

Andover Medical, Inc.
Form 10-Q
May 15, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2008

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 333-142387

ANDOVER MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0459931
(IRS Employer
Identification No.)

510 Turnpike Street, Ste. 204
N. Andover, MA 01845
(Address of principal executive offices)

Registrant's Telephone Number, Including Area Code: **(978) 557-1001**

Edgar Filing: Andover Medical, Inc. - Form 10-Q

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes: No:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: There were a total of 36,123,935 shares of the registrant's common stock, par value \$.001 per share, outstanding as of May 13, 2008 and no other classes of common stock.

Andover Medical, Inc.

Quarterly Report on Form 10-Q

Period Ended March 31, 2008

Table of Contents

	Page
<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements:</u>	3
<u>Condensed Consolidated Balance Sheet as of March 31, 2008 (Unaudited) and December 31, 2007</u>	3
<u>Condensed Consolidated Statement of Operations for the Three Months ended March 31, 2008 and 2007 (Unaudited)</u>	5
<u>Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2008 And 2007 (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements as of March 31, 2008 (Unaudited)</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	23
<u>Item 4T. Controls and Procedures</u>	23
<u>PART II. OTHER INFORMATION</u>	23
<u>Item 1. Legal Proceedings</u>	23
<u>Item 1A. Risk Factors</u>	23
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
<u>Item 3. Defaults Upon Senior Securities</u>	23
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	23
<u>Item 5. Other Information</u>	23
<u>Item 6. Exhibits</u>	24
<u>SIGNATURES</u>	25
<u>EXHIBIT INDEX</u>	26

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Andover Medical, Inc.

Condensed Consolidated Balance Sheet

	March 31, 2008	December 31, 2007 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,169,788	\$ 560,375
Accounts receivable, net of allowance for doubtful accounts of \$1,286,255 and \$1,230,842, respectively	2,524,528	2,367,813
Inventories	779,711	938,287
Prepaid expenses and other current assets	101,626	123,215
Total current assets	5,575,653	3,989,690
Property, plant and equipment:		
Property and equipment, gross	1,554,225	1,549,779
Less accumulated depreciation	857,656	800,958
Total property, plant and equipment, net	696,569	748,821
Other assets:		
Goodwill	4,032,089	4,032,089
Intangible Assets, net of accumulated amortization of \$393,573	1,715,286	1,791,225
Deposits and other assets	111,318	133,019
Total other assets	5,858,693	5,956,333
Total assets	\$ 12,130,915	\$ 10,694,844

The accompanying notes are an integral part of these financial statements.

Edgar Filing: Andover Medical, Inc. - Form 10-Q

	March 31, 2008	December 31, 2007 (audited)
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 805,954	\$ 743,696
Accrued expenses	1,072,907	1,021,383
Current portion of long-term debt	159,794	145,393
Bank Loan	1,576,078	1,604,758
Total current liabilities	3,614,733	3,515,230
Long term liabilities:		
Long-term debt, less current portion	52,206	78,263
Deferred items	54,566	49,670
Redeemable Convertible Series D Preferred stock \$0.001 par value, 2,000 authorized, issued and outstanding, Net of Discount of \$1,991,781	8,219	
Total long-term liabilities	114,991	127,933
Total liabilities	\$ 3,729,724	\$ 3,643,163
Shareholders equity:		
Preferred Stock (Series A and B), \$.001 par value; 998,000 shares authorized, 7,546 and 7,813 outstanding, respectively	8	8
Common stock, \$.001 par value; 300,000,000 shares authorized, 35,661,192 and 34,846,244 outstanding, respectively	35,661	34,846
Additional paid-in capital	22,367,119	20,108,921
Accumulated deficit	(14,001,597)	(13,092,094)
Total shareholders equity	8,401,191	7,051,681
Total liabilities and shareholders equity	\$ 12,130,915	\$