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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

# FORM 10-KSB/A
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended March 31, 2005

[_] 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 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 No.) |

224-S Pegasus Avenue, Northvale, New Jersey 07647
(Address of Principal Executive Offices) (Zip Code)

(201) 767-6040
(Issuer's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on which Registered |
|---|---|
| None | None |

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.0005 par value
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES[X] NO[_]

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in the form, and no disclosure will be contained, to the best of the issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-KSB. [X]

The issuer's revenues for its most recent fiscal year were approximately $1,382,000.

The aggregate market value of the issuer's common stock, par value $.0005 per share (the "Common Stock"), held by non-affiliates of the issuer as of June 29, 2005, based on the average of the closing bid and asked prices of $0.285, for such shares on such date, was approximately $7,200,000. For purposes of such calculation, shares of Common Stock held by each executive officer and director and by each person who owns more than 5% of the outstanding shares of Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Common Stock outstanding as of June 29, 2005 was 53,882,037.

DOCUMENTS INCORPORATED BY REFERENCE

Not applicable.

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

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-KSB/A to the Annual Report on Form 10-KSB (the "Annual Report") of ADM Tronics Unlimited, Inc. (the "Company" or "ADM") filed on July 14, 2005 with the Securities and Exchange Commission (the "SEC") is filed (i) as a result of a restatement of the March 31, 2005 financial statements 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 on the Annual Report. See Note 1(r) of the Notes to the Company's Consolidated Financial Statements contained in Item 7 of this Amendment No. 1 for a discussion of the restatement. Therefore, the Company is amending and restating in their entirety Items 6, 7 and 8A of Part II and Item 13 of Part III of the Annual Report. In addition, the Company is including with this Amendment No. 1 certain currently dated certifications and an exhibit amending and restating the risk factors contained in the Annual Report to update the risk factors as a result of the restatement. Except as described above, no other amendments are being made to the Annual Report. This Form 10-KSB/A does not reflect events occurring after the July 14, 2005 filing of our Annual Report or modify or update the disclosure contained in the Annual Report in any way other than as required to reflect the amendments discussed above and reflected below.

Unless otherwise indicated in this prospectus, references to "we," "us," "our" or the "Company" refer to ADM Tronics Unlimited, Inc. and its subsidiaries.

Part II

Item 6. Management's Discussion and Analysis or Plan of Operation

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 Risk Factors set forth in Exhibit 99.1 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 ADM Tronics Unlimited, Inc. itself and its three subsidiaries, Ivivi Technologies, Inc.("Ivivi"), Pegasus Laboratories, Inc. and Sonotron Medical Systems, Inc.

The March 31, 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(r) of the Notes to the Company's Consolidated Financial Statements contained in Item 7 of this Amendment No. 1 for a discussion of the restatement.

Results of Operations for the Fiscal Years Ended March 31, 2005 and March 31, 2004

Revenues

Sales and Rental income were $1,286,074 in 2005 as compared to $1,105,367 in 2004 representing an increase of $180,707 or 16%. The increase was the result of an increase in medical segment revenues of $191,339 as a result of increased sales and/or rentals of our SofPulse products offset by a decrease in chemical segment revenues of $10,632. Other income of $96,039 in 2005 was $38,150 or 66% higher than other income of $57,889 in 2004.

Gross Profit

Gross profit of $755,202 in 2005 was $178,404 or 31% higher than the gross profit of $576,798 for 2004. Gross profit was 59% of revenues in 2005 and 52% of revenues in 2004. The increase in gross profit in 2005 was the result of increased sales of products with a higher gross margin and increased rentals of the Company's SofPulse devices during such period.

Total Cost and Expenses

Total cost and expenses in 2005 increased $3,210,842 to $4,515,836 from

$1,304,994 for 2004. The increase during the period was primarily related to expanded sales and marketing activities of the Company's Ivivi subsidiary and expenses associated with the private placement completed by the Company and Ivivi during the fiscal year ended March 31, 2005. The increase was comprised of (i) an increase in selling, general and administrative expenses of $1,669,155 due to increased consulting, advertising, promotion and travel expenses related to the expansion of Ivivi's sales and marketing activities, (ii) an increase in the change in fair value of warrant liability of $581,749 resulting from the issuance of warrants in connection with the private placements completed by the Company and Ivivi in the fiscal year ended March 31, 2005, (iii) an increase in salaries and officer's compensation of $419,796 due to an increase in staffing at Ivivi, (iv) an increase in research and development expense of $270,894 resulting from the funding of clinical studies in fiscal 2005, (v) amortization of debt discount of $180,052 and (vi) an increase in interest expense of $146,656 related to the debt issued in connection with the private placements.

Operating Loss

Operating loss before other income of $3,229,762 in 2005 was $3,030,135 higher than the operating loss of $199,627 in 2004. The increase in operating loss for the year ended March 31, 2005 resulted from increased selling, general and administrative expenses of $1,669,155 related to the expanded activities of Ivivi subsequent to the receipt of proceeds from the private placements completed by the Company and Ivivi and for expenses of $761,801 related to the private placements and increased interest expense of $146,656.

Liquidity and Capital Resources

At March 31, 2005, the Company had cash of $3,011,631 as compared to $90,081 at March 31, 2004, an increase of $2,921,550. This increase is the result of proceeds from the private placements completed by the Company and Ivivi.

Operating Activities

Cash used in operating activities for the year ended March 31, 2005 was $2,060,121 as compared to cash provided for the year ended March 31, 2004 of $38,863 which was due to the net loss of $3,133,723, cash used for expanded operations of Ivivi, and increases in accounts receivable of $27,851, inventories of $105,532 and other current assets of $286,303 offset primarily by the change in fair value of warrant liability of $581,749, depreciation and amortization of $447,478, accrued expenses and other current liabilities of $248,450, equipment held for sale of $56,883 and the issuance of common stock for services of $19,000. Operating costs and expenses were increased due to the significant expansion of operations of Ivivi funded by the proceeds from the private placements completed by the Company and Ivivi.

Cash used in investing activities for the year ended March 31, 2005 was $96,206 as compared to cash provided by investing activities for the year ended March 31, 2004 of $703 which was due to the purchase of equipment of $46,594 and patent costs incurred of $49,612.

Financing Activities

The Company received gross proceeds of $6,087,500 from private placements offset by costs related thereto of $875,623 and repaid a note payable in the principal amount of $135,000.

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 March 31, 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 is seeking sources of additional financing from several sources. The Company does not have any material sources of liquidity or unused sources of liquid assets.

Item 7. Financial Statements

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
MARCH 31, 2005

I N D E X

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
ADM Tronics Unlimited, Inc. and Subsidiaries
Northvale, New Jersey

We have audited the accompanying restated balance sheets of ADM Tronics Unlimited, Inc. and Subsidiaries as of March 31, 2005, and the related restated consolidated statements of operations, changes in stockholders' equity (deficiency), and cash flows for the year ended March 31, 2005. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ADM Tronics Unlimited, Inc. and Subsidiaries as of March 31, 2005, and the results of their operations and their cash flows for the year ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in note 2 to the financial statements, the company has suffered recurring losses from operations and has a stockholders deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Raich Ende Malter & Co. LLP

East Meadow, New York
October 26, 2005

THE FOLLOWING REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY WEINICK SANDERS LEVENTHAL & CO., LLP ("WEINICK") AND HAS NOT BEEN REISSUED BY WEINICK, NOR HAS WEINICK PROVIDED A CONSENT TO INLCUDE ITS PREVIOUSLY ISSUED REPORT, AS WEINICK HAS CEASED OPERATIONS.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
ADM Tronics Unlimited, Inc. and Subsidiaries
Northvale, New Jersey

We have audited the accompanying consolidated balance sheet of ADM Tronics Unlimited, Inc. and subsidiaries as of March 31, 2005, and the related consolidated statements of operations, changes in stockholders' equity (deficiency), and cash flows for the years ended March 31, 2005 and 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ADM Tronics Unlimited, Inc. and subsidiaries as of March 31, 2005, and the results of their operations and their cash flows for the years ended March 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a stockholders' deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Weinick Sanders Leventhal & Co., LLP

New York, New York
July 13, 2005

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ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MARCH 31, 2005
(RESTATED)

ASSETS

| | |
|---|---|
| Current assets: | |
| Cash and cash equivalents | $3,011,631 |
| Accounts receivable - trade, less allowance for doubtful accounts of $72,593 | 102,691 |
| Inventories: | |
| Raw materials and supplies | 124,393 |
| Finished goods | 248,324 |
| Prepaid expenses | 283,048 |
| Other current assets | 36,248 |
| Total current assets | $3,806,335 |
| Property and equipment - at cost, net of accumulated depreciation of $271,188 | 40,550 |
| Equipment in use and under lease agreements - at cost, net of accumulated depreciation of $832,059 | 51,791 |
| Inventory - long term portion | 287,582 |
| Loan receivable from officer, bearing interest at 3% per annum, unsecured | 49,188 |
| Deferred financing costs, net of accumulated amortization of $127,644 | 823,564 |
| Other assets | 238,053 |
| Total assets | $5,297,063 |

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

| | |
|---|---|
| Current liabilities: | |
| Accounts payable | $ 172,978 |
| Accrued expenses and other current liabilities | 299,790 |
| Total current liabilities | $ 472,768 |

| | |
|---|---|
| Long-term debt: | |
| Warrants issued with registration rights | 1,449,326 |
| 6% unsecured notes payable - long-term | 6,087,500 |
| Discount on unsecured notes payable | (2,628,219) |
| Total long-term debt | 4,908,607 |
| Commitments and contingencies | -- |
| Stockholders' deficiency: | |
| Preferred stock, $.01 par value, 5,000,000 shares authorized | -- |
| Common stock, $.0005 par value, 150,000,000 shares authorized; 53,882,037 shares issued and outstanding | 26,941 |
| Capital in excess of par value | 9,391,972 |
| Deferred compensation | ( 327,615) |
| Accumulated deficit | (9,175,610) |
| Total stockholders' deficiency | ( 84,312) |
| Total liabilities and stockholders' deficiency | $5,297,063 |

See accompanying notes to consolidated financial statements.



ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| For the Years Ended March 31, | 2005 (RESTATED) | 2004 |
|---|---|---|
| Revenues: | | |
| Sales | $ 955,438 | $ 999,282 |
| Rental income | 330,636 | 106,085 |
| Other income (including interest income) | 96,039 | 57,889 |
| Total revenues | 1,382,113 | 1,163,256 |
| Costs and expenses: | | |
| Cost of sales | 530,872 | 528,569 |
| Depreciation and amortization of property and equipment and equipment in use and under lease agreements | 139,213 | 146,717 |
| Salaries and officer's compensation | 609,365 | 189,569 |
| Research and development | 270,894 | -- |
| Write-off of investments | -- | 52,259 |
| Selling, general and administrative | 2,048,935 | 379,780 |
| Interest expense | 154,756 | 8,100 |
| Amortization of debt discount | 180,052 | -- |
| Change in fair value of warrant liability | 581,749 | -- |
| Total costs and expenses | 4,515,836 | 1,304,994 |
| Net loss | ($ 3,133,723) | ($ 141,738) |

| | | |
|---|---|---|
| Weighted average number of common shares outstanding | 52,548,704 | 51,007,037 |
| Net loss per share, basic and diluted | ($ 0.06) | $ 0.00 |

See accompanying notes to consolidated financial statements.



ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED MARCH 31, 2005 and 2004
(Restated)

| | Preferred Shares 5,000,000 Authorized $.01 Par Value | Common Shares 150,000,000 Authorized $.0005 Par Value | Par Value | Capital in Excess of Par Value | Def'd Comp | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| Balance at April 1, 2003 | -- | 50,382,037 | $25,191 | $6,773,724 | $ -- | ($5,900,149) | $898,766 |
| Issuance of common stock | -- | 1,500,000 | 750 | 14,250 | -- | -- | 15,000 |
| Valuation of 920,000 shares issued by subsidiary | -- | -- | -- | 73,600 | (69,600) | -- | 4,000 |
| Net loss | -- | -- | -- | -- | -- | (141,738) | (141,738) |
| Balance March 31, 2004 | -- | 51,882,037 | 25,941 | 6,861,574 | (69,600) | (6,041,887) | 776,028 |
| Valuation of warrants issued to underwriter for services | -- | -- | -- | 67,253 | -- | -- | 67,253 |
| Beneficial conversion feature | | | | | 1,940,694 | -- | 1,940,694 |
| Issuance of warrants | | | | 294,761 | (294,761) | -- | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Issuance of warrants for placement services | | | | 208,690 | | | 208,690 |
| Issuance of common stock | -- | 2,000,000 | 1,000 | 19,000 | -- | -- | 20,000 |
| Amortization of deferred compensation | | | | 36,746 | | | 36,746 |
| Net loss | -- | -- | -- | -- | | (3,133,723) | (3,133,723) |
| Balance - March 31, 2005 As restated | -- | 53,882,037 | $26,941 | $9,391,972 | ($327,615) | ($9,175,610) | ($84,312) |

See accompanying notes to consolidated financial statements.



ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Years Ended March 31, 2005 (RESTATED) | 2004 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | ($3,133,723) | ($ 141,738) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 143,796 | 147,475 |
| Amortization of deferred financing costs | 86,884 | -- |
| Amortization of deferred compensation | 36,746 | -- |
| Stock based compensation | 67,253 | -- |
| Amortization of debt discount | 180,052 | -- |
| Change in fair value of warrant liability | 581,749 | -- |
| Issuance of common stock for services | 20,000 | 14,250 |
| Other | 19,148 | 11,000 |
| Write-off of investments | -- | 52,259 |
| Increase (decrease) in allowance for doubtful accounts | 43,593 | (10,000) |
| Increase (decrease) in cash flows as a result of changes in asset and liabilities account balances: | | |
| Accounts receivable - trade | (27,851) | (32,811) |
| Inventories | (105,532) | 25,402 |
| Other current assets | (286,303) | 1,096 |
| Equipment held for sale | 56,883 | 16,056 |
| Other assets | (3,446) | 4,946 |
| Accounts payable | 13,180 | (40,833) |
| Accrued expenses and other current liabilities | 248,450 | (8,239) |

| | | |
|---|---|---|
| Total adjustments | 1,074,602 | 180,601 |
| Net cash provided by (used in) operating activities | (2,059,121) | 38,863 |
| Cash flows from investing activities: | | |
| Repayments of loans by officer | -- | 703 |
| Purchase of equipment, net | (46,594) | -- |
| Patent costs incurred | (49,612) | -- |
| Net cash provided by (used in) investing activities | (96,206) | 703 |
| Cash flows from financing activities: | | |
| Issuance of common stock | -- | 750 |
| Private placements costs incurred | (742,498) | -- |
| Registration costs incurred | (133,125) | -- |
| Payment of note payable - estate of former officer/stockholder | (135,000) | -- |
| Proceeds from issuance of unsecured notes payable | 6,087,500 | -- |
| Net cash provided by financing activities | 5,076,877 | 750 |
| Net increase in cash and cash equivalents | 2,921,550 | 40,316 |
| Cash and cash equivalents - beginning of year | 90,081 | 49,765 |
| Cash and cash equivalents - end of year | $ 3,011,631 | $ 90,081 |
| Supplemental information: | | |
| Interest paid | $ 105,890 | $ -- |
| Income taxes paid | $ 3,414 | $ 3,434 |
| Supplemental disclosure of non-cash operating and financing activities: | | |
| Common stock and warrants issued as consideration for consulting services | $ 449,000 | $ 87,850 |

See accompanying notes to consolidated financial statements.



ADM TRONICS UNLIMITED, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

(a) Consolidation:

The consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Business Activity:

The Company is a manufacturer and engineering concern whose principal lines of business are the production and sale of chemical products and manufacturing, selling and leasing of medical equipment and medical devices. The chemical product line is principally comprised of water-based chemical products used in the food packaging and converting industries. These products are sold to customers located in the United States, Australia, and Europe. Medical equipment is manufactured in accordance with customer specification on a contract basis. The medical device product line consists principally of proprietary devices used in the treatment of joint pain, postoperative edema, and tinnitus. These products are sold or leased to customers located in the United States and Asia.

For the years ended March 31, 2005 and 2004, the chemical product line accounted for approximately 68% and 80% of revenues and the medical device product line accounted for approximately 32% and 20%, respectively.

(c) Cash and Cash Equivalents:

The Company considers all highly-liquid investments with a remaining maturity of three months or less at the time of purchase and excess operating funds invested in cash management and money market accounts to be cash.

The Company places its cash and money market investments with high credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. At March 31, 2005, cash balances exceeded FDIC insurance limits by $2,811,631.

(d) Inventories:

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventory that is expected to be sold within one operating cycle (1 year) is classified as a current asset. Inventory that is not expected to be sold within 1 year, based on historical trends, is classified as Inventory ? long term.

(e) Property and Equipment:

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 10 years. Leasehold improvements are amortized over the lease term or useful lives, whichever is shorter. Expenditures for major betterments and additions are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged to expense currently.

(f) Sonotron Devices:

Sonotron Devices ("Devices") are held for sale or lease and are included in the consolidated balance sheet under "Inventory ? long term" and "Equipment in use and under lease agreements" on a specific identification basis. Unless and until clearance to market is obtained from the United States Food and Drug Administration (FDA), the Devices cannot be marketed in the United States for human applications, other than for research purposes, and may not be marketable in certain foreign countries.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Included in "Equipment in use and under lease agreements" are

Devices used internally and Devices loaned out for marketing and testing. Devices in use and under lease agreements are depreciated over seven years commencing at the date placed in service. Revenues from leasing activities have not been significant.

(g) SofPulse Units:

SofPulse Units ("Units"), an FDA cleared device, are included in the consolidated balance sheet under "Equipment held for sale" and "Equipment in use and under lease rental agreements," on a specific identification basis. Included in "Equipment in use and under lease agreements" are Units leased to third parties, Units used internally and Units loaned out for marketing and testing. These Units are depreciated over seven years commencing on the date placed in service.

(h) Other Assets:

Patents and patents assigned are stated at cost and are included in other assets and are amortized on a straight-line basis over the shorter of their legal or useful lives (15 to 17 years for patents, and 2 years for patents assigned). Amortization expense is expected to be approximately $10,000 in each of the succeeding five years.

Deferred financing costs of the private placement offering are being amortized through the five-year maturity dates of the related unsecured notes payable.

The valuation of deferred compensation related to subsidiary shares and warrants issued is being amortized over their respective vesting periods of 5 to 6 years for those shares and warrants.

(i) Long-lived Assets:

Long-lived assets, including intangibles, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. If required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying value over its fair value. Long-lived assets to be sold are reported at the lower of carrying amount or fair value reduced by estimated disposal costs.

The Company has adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company's adoption of SFAS No. 144 did not have an effect on the Company's results of operations, cash flows, or financial position.

(j) 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 exists. 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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Other income for the year ended March 31, 2005 consists of legal settlements of $64,833, interest income of $29,106 and miscellaneous income of $2,100. For the year ended March 31, 2004 other income consists of office space rental and technical services of $52,039, interest income of $1,997 and miscellaneous income of $3,853.

(k) Advertising:

Advertising (approximately $138,000 and $4,000 in 2005 and 2004, respectively) is expensed as incurred and is included with "Selling, general and administrative expenses" in the consolidated statements of operations.

(l) Net Loss Per Share:

The Company applies Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (FAS 128). Net loss per share excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding during the reported periods. The assumed exercise of common stock equivalents was not utilized for the year ended March 31, 2005 since the effect would be anti-dilutive. There were 50,182,341 common stock equivalents at March 31, 2005 and none at March 31, 2004.

(m) Use of Estimates:

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Fair Value of Financial Instruments:

The carrying values of cash, cash equivalents, accrued expenses and notes payable approximate their fair values due to the maturity of these instruments, net of discount.

The fair value of the officer loan receivable is determined by calculating the present value of the note by a current market rate of interest as compared to the stated rate of interest. The difference between fair value and carrying value is not deemed to be significant.

(o) Basis of Presentation:

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

(p) Minority Interest:

A subsidiary, Ivivi Technologies, Inc. ("Ivivi"), of the Company has a minority interest which owns 31.5% of that company.

Since the losses applicable to the minority interest in the Ivivi subsidiary exceed the minority interest in the equity capital of the subsidiary, such excess and any further losses applicable to the minority interest are charged against the majority interest, as there is no obligation of the minority interest to make good such losses. However, if future earnings do materialize, the majority interest shall be credited to the extent of such losses previously absorbed.

(q) Research and Development Costs

Research and development costs are expensed as incurred.

(r) Restatement:

The March 31, 2005 financial statements have been restated to record a beneficial conversion feature related to the Company's convertible notes payable described in Note 3. The Company has also recorded an additional discount related to the fair value of warrants issued with the debt. The result is to increase the total discount on debt to $2,808,271 from $325,000. Also, the fair value of the warrants has been corrected to reflect a fair value of $1,449,326 at March 31, 2005 as opposed to $325,000 as previously reported.

Additionally, the Company issued compensation warrants related to the debt placement with a fair value of $208,690 and has recorded deferred compensation of $294,761 related to warrants issued for services. As a result of these corrections, net loss for the year ended March 31, 2005 has increased by $809,310, to $3,133,723, and loss per share has increased to $0.06 from $0.04.

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

| | As reported | Restated |
|---|---|---|
| Deferred financing costs | 670,498 | 823,564 |
| 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) |

The financial statements as at and for the year ended March 31, 2004 have been restated to reflect the fair market value of 920,000 shares of Ivivi's common stock issued in the fourth quarter of the fiscal year ended March 31, 2004 to officers, employees, and others in the amount of $73,600, and $4,000 additional amortization of the related deferred compensation for the year ended March 31, 2004.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

(s)Trade Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

(t) 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 March 31, 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: (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 Year Ended March 31, 2005 | For the Year Ended March 31, 2004 |
|---|---|---|
| Net loss as reported | $(3,133,723) | $ (141,738) |
| Current period expense calculated | | |

| | | |
|---|---|---|
| under APB 25 | - | - |
| Stock compensation calculated under SFAS 123 | (9,966) | (12,458) |
| Pro forma net loss | $(3,143,689) | $ (154,196) |
| Historical basic and diluted loss per share | $ (0.06) | $ 0.00 |
| Pro forma basic and diluted loss per share | $ (0.06) | $ 0.00 |

(u) New Accounting Pronouncements:

In December 2004, the FASB issued SFAS No.153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions." The amendments made by Statement 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. Opinion 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. The FASB believes that exception required that some nonmonetary exchanges, although commercially substantive, be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the FASB believes this statement produces financial reporting that more faithfully represents the economics of the transactions. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of SFAS 153 shall be applied prospectively. The Company has evaluated the impact of the adoption of SFAS 153, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

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) will be required to apply SFAS 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. SFAS 123(R) is applicable for the Company effective the first interim period that starts after December 15, 2005. 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 overall results of operations and financial position (a pro forma effect, as estimated by management, is disclosed elsewhere in these notes).

In January 2003, the FASB issued FASB Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities" ("FIN 46"). In December 2003, FIN 46 was replaced by FASB interpretation No. 46(R) "Consolidation of Variable Interest Entities." FIN 46(R) clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

entity to finance its activities without additional subordinated financial support from other parties. FIN 46(R) requires an enterprise to consolidate a variable interest entity if that enterprise will absorb a majority of the entity's expected losses, is entitled to receive a majority of the entity's expected residual returns, or both. FIN 46(R) is effective for entities being evaluated under FIN 46(R) for consolidation no later than the end of the first reporting period that ends after March 15, 2004. The Company does not currently have any variable interest entities that will be impacted by adoption of FIN 46(R).

NOTE 2 - CONTINUATION AS A GOING CONCERN.

The Company has had substantial net losses of $3,133,723 and $141,738 for the years ended March 31, 2005 and 2004, respectively. The Company has a stockholders' deficiency of $84,312 at March 31, 2005. These factors raise substantial doubt about the ability to continue as a going concern. The significant increase in the net loss for the year ended March 31, 2005 is the result of expanded activities of Ivivi. In anticipation of expanding the Company's subsidiary operation, the Company raised $6,087,500 in a private placement, (see Note 3), and at March 31, 2005 had cash and cash equivalents of $3,011,631 and working capital of $3,333,567.

The Company's net loss for the year ended March 31, 2005 has been principally funded from the net proceeds received from the Private Placement Offering of the 6% Unsecured Notes Payable (see Note 3).

The continuation of the Company as a going concern is dependent on the Company's ability to increase revenues, in receiving additional financing from outside sources including a public offering of stock of a subsidiary company, and a return to profitable operations. Management is pursuing a number of financing avenues for the subsidiary as well as attempting to secure ongoing revenue relationships for the subsidiary's products.

NOTE 3 - PRIVATE PLACEMENT FINANCINGS.

On December 1, 2004 and February 11, 2005, the Company completed private placement financings (collectively, the "Placements") to "accredited investors" only, consisting of an aggregate of $6,087,500 aggregate principal amount of unsecured convertible notes bearing interest at an annual rate of 6%. The notes are due at various times from July 2009 through February 2010, unless converted earlier, and will convert automatically upon the consummation of a public offering into 733,434 shares of Ivivi's common stock, subject to adjustment, plus up to an additional 5,060 shares of Ivivi's common stock for the payment of interest on the notes through April 30, 2005 and 3,708 shares for each month thereafter until the date that Ivivi files a registration statement with the Securities and Exchange Commission and the offering of its common stock is declared effective, assuming each holder elects to have their interest paid in shares of the Ivivi's common stock. Interest on the notes is payable quarterly in cash or shares of our common stock, at the direction of the holder. In addition, commencing March 1, 2005, with respect to the investors holding the notes issued in the private placement that was completed in December 2004, and June 30, 2005, with respect to the investors holding the notes issued in the private placement that was completed in February 2005, the investors will have the additional right to receive interest payments in shares of ADM Tronics common stock in lieu of cash or shares of Ivivi's common stock. In connection with the



NOTE 3 - PRIVATE PLACEMENT FINANCINGS. (Continued)

issuance of the notes, Ivivi also issued to the investors warrants to purchase an aggregate of 733,434 shares of Ivivi's common stock at $5.70 per share, as well as warrants to purchase an aggregate of 20,991,379 shares of the common stock of ADM Tronics at $.41 per share. Warrants to purchase shares of ADM Tronic's common stock automatically expire upon the consummation of a public offering. Under the terms of the notes sold in the private placement that was completed in December 2004 and February 2005, the number of shares of Ivivi's common stock issuable upon conversion of the notes and exercise of the warrants will increase by 2% for each 30-day period, or portion thereof, after March 1, 2005 and June 30, 2005, respectively, that the registration statement in connection to the public offering of Ivivi's common stock is not declared effective. As a result, as of April 30, 2005, an additional 17,530 shares of common stock underlying the notes and 17,530 shares underlying the warrants will be issuable by Ivivi. Based upon a Black Scholes Option Valuation Model, the value attributable to the warrants issued in the private placement through March 31, 2005 was $2,031,075. Accordingly, the notes payable were discounted by $2,808,271. The discount will be amortized over the term of the notes to their maturity date.

As additional consideration for the purchase of the notes, the Company granted to the purchasers warrants entitling them to purchase 20,991,379 common shares at the price of $0.41 per share. These warrants lapse if unexercised after five years, or upon an effective registration statement of Ivivi. A registration rights agreement was executed requiring the Company to register the shares of its common stock underlying the notes and warrants so as to permit the public resale thereof. In accordance with EITF 00-27, a portion of the proceeds was allocated to the warrant liability based on its fair value, which totaled $867,577 using the Black-Scholes option pricing model. The remaining balance was allocated to the convertible notes and was used to compute the beneficial conversion feature. The Company attributed a beneficial conversion feature of $1,940,694 to the convertible notes based upon the difference between the effective conversion price of those shares and the closing price of the Company's common shares on the date of issuance. The assumptions used in the Black-Scholes model are as follows: (1) dividend yield of 0%; (2) expected volatility of 64%, (3) risk-free interest rate of 1.5%, and (4) expected life of six months. The total debt discount of $2,808,271 is being amortized over the term of the notes. During the year ended March 31, 2005, amortization as interest expense amounted to $180,052.

Since the warrant is a contract requiring settlement through the delivery of registered shares, and the delivery of such registered shares was not deemed controllable by the Company, the Company recorded the net value of the warrants at the date of issuance as a warrant liability on the balance sheet ($867,577) and included the change in fair value from the date of issuance to March 31, 2005 in "Other income (expense)", in accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". The fair value of the warrants was $1,449,326 at March 31, 2005.

Upon a registration statement covering the underlying shares being declared effective, the fair value of the warrants on that date will be reclassified to equity.

Ivivi has filed a Registration Statement with the Securities and Exchange Commission for the issuance of a portion of its common stock.

NOTE 4 - PROPERTY AND EQUIPMENT.

Property and equipment at March 31, 2005 consist of the following:

| | |
|---|---|
| Machinery and equipment | $277,225 |
| Office furniture and fixtures and equipment | 34,513 |
| | 311,738 |
| Less accumulated depreciation and amortization | 271,188 |
| | $ 40,550 |

Depreciation and amortization on property and equipment for the years ended March 31, 2005 and 2004 aggregated $7,722 and $15,268, respectively.



NOTE 5 - EQUIPMENT IN USE AND UNDER LEASE AGREEMENTS.

Equipment in use and under lease agreements at March 31, 2005 consist of the following:

| | |
|---|---|
| SofPulse Units | $874,580 |
| Other Units | 9,270 |
| | 883,850 |
| Less accumulated depreciation | 832,059 |
| | $ 51,791 |

Depreciation of equipment in use and under lease agreements for the years ended March 31, 2005 and 2004 aggregated $131,470 and $126,965, respectively.

NOTE 6 - OTHER ASSETS.

Other assets at March 31, 2005 consist of the following:

| | |
|---|---|
| Patents, net of accumulated amortization of $68,227 | $ 91,320 |
| Deferred registration costs of filings with the Securities and Exchange Commission by Ivivi | 133,125 |
| Other | 13,608 |
| | $ 238,053 |

(a) The costs connected with the registration statement which is being filed with the SEC have been deferred. Such costs will be charged to Paid-In Capital if the Registration Statement becomes effective; otherwise, such costs will be charged to operations.

NOTE 7 - INCOME TAXES.

The differences between the income taxes and the amount computed by applying the federal statutory income tax rate of 34% to income before taxes are as follows:

| | 2005 | 2004 |
|---|---|---|
| Tax benefit at U.S. statutory rates | $1,066,000 | ($ 48,000) |
| Change in valuation allowance | (1,066,000) | 48,000 |
| Income taxes | $ -- | $ -- |



NOTE 7 - INCOME TAXES. (Continued)

At March 31, 2005, the Company had deferred tax assets of approximately $2,753,000 resulting from net operating loss carryforwards. The deferred tax assets are offset by a valuation allowance in the amount of $2,753,000.

A valuation allowance is recorded when management believes it is more likely than not that tax benefits will not be realized. The change in the valuation allowance was based upon the consistent application of management's valuation procedures and circumstances surrounding its future realization.

The Company and its subsidiaries file consolidated Federal income tax returns. As of March 31, 2005, the Company has consolidated net operating loss carryforwards of approximately $6,883,000 that will expire during the years 2006 through 2024.

NOTE 8 - EMPLOYEE BENEFIT PLAN.

The Company has a 401(k) Plan covering substantially all employees. Employer matching contributions to the plan are at the discretion of management. There were no employer contributions to the plan for the years ended March 31, 2005 and 2004.

NOTE 9 - COMMITMENTS AND CONTINGENCIES.

(a) Leases:

The Company leases its office and manufacturing facilities under non-cancelable operating leases.

The approximate future minimum annual rental under these leases at March 31, 2005 are as follows:

| Years Ending: | |
|---|---|
| March 31, 2006 | $ 85,000 |
| March 31, 2007 | 85,000 |
| March 31, 2008 | 85,000 |
| March 31, 2009 | 22,000 |
| | $277,000 |

Other leases are month-to-month.

Rent expense for all facilities for the years ended March 31, 2005 and 2004 was approximately $127,000 and $92,000, respectively.

(b) Warranties:

The Company's medical devices are sold under agreements providing for the repair or replacement of any devices in need of repair, at the Company's cost, for up to one year from the date of delivery, unless such need was caused by misuse or abuse of the device.

At March 31, 2005, no amount has been accrued for potential warranty costs and such costs are expected to be nominal.

(c) Legal Matters:

i. The Company is involved, from time to time, in litigation and proceedings arising out of the ordinary course of business. There are no pending material legal proceedings or environmental investigations to which the Company is a party or to which the property of the Company is subject.



NOTE 9 - COMMITMENTS AND CONTINGENCIES. (Continued)

ii. On May 25, 2005, Ivivi filed a lawsuit against an unrelated company and certain individuals. The complaint alleges that certain of Ivivi's confidential information was disseminated by the individuals to the other company. Ivivi is seeking injunctive relief enjoining the other company, its agents and employees for preliminary and permanent injunctions for compensatory and punitive damages, for an accounting and for attorney's fees and costs.

Ivivi has filed a patent infringement suit against the other company to protect its proprietary interests. Legal counsel for the other company advised that several documents were forwarded to intellectual property counsel of the other company related to the filing of a patent infringement suit against ADM Tronics and its subsidiaries. Based upon the foregoing, there is the possibility of litigation and counterclaims. It is certainly possible and would not be unexpected for the other company to file a counterclaim against Ivivi.

iii. On April 30, 2004, the Company entered into a termination agreement with a lessor of some of the SofPulse Units. The lessor agreed to pay the Company $85,000 and return the rental units that were leased. In the opinion of management, the agreement's termination did not have a material adverse effect on rental income of the Company.

The Company believes that the ultimate resolution of the foregoing matters will not have a material adverse impact on the Company's cash flows, financial condition or results of operations.

(d) Contractual Agreements:

i. On September 9, 2004 and on October 17, 2004, Ivivi entered into Sponsored Research Agreements with the Montefiore Medical Center ("Montefiore"). Both agreements support research at Montefiore in areas related to Ivivi's fields of interest. The agreement dated September 9, 2004, is for a period of one year and the committed funding amount is $28,750. The agreement dated October 17, 2004 remains in effect until December 31, 2009 and the committed funding amount is $495,685. The research and development costs are being expensed over a one year period from inception of the agreements.

ii. Effective January 1, 2004, Ivivi entered into a Consulting Agreement with the Chairman of the Department of Plastic Surgery at Montefiore Medical Center pursuant to which Ivivi engaged the consultant to render consulting services to it for a term of six years with automatic one-year renewals. Pursuant to the consulting agreement, the consultant serves as Medical Director and Chairman of Ivivi's Medical Advisory Board and advises Ivivi on technological developments, future clinical and research applications and product development and efficacy in the pulsed magnetic frequencies field.

In exchange for the consultant's consulting services, the consultant received 80,000 shares of Ivivi's common stock, 10,000 of which vested immediately upon the Company's entering into the consulting agreement with him, 17.5% of which vested on January 5, 2005 and the remaining 70% of which shall vest in three equal yearly installments on January 5 of each year from January 5, 2006 through January 1, 2009. In addition, Ivivi has agreed to pay the consultant an annual bonus (not to



NOTE 9 - COMMITMENTS AND CONTINGENCIES. (Continued)

(d) Contractual Agreements: (Continued)

exceed $500,000) equal to the sum of 0.5% of that portion of Ivivi's annual revenues in excess of $20,000,000 and up to $80,000,000, 0.25% of that portion of Ivivi's annual revenues in excess of $120,000,000. Ivivi has also agreed to pay the consultant a royalty equal to 0.05% of revenues received for practicing and/or commercializing any "new inventions" (as such term is defined in the agreement) developed by the consultant under the agreement. Bonuses and royalties payable for the fiscal years ended March 31, 2006 and 2007 are subject to a cap of 10% of Ivivi's pre-tax profit (after deduction of such bonuses and royalty payments) for such fiscal years. Bonuses and royalties payable under the consulting agreement are also subject to certain adjustments for returns, allowances or setoffs, to the consultant's compliance with the non-compete provisions of Ivivi's consulting agreement and certain other restrictions.

iii. On April 1, 2005, Ivivi entered into an agreement with Global Medical LLC ("Global") in which Global will provide certain management services in regard to medical devices and products manufactured, distributed, sold or rented by Ivivi. The term of the agreement commences October 1, 2005 for a two year period during which Global will be paid a monthly fee of $45,000 and earn a certain percentage of each sale or rental Global makes of Ivivi's products. During the term of the agreement, Ivivi has the right to purchase some or all of the assets of Global utilized in the performance of the management services in exchange for Ivivi's assumption of certain on-going salary obligations of Global and Ivivi's issuance of equity securities to Global.

(e) Other:

The Centers for Medicare and Medicaid Services have issued a National Coverage Determination (NCD) providing coverage for the use of the Company's SofPulse medical device for treatment of wounds. The issuance of the NCD enables nursing homes, hospitals, physicians and rehabilitation clinics to obtain reimbursement for treatment of chronic, non-healing wounds with the Company's SofPulse medical devices.

NOTE 10 - STOCKHOLDERS' EQUITY.

(a) Stock Options and Warrants:

From time to time, the Company grants stock options to directors, officers and outside consultants.

A summary of the Company's stock option activity and related information for the years ended March 31, 2005 and 2004 is as follows:



NOTE 10 - STOCKHOLDERS' EQUITY. (Continued)

(a) Stock Options and Warrants: (Continued)

| | Year Ended March 31, 2005 | | Year Ended March 31, 2004 | |
|---|---|---|---|---|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Outstanding at beginning of year | -- | $ -- | 5,192,819 | $ 0.2927 |
| Granted | 29,190,962 | 0.39 | -- | -- |
| Expired | -- | -- | (5,192,819) | (0.2927) |
| Outstanding at end of year | 29,190,962 | $0.39 | -- | $ -- |
| Exercisable at end of year | 29,190,962 | $0.39 | -- | $ -- |

Ivivi has instituted a stock option plan for the issuance of 1,500,000 shares. As of March 31, 2005 and 2004, 751,200 and 686,500, respectively, options were awarded, with 748,800 reserved for future issuance. The option holder, upon receiving the grant is immediately vested in 20% of the grant and the option holder earns a continuing vesting right of the remaining balance for each of the next four years of service with Ivivi. The options have exercise prices ranging from $.10 to $10.00.



NOTE 10 - STOCKHOLDERS' EQUITY. (Continued)

(b) Common Stock:

In November 2003, a consulting company provided services to the Company valued at $15,000 and acquired 1,500,000 non-registered common shares of the Company.

In January 2004, a group of individuals provided services valued at $73,600 for Ivivi and received 920,000 common shares of Ivivi, approximately 31.5% of the subsidiary's common stock. The valuation of the shares is being amortized over a five year vesting period with the fair market value having been credited to paid-in capital.

In December 2004, a consulting company provided services to the Company valued at $20,000 and acquired 2,000,000 non-registered common shares of the Company.

NOTE 11 - SEGMENT INFORMATION, GEOGRAPHICAL INFORMATION, MAJOR CUSTOMERS, AND CREDIT CONCENTRATION.

(a) Segment Information:

The Company adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" effective April 1, 1999. The Company operates in two reportable segments, the production and sale of chemicals and the manufacture and sale or lease of medical products. The reportable segments are strategic business units that offer different products and services. They are managed separately based on differences in customer base, marketing strategies or regulatory environment.

The accounting policies of the segments are the same as those described in Note 1. The Company evaluates performance on profit or loss from operations before income taxes.

Information about segment operations follows:

| Year Ended March 31, 2005 | Chemical | Medical | Total |
|---|---|---|---|
| Revenues | $ 876,679 | $ 409,395 | $ 1,286,074 |
| Interest income | 4,161 | 24,945 | 29,106 |
| Interest expense | 1,228 | 153,528 | 154,756 |
| Depreciation and amortization | 8,304 | 130,909 | 139,213 |
| Segment income (loss) | 96,537 | (3,230,260) | (3,133,723) |
| Segment assets | 934,382 | 4,362,681 | 5,297,063 |
| Capital expenditures | | 46,594 | 46,594 |

| Year Ended March 31, 2004 | Chemical | Medical | Total |
|---|---|---|---|
| Revenues | $ 887,312 | $ 218,055 | $ 1,105,367 |
| Interest income | 1,997 | -- | 1,997 |
| Interest expense | 8,100 | -- | 8,100 |
| Depreciation and amortization | 12,661 | 134,056 | 146,717 |
| Segment loss | 101,747 | (224,760) | (141,738) |
| Segment assets | 647,202 | 500,358 | 1,147,560 |

NOTE 11 - SEGMENT INFORMATION, GEOGRAPHICAL INFORMATION, MAJOR CUSTOMERS, AND CREDIT CONCENTRATION.

(b) Geographical Information:

Sales and rentals to unaffiliated customers, based on location of customer, are as follows:

| | Years Ended March 31, 2005 | 2004 |
|---|---|---|
| Chemical Segment: | | |
| United States | $797,020 | $813,273 |
| Foreign countries | 79,659 | 74,039 |
| | $876,679 | $887,312 |
| Medical Segment: | | |
| United States | $338,058 | $110,974 |
| Asia | 71,337 | 100,579 |
| Other foreign countries | -- | 6,502 |
| | $409,395 | $218,055 |

(c) Major Customers:

Sales to individual unaffiliated customers in excess of 10% of net sales to unaffiliated customers are shown below.

| | Years Ended March 31, 2005 | 2004 |
|---|---|---|
| Chemical Segment: | | |
| Customer A | $271,124 | $255,254 |
| Customer B | $144,831 | $169,281 |
| Medical Segment | $ -- | $ -- |



Item 8A. 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 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 Notes 1 and 12 of the Notes to Consolidated Financial Statements.

In the Company's Form 10-KSB for the fiscal year ended March 31, 2005, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-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 13(a)-15(e) and 15(d)-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, as of the end of the fiscal year ended March 31, 2005. 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 13(a)-15(e) and 15(d)-15(e) under the Exchange Act) as of March 31, 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."

Internal Control Over Financial Reporting.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2005 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting. However, 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.

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 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. 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.

PART III

Item 13. Exhibits

Exhibit
No. Description

3.1 Certificate of Incorporation and amendments thereto filed on August 9, 1976 and May 15, 1978 is incorporated by reference to Exhibit 3(a) to the Company's Registration Statement Form 10 (File No. 0-17629) (the "Form 10").

3.2 Certificate of Amendment to Certificate of Incorporation filed December 9, 1996 is incorporated by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1997.

3.3 By-Laws are incorporated by reference to Exhibit 3(b) to the Form 10.

4.1 Warrant issued to the Global Opportunity Fund Inc. is incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1998.

4.2 Warrant issued to Heiko H. Thieme is incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1999.

4.3 Form of Company Warrant issued to certain investors (one in a series of warrants with identical terms) is incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 11, 2005.

4.4 Form of Ivivi Warrant issued to certain investors (one in a series of warrants with identical terms) is incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 11, 2005.

4.5 Form of Note issued to certain investors (one in a series of notes with identical terms) is incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated February 14, 2005.

9.1 Trust Agreements of November 7, 1980 by and between Dr. Alfonso Di Mino et al. are incorporated by reference to Exhibit 9 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1993.

10.1 Memorandum of Lease by and between the Company and Cresskill Industrial Park III dated as of August 26, 1993 is hereby incorporated by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-KSB for the fiscal year March 31, 1994.

10.2 Agreement of July 8, 1987 by and between Donna Di Mino, Dr. Alfonso Di Mino, et al. is hereby incorporated by reference to Exhibit 10(q) to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 1993.

10.3 Agreement of March 21, 2002 by and between the Company and New England Acquisitions, Inc. is hereby incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2002.

10.4 Agreement of April 29, 2003 by and between Vet-Sonotron Systems, Inc. and THM Group, LLC is hereby incorporated by reference the Exhibit 10.4 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2003.

10.5 Agreement of January 17, 2003 by and between the Company and Fifth Avenue Venture Capital Partners is hereby incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2003.

10.6 Amended and Restated Manufacturing Agreement, dated February 10, 2005, among the Company, Ivivi Technologies, Inc. and Sonotron Medical Systems, Inc. is incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005.

10.7 Management Services Agreement, dated August 15, 2001, among the Company, Ivivi Technologies, Inc., Sonotron Medical Systems, Inc. and Pegasus Laboratories, Inc., as amended, is incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005.

10.8 Agreement of April 3, 2004 by and between the Company and Carepoint Group is incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004.

10.9 Placement Agency Agreement of May 20, 2004 by and between the Company and Maxim Group LLC. is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 1, 2005.
10.10 Agreement of April 1, 2005 by and between Ivivi Technologies, Inc. and Global Medical, L.L.C. is incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005.

14.1 Code of Ethics is incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005.

21.1 Subsidiaries of the Company is incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2005.

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

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

32.1 Certification of the Chief Executive Officer and Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.1 Risk Factors

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused the amendment to this report to be signed on its behalf by the undersigned, thereunto duly authorized this 9th day of December, 2005.

ADM TRONICS UNLIMITED, INC.

By: /s/ Andre' DiMino
Andre' DiMino
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Andre' DiMino<br>Andre' DiMino | Chief Executive Officer and Chief Financial Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and Director | December 9, 2005 |

| | | |
|---|---|---|
| /s/ Vincent DiMino<br>Vincent DiMino | Director | December 9, 2005 |
| /s/ David Saloff<br>David Saloff | Director | December 9, 2005 |