

NATURES SUNSHINE PRODUCTS INC  
Form 10-Q  
November 22, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

**For the Quarterly Period Ended  
September 30, 2005**

**Commission File Number  
0-8707**

**NATURE S SUNSHINE PRODUCTS, INC.**

(Exact name of Registrant as specified in its charter)

**Utah**  
(State or other jurisdiction of  
incorporation or organization)

**87-0327982**  
(IRS Employer  
Identification No.)

**75 East 1700 South  
Provo, Utah 84606**  
(Address of principal executive offices and zip code)

**(801) 342-4300**  
(Registrant s telephone number including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of Common Stock, no par value, outstanding on November 18, 2005 was 15,276,029 shares.

When we refer in this Form 10-Q to the Company, we, our, and us, we mean Nature s Sunshine Products, Inc., a Utah corporation, together with our subsidiaries.

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NATURE S SUNSHINE PRODUCTS, INC.

FORM 10-Q

For the Quarter Ended September 30, 2005

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**EXPLANATORY NOTE**

**STATEMENT REGARDING REVIEW OF FINANCIAL STATEMENTS**

As we previously disclosed in our Current Report on Form 8-K dated November 10, 2005, we are currently reviewing selected financial information with respect to certain of our foreign operations. Accordingly, our independent auditor has not reviewed the accompanying unaudited consolidated financial statements for the three and nine month periods ended September 30, 2005 in accordance with Rule 10-01(d) of Regulation S-X promulgated by the Securities and Exchange Commission (the "SEC"). We believe the accompanying unaudited consolidated financial statements are a fair presentation of the Company's financial position. Upon the completion of the review by our independent auditor, we intend to file an amendment to this report to reflect the review of our independent auditor and will reflect material changes, if any, resulting from our review of selected financial information with respect to certain of our foreign operations and the review by our independent auditor. Completion of a review of the unaudited consolidated financial statements and the filing of the amendment will make this report current, although it will not be deemed timely for purposes of the rules governing eligibility to use registration statements on Forms S-2 and S-3.

In addition, on November 16, 2005, we received a notice from the Listing Qualifications Department of The NASDAQ Stock Market stating that, due to the delayed filing of our Quarterly Report on Form 10-Q for the period ended September 30, 2005, we are not currently in compliance with the requirements of Marketplace Rule 4310(c)(14). The Rule requires us to file with NASDAQ copies of all reports required to be filed with the SEC on or before the date they are required to be filed with the SEC. The NASDAQ Stock Market notified us that our securities could be delisted from The NASDAQ Stock Market at the opening of business on November 28, 2005, unless we request a hearing appealing the possible delisting with The NASDAQ Stock Market's Listings Qualifications Panel (the "Panel") in accordance with the Marketplace Rules 4800 Series. Such a request for an appeal to the Panel will stay the delisting of our securities pending the Panel's decision pursuant to Marketplace Rule 4805. We intend to appeal the possible delisting to the Panel. We believe we have strong arguments against delisting.

## PART I FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## NATURE S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

(Unaudited)

	September 30, 2005	December 31, 2004
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 41,075	\$ 36,206
Accounts receivable, net	6,442	6,540
Inventories, net	39,060	36,713
Deferred income tax assets	7,935	4,525
Prepaid expenses and other	10,206	8,522
Total current assets	104,718	92,506
PROPERTY, PLANT AND EQUIPMENT, net	33,666	34,731
LONG-TERM INVESTMENTS	6,753	7,746
DEFERRED INCOME TAX ASSETS, net	5,310	5,734
DEFINITE-LIVED INTANGIBLE ASSETS, net	1,533	1,757
OTHER ASSETS	2,827	2,602
	\$ 154,807	\$ 145,076
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$ 9,000	\$ 7,500
Accounts payable	5,792	4,509
Accrued volume incentives	15,442	14,662
Accrued liabilities	19,873	20,665
Income taxes payable	2,635	4,476
Total current liabilities	52,742	51,812
DEFERRED COMPENSATION	1,920	2,045
<b>SHAREHOLDERS EQUITY:</b>		
Common Stock, no par value; 20,000 shares authorized, 19,446 shares issued	24,580	21,692
Retained earnings	149,144	139,074
Treasury stock, at cost, 4,196 and 4,571 shares, respectively	(54,758)	(51,324)
Accumulated other comprehensive loss	(18,821)	(18,223)
Total shareholders equity	100,145	91,219
	\$ 154,807	\$ 145,076

See accompanying notes to condensed consolidated financial statements.



NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 AND COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per-Share Information)

(Unaudited)

	<b>Three Months Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
NET SALES REVENUE (net of the rebate portion of volume incentives of \$10,563 and \$8,823, respectively)	\$ 87,706	\$ 84,521
<b>COST AND EXPENSES:</b>		
Cost of goods sold	16,521	15,515
Volume incentives	34,572	33,363
Selling, general and administrative	31,972	28,861
<b>OPERATING INCOME</b>	<b>4,641</b>	<b>6,782</b>
<b>OTHER INCOME</b>		
Interest income	89	94
Interest expense		