

LANNETT CO INC
Form 10-Q/A
September 12, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005.**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO .**

Commission File No. 0-9036

LANNETT COMPANY, INC.

(Exact Name of Registrant as Specified in its Charter)

State of Delaware
(State of Incorporation)

23-0787699
(I.R.S. Employer I.D. No.)

**9000 State Road
Philadelphia, PA 19136
(215) 333-9000**

(Address of principal executive offices and telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the 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-12 of the Exchange Act).
Yes No

As of October 31, 2005, there were 24,125,884 shares of the issuer's common stock, \$.001 par value, outstanding.

EXPLANATORY NOTE

This amendment on Form 10-Q/A (the Amendment) amends Lannett Company Inc. s quarterly report on Form 10-Q for the quarter ended September 30, 2005, as initially filed with the Securities and Exchange Commission on November 8, 2005 (the Form 10-Q).

The Company has expanded and enhanced the disclosure in the text and tables located in Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations, (MD&A) relating to chargebacks, rebates and returns. Similarly, tables in the Notes to the Financial Statements have also been expanded to reflect enhanced disclosure.

The Company has added disclosure of its methods of tracking Days Sales Outstanding in the section titled Accounts Receivable within the MD&A. This has been undertaken to provide enhanced disclosure relating to the Company s ability to manage receivables.

The Company has provided enhanced disclosure relating to the changes in sales year over year in the section titled Results of Operations within the MD&A.

The filing of this Amendment shall not be deemed an admission that the original Form 10-Q, when filed, included any untrue statement of material fact or omitted to state a material fact necessary to make a statement not misleading.

INDEX

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	
<u>Consolidated Balance Sheets</u> <u>as of September 30, 2005 (unaudited) and June 30, 2005</u>	2
<u>Consolidated Statements of Income (unaudited)</u> <u>for the three months ended September 30, 2005 and 2004</u>	3
<u>Consolidated Statement of Changes in Shareholders' Equity (unaudited)</u> <u>for the three months ended September 30, 2005</u>	4
<u>Consolidated Statements of Cash Flows (unaudited)</u> <u>for the three months ended September 30, 2005 and 2004</u>	5
<u>Notes to Consolidated Financial Statements</u>	6-22
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	23-33
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	34
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	35
<u>ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K</u>	36

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LANNETT COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED)	
	9/30/2005	6/30/2005
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash	\$ 2,981,086	\$ 4,165,601
Trade accounts receivable (net of allowance)	14,785,501	10,735,529
Inventories	10,792,031	9,988,769
Prepaid taxes	2,900,352	3,957,993
Deferred tax assets - current portion	3,123,953	3,123,953
Other current assets	1,871,005	1,966,270
Total current assets	36,453,928	33,938,115
Property, plant, & equipment	24,652,227	23,746,161
Less accumulated depreciation	(7,629,447)	(7,121,313)
	17,022,780	16,624,848
Construction in progress	1,788,721	2,079,650
Investments - available for sale	6,519,359	7,888,708
Note receivable	2,000,000	
Intangible asset, net of accumulated amortization	15,169,669	15,615,835
Deferred tax asset - less current portion	18,637,874	18,610,159
Other assets	154,280	159,745
Total Assets	\$ 97,746,611	\$ 94,917,060
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
<i>Current Liabilities</i>		
Accounts payable	967,834	1,208,148
Accrued expense	3,265,806	1,667,638
Unearned grant funds	500,000	500,000
Current portion of long term debt	2,269,776	2,269,776
Rebates and chargebacks	10,865,000	10,750,000
Total current liabilities	17,868,416	16,395,562
Long term debt, less current portion	6,698,656	7,262,672
Deferred tax liabilities	2,009,582	2,009,582
Total Liabilities	26,576,654	25,667,816
<i>Shareholders' Equity</i>		
Common stock - authorized 50,000,000 shares, par value \$0.001; issued and outstanding, 24,118,674 and 24,111,140, respectively	24,118	24,111
Additional paid-in capital	70,518,733	70,157,431
Retained earnings (deficit)	1,088,441	(512,535)
Accumulative other comprehensive loss, net	(66,765)	(25,193)
	71,564,527	69,643,814
Treasury stock at cost - 50,900 shares	394,570	394,570
Total shareholders' equity	71,169,957	69,249,244
Total Liabilities and Shareholders' Equity	\$ 97,746,611	\$ 94,917,060

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

LANNETT COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	For the three months ended:	
	9/30/2005	9/30/2004
Net sales	\$ 13,641,532	\$ 15,011,496
Cost of sales (excluding amortization of intangible asset)	6,862,785	7,620,834
Gross profit	6,778,747	7,390,662
Research and development	1,141,101	1,348,217
Selling, general, & administrative	2,577,135	2,110,889
Amortization of intangible assets	446,166	1,690,084
Operating income	2,614,345	2,241,472
Other income (expense):		
Interest expense	(108,003)	(61,053)
Interest income	148,049	14,878
	40,046	(46,175)
Income before income tax expense	2,654,391	2,195,297
Income tax expense	1,053,415	878,156
Net income	\$ 1,600,976	\$ 1,317,141
Basic earnings per share	\$ 0.07	\$ 0.05
Diluted earnings per share	\$ 0.07	\$ 0.05
Basic weighted average number of shares	24,110,790	24,082,401
Diluted weighted average number of shares	24,117,149	24,199,904

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

LANNETT COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(UNAUDITED)

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Loss, net	Total Shareholders Equity
Balance at June 30, 2005	24,111,140	\$ 24,111	\$ 70,157,431	\$ (512,535))\$ (394,570))\$ (25,193))\$ 69,249,244
Shares issued in connection with employee stock purchase plan	7,534	7	33,413				33,420
Amortization expense in connection with employee stock options			327,889				327,889
Unrealized net losses on investment securities, net of reclassification adjustments and income taxes						(41,572)	(41,572)
Net Income				1,600,976			1,600,976
Balance at September 30, 2005	24,118,674	\$ 24,118	\$ 70,518,733	\$ 1,088,441	\$ (394,570))\$ (66,765))\$ 71,169,957

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

**LANNETT COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

(UNAUDITED)

	For the three months ended	
	9/30/2005	9/30/2004
OPERATING ACTIVITIES:		
Net income	\$ 1,600,976	\$ 1,317,141
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	954,300	2,081,056
Deferred tax (benefit) expense	(27,715)	
Stock compensation expense	327,889	
Changes in assets and liabilities which provided (used) cash:		
Trade accounts receivable	(3,934,972)	7,314,319
Inventories	(803,262)	(5,394,745)
Prepaid taxes	1,057,641	778,156
Prepaid expenses and other assets	100,730	267,982
Accounts payable	(240,314)	(3,094,961)
Accrued expenses	1,598,168	(1,039,744)