debt. See Note 1 of the Notes to the Company's Consolidated Financial Statements contained in Item 1 of this Amendment No. 1 for a discussion of the restatement.

Results of Operations for the three months ended June 30, 2005 as compared to June 30, 2004

Revenues

Revenues were $321,010 for the three months ended June 30, 2005 as compared to $385,297 for the three months ended June 30, 2004, a decrease of $64,287 or 17%. Revenues from the Company's chemical activities increased by $40,549, offset by a decrease of $104,836 in the Company's medical activities in 2005 as compared to 2004. Although chemical revenues increased for the current period, a customer of the Company's chemical products that had previously represented approximately 15% of the Company's chemical revenues in prior periods informed the Company on August 19, 2005, that it was ceasing operations. Such customer had limited orders during the quarter ended June 30, 2005 and accounted for approximately $30,000 of the Company revenues for such period. The decrease in revenues from the Company's medical technology activities was due to a loss of revenue of $54,560 from a customer, due to the uncertainty of collectability of amounts due to the Company. The Company intends to continue seeking payment of such receivable; however, there can be no assurance that the Company will be able to collect any or all of such receivable.

Net (Loss) Income

Net loss for the three months ended June 30, 2005 was $366,658 or $0.01 per share compared to net income for the three months ended June 30, 2004 of $23,978 or $0.00 per share. Selling, general and administrative expenses increased by $952,664 of which, approximately $850,000 or 89% was due to the significant increase in personnel, marketing, and overhead costs from the Company's Ivivi subsidiary to support Ivivi's expanded activities related to the distribution and marketing of its SofPulse technology and the balance of approximately $103,000 was attributable to the Company's chemical activities primarily comprised of an increase in personnel costs by the addition of an employee and increased technical consulting expenses. Research and development expense was $167,349 during the three months ended June 30, 2005 for the Ivivi subsidiary for laboratory studies for its SofPulse technology, with no expense in the 2004 period. Net Interest and financing costs increased $267,121 due to interest expense and amortization of discount on the convertible notes issued in the private placement offset by interest earned from amounts invested in money market funds. The Company has recorded a recovery of expense of $1,024,468 due to the decrease in the fair value of the liability for warrants issued with registration rights.

Liquidity and Capital Resources

At June 30, 2005, the Company had cash and equivalents of $1,722,441 as compared to $3,011,631 at March 31, 2005. The decrease was primarily the result of the increased operating expenses at the Company's subsidiary, Ivivi Technologies, Inc. ("Ivivi").

Operating Activities

Net cash flows used by operating activities were $1,217,381 for the three months ended June 30, 2005 as compared to net cash flows provided by operating activities of $32,513 for the quarter ended June 30, 2004. This decrease in cash used was primarily due to a net loss of $366,658 related mostly to the Company's medical technologies activities, increases in prepaid expenses of $70,064, accounts receivable of $45,478 and inventories of $36,357. These increases were offset by non cash charges for bad debt expense of $55,490 and for the amortization of loan costs of $47,429 and amortization of discount on the convertible notes issued in the private placement of $140,029. The Company has recorded a non-cash recovery of expense of $1,024,468 due to the decrease in the fair value of the liability for warrants issued with registration rights.

Investing Activities

For the quarter ended June 30, 2005 cash used in investing activities of $17,043 related to the purchase of equipment. For the quarter ended June 30, 2004 zero cash was used in investing activities.

Financing Activities

During the quarter ended June 30, 2005 the Company paid $54,766 for deferred costs related to the private placement offering as compared to $19,785 paid during the quarter ended June 30, 2004.

The Company does not have any material external sources of liquidity or unused sources of funds.

The Company's revenues, operations and cash flows over the past few years have declined. Management has recognized the situation and has developed a business plan to enhance the activities of one of its subsidiaries which markets the SofPulse medical device. In December 2004 and February 2005, the Company, together with Ivivi, its majority-owned subsidiary, completed two private placements pursuant to which they issued, jointly and severally, unsecured convertible notes in an aggregate principal amount of $3,637,500 and $2,450,000, respectively. The private placements were completed in seven separate closings from July 2004 through February 2005. The proceeds of the private placements are being used primarily by Ivivi for the research and development and sales and marketing of the SofPulse device line of products and for the research and development of other potential products being developed by Ivivi. Approximately $448,000 of the net proceeds of the private placements were used to repay a portion of its indebtedness to the Company. The liability for such borrowings has been recorded in the Company's financial statements. The notes are due and payable five years from the date of issuance, unless earlier converted. The notes bear interest at 6% per annum and under certain circumstances, the principal and accrued interest on the notes will either be: (i) convertible into the Company's common stock at $.29 per share or (ii) convertible into Ivivi's common stock at $8.30 per share. For each Note in the principal amount of $100,000 issued in the private placements, one warrant for the purchase of up to 344,828 shares of the Company's common stock at $.41 per share (the "Company Warrant") and one warrant for the purchase of up to 12,048 shares of Ivivi's common stock at $5.70 per share (the "Ivivi Warrant") were issued. Each of the Company Warrants and the Ivivi Warrants provides that in addition to paying the exercise price, the holder must surrender the non-exercised warrant (i.e., either the Company Warrant or the Ivivi Warrant).

Pursuant to the terms of the private placements completed in each of December 2004 and February 2005, the number of shares of the Company's common stock issuable upon conversion of the notes and exercise of the warrants will increase by 1% for each 30 day period, or portion thereof, following the 90th day of a demand for registration of the shares of the Company's common stock underlying the notes and warrants and such registration statement is not declared effective. In addition the number of shares of Ivivi's common stock issuable upon conversion of the notes and exercise of the warrants issued in December 2004 and February 2005 will increase by 2%, for each 30-day period, or portion thereof, after March 1, 2005 and June 30, 2005 that a registration statement covering the shares of the Company's common stock and the shares of Ivivi's common stock, respectively, underlying securities issued in the private placement is not declared effective.

The notes issued in the private placements contain covenants that limit each of the Company's and Ivivi's ability to take certain actions without the consent of the holders of the notes, including:

- incurring additional indebtedness for borrowed money, except in the ordinary course of business;
- merging, selling substantially all of its assets or acquiring another entity;

- making loans or investments;
- paying dividends or making distributions;
- incurring liens on its assets;
- making capital expenditures;
- entering into certain transactions with affiliates; and
- materially changing its business.

As of June 30, 2005, each of the Company and Ivivi was in material compliance with the covenants contained in the notes. These covenants will terminate upon conversion of the notes upon consummation of this offering.

The Company will need to obtain additional capital to continue to operate and grow its business, including the business of its subsidiaries, and its ability to obtain additional financing in the future will depend in part upon the prevailing capital market conditions, as well as its and its subsidiaries' business performance. In February 2005, the Company's subsidiary, Ivivi, filed a registration statement with the Securities and Exchange Commission related to the proposed initial public offering of Ivivi's common stock. There can be no assurance that the Company or Ivivi will be successful in their efforts to arrange additional financing, including through the proposed initial public offering of Ivivi's common stock, on terms satisfactory to the Company and/or Ivivi or at all.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

On September 2, 2005, in response to a comment letter from the staff of the Securities and Exchange Commission that, among other things, requested information regarding the accounting for the fair value of warrants issued with convertible debt and a beneficial conversion feature related to convertible debt issued by the Company, the Board of Directors of the Company (the "Board"), on the recommendation of the Company's management and after discussions with its independent auditors, made an internal determination and concluded that the financial statements contained in the Company's Quarterly Report on Form 10-QSB for the Company's fiscal quarters ended September 30, 2004, December 31, 2004 and June 30, 2005 (the "Form 10-QSBs") and the financial statements previously audited by the Company's prior auditors and contained in the Company's Annual Report on Form 10-KSB for the Company's fiscal year ended March 31, 2005 (the "Form 10-KSB"), required restatement primarily related to the accounting for the fair value of warrants issued with convertible debt and a beneficial conversion feature related to the convertible debt issued with respect to the financing for the Company's subsidiary, Ivivi Technologies, Inc. as previously accounted for by the Company. The restatements are described in Note 1 of the Notes to Consolidated Financial Statements.

In the Company's Form 10-QSB for the quarter ended June 30, 2005, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. However, in connection with the Company's determination to restate the financial statements contained in the Form 10-QSBs and the Form 10-KSB, the Company's management, including the principal executive officer and principal financial officer, reevaluated its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) related to the recording, processing, summarization, and reporting of information in the Company's periodic reports that it files with the SEC. These disclosure controls and procedures have been designed to ensure that material information relating to the Company, including its subsidiaries, is accumulated and communicated to the Company's management, including these officers, by other of the Company's employees, and that this information is recorded, processed, summarized, evaluated, and reported, as applicable, within the time periods specified in the SEC's rules and forms. Due to the inherent limitations of control systems, not all misstatements may be 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. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The Company's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Based on the reevaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2005, the Company's principal executive officer and principal financial officer concluded that, solely because there was a material weakness resulting from the Company not properly recording the transaction described above under generally accepted accounting principles, such disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to ensure that such information is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. The Company has taken steps to remediate the material weakness. See "Internal Control Over Financial Reporting."

Changes In Internal Controls Over Financial Reporting.

As a result of the reevaluation of the effectiveness of the Company's internal control over financial reporting as of the end of the fiscal year ended March 31, 2005, the management of the Company, including the principal executive officer and principal financial officer, concluded that the need for a restatement of the financial statements contained in the Form 10-QSBs and the Form 10-KSB were the result of a material weakness in the internal control over financial reporting. A material weakness in internal control is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the Company. The Company's reconciliation and review processes were not adequate to detect the failure to record the beneficial conversion feature of the convertible debt and the additional amount related to the fair value of warrants in the Company's financial statements contained in the Form 10-QSBs and Form 10-KSB.

As a result of the restatement, the Company has taken steps to remediate the material weakness by (i) retaining a certified public accountant as a consultant to assist with the Company's financial reporting obligations and improvement of its internal controls over financial reporting (which occurred during the three month period ended June 30, 2005) and (ii) hiring a certified public accountant as a part-time employee responsible for assisting management with internal controls, financial reporting and closing the Company's books and records (which occurred following the three month period ended June 30, 2005). The Company believes that these remedial steps will help correct the material weakness described above. However, the Company cannot assure that it will not in the future identify further material weaknesses in its internal controls over financial reporting.

Except as set forth above, there have been no changes in the Company's internal controls over financial reporting that occurred during the Company's last fiscal quarter to which this Quarterly Report on Form 10-QSB/A relates that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits.

(a) Exhibit No.

10.1 Termination Agreement with Global Medical, LLC.*

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADM Tronics Unlimited, Inc.

By:\s\ Andre' DiMino
Andre' DiMino
Chief Executive Officer and
Chief Financial Officer

Dated: Northvale, New Jersey
December 9, 2005