ADM TRONICS UNLIMITED, INC.
Form 10-Q
August 20, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from _______ to _______

COMMISSION FILE NO. 0-17629

ADM TRONICS UNLIMITED, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-1896032

(State or Other Jurisdiction	(I.R.S. Employer
of Incorporation or organization)	Identification Number)

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

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

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 [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]
	Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

YES [ ] NO [X]

State the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date:

67,588,504 shares of Common Stock, $.0005 par value, as of August 20, 2018.

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (Unaudited)	March 31, 2018 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$1,558,624	$1,693,532
Accounts receivable, net of allowance for doubtful accounts of $125,000	1,253,142	1,207,493
Inventories	288,783	201,023
Prepaid expenses and other current assets	24,397	8,522
Total current assets	3,124,946	3,110,570
Property and equipment, net of accumulated depreciation of $79,909 and $70,440, at June 30, 2018 and March 31, 2018, respectively	123,651	133,120
Inventories - long-term portion	111,051	111,051
Intangible assets, net of accumulated amortization of $10,988 and $10,639, at June 30, 2018 and March 31, 2018, respectively	9,946	10,295
Other assets	91,164	91,464
Deferred tax asset	1,095,634	1,095,634
Total other assets	1,431,446	1,441,564
Total assets	$4,556,392	$4,552,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Capital lease payable	$31,196	$31,196
Line of credit	35,000	-
Accounts payable	258,545	286,964
Accrued expenses and other current liabilities	125,518	149,382
Customer deposits	122,167	122,167

Due to stockholder	137,522	130,551
Total current liabilities	709,948	720,260
Long-term liabilities		
Capital lease payable, net of current portion	46,590	54,637
Total liabilities	756,538	774,897
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.0005 par value; 150,000,000 shares authorized, 67,588,504 shares issued and outstanding	33,794	33,794
Additional paid-in capital	33,294,069	33,294,069
Accumulated deficit	(29,528,009)	(29,550,626)
Total stockholders' equity	3,799,854	3,777,237
Total liabilities and stockholders' equity	$4,556,392	$4,552,134

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2018 AND 2017

(Unaudited)

	2018	2017 (Restated)
Net revenues	$756,967	$1,146,355
Cost of sales	304,421	620,795
Gross profit	452,546	525,560
Operating expenses:		
Research and development	109,868	149,957
Selling, general and administrative	320,025	364,371
Depreciation and amortization	5,557	7,491
Total operating expenses	435,450	521,819
Income from operations	17,096	3,741
Other income (expense):		
Interest income	6,249	1,620
Interest expense	(728)	(728)
Total other income (expense)	5,521	892
Income before provision for income taxes	22,617	4,633
Provision for income taxes:		
Current	-	2,000
Total provision for income taxes	-	2,000
Net income	$22,617	$2,633
Basic and diluted earnings per common share:	$0.00	$0.00
Weighted average shares of common stock outstanding - basic	67,588,504	67,588,504

Weighted average shares of common stock outstanding - diluted	67,588,504	67,588,504

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

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED JUNE 30, 2018 AND 2017

(Unaudited)

	2018	2017 (Restated)
Cash flows from operating activities:		
Net income	$22,617	$2,633
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,818	11,223
Changes in operating assets and liabilities balances:		
Accounts receivable	(45,649)	(165,615)
Inventories	(87,760)	83,677
Prepaid expenses and other current assets	(15,575)	29,511
Accounts payable	(28,419)	(93,824)
Accrued expenses and other current liabilities	(23,864)	(6,962)
Net cash used in operating activities	(168,832)	(139,357)
Cash flows provided by (used) in financing activities:		
Repayments on capital lease payable	(8,047)	(4,733)
Borrowing on line of credit	35,000	-
Borrowings from (repayments to) stockholder	6,971	(87,863)
Net cash provided by (used in) financing activities	33,924	(92,596)
Net decrease in cash and cash equivalents	(134,908)	(231,953)
Cash and cash equivalents - beginning of period	1,693,532	1,982,276
Cash and cash equivalents - end of period	$1,558,624	$1,750,323
Cash paid for:		
Interest	$728	$728

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

5

ADM TRONICS UNLIMITED, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

JUNE 30, 2018 AND MARCH 31, 2018

NOTE 1 - NATURE OF BUSINESS

ADM Tronics Unlimited, Inc., incorporated under the laws of the state of Delaware on November 24, 1969, and subsidiary (collectively, "we", "us", the “Company" or "ADM"), is a technology-based developer and manufacturer of diversified lines of products and derive revenues from the production and sale of electronics for medical devices and other applications; environmentally safe chemical products for industrial, medical and cosmetic uses; and, research, development, regulatory and engineering services.

The accompanying unaudited condensed consolidated financial statements have been prepared by ADM pursuant to generally accepted accounting principles in the United States and the rules and regulations of the Securities and Exchange Commission (“SEC”) including Form 10-Q and Regulation S-X. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the condensed financial position and operating results for the respective periods. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and explanatory notes for the year ended March 31, 2018 as disclosed in our annual report on Form 10-K for that year. The operating results and cash flows for the three months ended June 30, 2018 (unaudited) are not necessarily indicative of the results to be expected for the pending full year ending March 31, 2019.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of ADM Tronics Unlimited, Inc. and its wholly owned subsidiary Sonotron Medical Systems, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Significant estimates made by management include expected economic life and value of our medical devices, reserves, deferred tax assets, 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, option and warrant expenses related to compensation to employees and directors, consultants and investment banks, allowance for doubtful accounts, and warranty reserves. Actual results could differ from those estimates.

REVENUE RECOGNITION

CHEMICAL PRODUCTS:

Revenues are recognized when products are shipped to end users. Shipments to distributors are recognized as revenue when no right of return exists.

ELECTRONICS:

We recognize revenue from the sale of our electronic products when they are shipped to the purchaser. We offer a limited 90-day warranty on our electronics products and a limited 5-year warranty on our electronic controllers for spas and hot tubs. We have no other post shipment obligations. Based on prior experience, no amounts have been accrued for potential warranty costs and actual costs were less than $2,000, for each of the three months ended June 30, 2018 and 2017. For contract manufacturing, revenues are recognized after shipment of the completed products.

ENGINEERING SERVICES:

We provide certain engineering services, including research, development, quality control, and quality assurance services along with regulatory compliance services. We recognize revenue from engineering services as the services are provided.

6

EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share is computed similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential shares had been issued and if the additional shares were dilutive.

Per share basic and diluted earnings amounted to $0.00 for both the three months ended June 30, 2018 and June 30, 2017, respectively. There were 3,000,000 common stock equivalents at June 30, 2018 and 2017, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective April 1, 2018 the Company adopted ASC Topic 606 “Revenue from Contracts with Customers”, using the modified retrospective method. This guidance supersedes nearly all existing revenue recognition guidance under US GAAP. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has drafted its accounting policy for the new standard based on a detailed review of its business and contracts. Based on the new guidance, the Company will continue recognizing revenue at the time it’s products are shipped, and therefore adoption of the standard did not have a material impact on its financial statements and is not expected to have a material impact in the future.

In July 2015, the FASB issued ASU 2015 - 11, “ Inventory. Simplifying the Measurement of Inventory.” This amendment requires companies to measure inventory at the lower of cost and net realizable value. The Company adopted this amendment in April 2017, and the implementation did not have a material impact on the Company's financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases”, which is intended to improve financial reporting for lease transactions. This ASU will require organizations that lease assets, such as real estate and manufacturing equipment, to recognize both assets and liabilities on their balance sheet for the rights to use those assets for the lease term and obligations to make the lease payments created by those leases that have terms of greater than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. This ASU will also require disclosures to help investors and other financial statement users better understand the amount and timing of cash flows arising from leases. These disclosures will include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. This ASU will be adopted by the Company in April 2019. We do not believe that this ASU will have a material impact on our financial statements.

In June 2016, the FASB issued ASU-2016-13 “Financial Instruments – Credit Losses”. This guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. The guidance requires organizations to measure all expected credit losses for financial instruments at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. It is effective for fiscal years beginning after December 15, 2019. The Company is evaluating the potential impact on the Company’s financial statements.

In February 2018, the FASB issued ASU 2018-02, “Income Statement- Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This guidance gives businesses the option of reclassifying to retained earnings the so-called “stranded tax effects” left in accumulated other comprehensive income due to the reduction in the corporate income tax rate resulting from the 2017 Tax Cuts and Jobs Act. This amendment is effective for all organizations for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is allowed. We do not believe that this ASU will have a material impact on our financial statements.

In June 2018, the FASB issued ASU 2018-07, “Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.” This guidance intends to reduce cost and complexity and to improve financial reporting for share-based payments issued to nonemployees. This amendment is effective for public companies with fiscal years beginning after December 15, 2018, include interim period within that fiscal year. Early adoption is permitted. This ASU does not apply to the company at this time.

Management does not believe that any other recently issued, but not yet effective accounting pronouncement, if adopted, would have a material effect on the accompanying consolidated financial statements.

NOTE 3 - INVENTORIES

Inventories at June 30, 2018 consisted of the following:

	Current	Long Term	Total
Raw materials	$209,879	$109,908	$319,787
Finished goods	78,904	1,143	80,047
	$288,783	$111,051	$399,834

Inventories at March 31, 2018 consisted of the following:

	Current	Long Term	Total
Raw materials	$168,640	$110,433	$279,073
Finished goods	32,383	618.00	33,001
	$201,023	$111,051	$312,074

The Company values its inventories at the lower of cost and net realizable value using the first in, first out (“FIFO”) method.

NOTE 4 – CONCENTRATIONS

During the three months ended June 30, 2018 two customers accounted for 52% of our net revenue. During the three months ended June 30, 2017 two customers accounted for 60% of our net revenue.

As of June 30, 2018, three customers represented 97% of our accounts receivable.

As of March 31, 2018, two customers represented 93% of our accounts receivable.

The Company's customer base is comprised of foreign and domestic entities with diverse demographics. Net revenues from foreign customers for the three months ended June 30, 2018 was $101,965 or 13%

Revenues from foreign customers represented $68,381 of net revenue or 6% for the three months ended June 30, 2017

As of June 30, 2018, and March 31, 2018, accounts receivable included $32,251 and $39,995, respectively, from foreign customers.

NOTE 5 - Net Revenues and Segment Information

No sales to an individual customer or country other than the U.S. accounted for more than 10% of net revenue during the three months ended June 30, 2018 and 2017. Net revenue, classified by geography, is as follows:

	Three Months Ended June 30,	
	2018	**2017**
Net revenue - in the U.S.	$655,002	$1,077,974
Net revenue - outside the U.S.	101,965	68,381
	$756,967	$1,146,355

Net revenue by products and services is as follows:

	Three Months Ended June 30,	
	2018	**2017**
Net revenue - products	$508,137	$801,947
Net revenue - services	248,830	344,408
	$756,967	$1,146,355

Net revenue by segment is as follows:

	Chemical	Electronics	Engineering	Total

Three months ended June 30, 2018				
Revenue from external customers	$359,171	$148,966	$248,830	$756,967
Segment operating income	$40,575	$(62,843)	$39,364	$17,096
Three months ended June 30, 2017				
Revenue from external customers	$308,355	$493,592	$344,408	$1,146,355
Segment operating income	$65,446	$(140,271)	$78,566	$3,741
Total assets at June 30, 2018	$2,161,949	$896,667	$1,497,776	$4,556,392
Total assets at March 31, 2018	$1,687,276	$1,280,908	$1,583,950	$4,552,134

NOTE 6 - OPTIONS OUTSTANDING

On September 2, 2015, ADM granted 3,000,000 stock options to employees at an exercise price of $0.20 per option and with a term of three years. The options were valued at $598,699 using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 2.03%, volatility of 353%, estimated useful life of 3 years and dividend rate of 0%.

The following table summarizes information on all common share purchase options issued by us for the three month period ended June 30, 2018 and the year ended March 31, 2018.

	June 30, 2018		March 31, 2018	
	# of Shares	Weighted Average Exercise Price	# of Shares	Weighted Average Exercise Price
Outstanding, beginning of period/year	3,000,000	$ 0.20	3,000,000	$ 0.20
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period/year	3,000,000	$ 0.20	3,000,000	$ 0.20
Exercisable, end of period/year	3,000,000	$ 0.20	3,000,000	$ 0.20

NOTE 7 - COMMITMENTS AND CONTINGENCIES

We lease our office and manufacturing facility under a non-cancelable operating lease, which expires on June 30, 2028. The Company's future minimum lease commitment at June 30, 2018 is as follows:

For the twelve-month period ended June 30,	Amount
2019	$101,875
2020	101,875
2021	101,875
2022	101,875
2023	101,875
Thereafter	534,375
	$1,043,750

Rent and real estate tax expense for all facilities for the three months ended June 30, 2018 and 2017 was approximately $35,000 and $32,000, respectively.

On December 2, 2016, the Company entered into a capital lease agreement with a commercial bank in the amount of $85,680, including $6,930 in deferred interest, for the purchase of certain property and equipment. The lease has a term of forty-eight (48) months and is payable in forty-eight equal installments of $1,785. The balance of this obligation as of June 30, 2018, was $47,578.

On December 2, 2016, the Company entered into a capital lease agreement with a commercial bank in the amount of $54,710, including $4,710 in deferred interest, for the purchase of certain property and equipment. The lease has a term of forty-eight (48) months and is payable in forty-eight equal installments of $1,139. The balance of this obligation as of June 30, 2018, was $30,208.

NOTE 8 – LINE OF CREDIT

On June 15, 2018, the Company obtained an unsecured revolving line of credit, with a limit of $400,000. The line expires May 16, 2019, renewing automatically every year. The Company is required to make monthly interest payments, at a rate of 5.37%. Any unpaid principal will be due upon maturity. At June 30, 2018, the outstanding balance was $35,000.

NOTE 9 - INCOME TAXES

At June 30, 2018, the Company had federal net operating loss carry-forwards ("NOL")'s of approximately $1,950,000. These NOLs may be used to offset future taxable income and thereby reduce or eliminate our federal income taxes otherwise payable. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Ultimate utilization of such NOLs and research and development credits is dependent upon the Company's ability to generate taxable income in future periods and may be significantly curtailed if a significant change in ownership occurs.

The Company provides a partial valuation allowance for the deferred tax asset resulting from the uncertainty that the stock-based compensation will be deductible. During the three months ended June 30, 2018, the Company utilized approximately $22,000 in net operating losses and expects to utilize the entire $1,950,000 before expiration.

The effective rates were approximately 0% for the three months ended June 30, 2018 and 2017, respectively.

NOTE 10 – DUE TO STOCKHOLDER

The Company's President has been deferring his salary and bonuses periodically to assist the Company's cash flow. There are no repayment terms or interest accruing on this liability.

NOTE 11 – RESTATEMENTS

During the audit of March 31, 2018, it was discovered that there were certain inventory and segment allocation errors during the previous quarters. The June 2017 condensed consolidated statements of income and cash flows reflects these restatements.

NOTE 12 – SUBSEQUENT EVENTS

We evaluated all subsequent events from the date of the condensed consolidated balance sheet through the issuance date and determined that there are no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our operations and financial condition should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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. We use forward-looking statements in our description of our 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. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Form 10-Q to reflect any change in our expectations or any changes in events, conditions or circumstances on which any forward-looking statement is based. Factors which could cause such results to differ materially from those described in the forward-looking statements include those set forth under "Item. 1 Description of Business – Risk Factors" and elsewhere in or incorporated by reference into our Annual Report on Form 10-K for the year ended March 31, 2017.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

We recognize revenue from engineering services on a project or monthly basis and contract manufacturing revenues are recognized after shipment of completed products. For the sale of our electronic products, revenues are recognized when they are shipped to the purchaser. Shipping and handling charges and costs are de minimis. We offer a limited 90-day warranty on our electronics products and a limited 5-year warranty on our electronic controllers for spas and hot tubs. Historically, the amount of warranty revenue included in the sales of our electronic products have been de minimis. We have no other post shipment obligations and sales returns have been de minimis.

Revenues from sales of chemical products are recognized when products are shipped to end users. Shipments to distributors are recognized as sales where no right of return exists.

USE OF ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us 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, we evaluate our 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. We base our estimates on historical experience and on various other assumptions that we believe 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, we believe that our 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 and derives revenue from the production and sale of electronics for medical devices and other applications; environmentally safe chemical products for industrial, medical and cosmetic uses; and, research, development, regulatory and engineering services.

The Company is a corporation that was organized under the laws of the State of Delaware on November 24, 1969. Our operations are conducted through ADM Tronics Unlimited, Inc. ("ADM") and its subsidiary Sonotron Medical Systems, Inc. ("SMI").

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2018 AS COMPARED TO JUNE 30, 2017

For the three months ended June 30, 2018

	Chemical	**Electronics**	**Engineering**	**Total**
Revenue	$ 359,171	$ 148,966	$ 248,830	$ 756,967

Cost of Sales	111,980	126,115	66,326	304,421
Gross Profit	247,191	22,851	182,504	452,546
Gross Profit Percentage	69 %	15 %	73 %	60 %
Operating Expenses	206,616	85,693	143,141	435,450
Operating Income (Loss)	40,575	(62,842)	39,363	17,096
Other income (expenses)	2,620	1,086	1,815	5,521
Income before provision for income taxes	$43,195	$(61,756)	$41,178	$22,617

For the three months ended June 30, 2017

	Chemical	**Electronics**	**Engineering**	**Total**
Revenue	$308,355	$493,592	$344,408	$1,146,355
Cost of Sales	107,995	397,640	115,160	620,795
Gross Profit	200,360	95,952	229,248	525,560
Gross Profit Percentage	65 %	19 %	67 %	46 %
Operating Expenses	134,914	236,223	150,682	521,819
Operating Income (Loss)	65,446	(140,271)	78,566	3,741
Other income (expenses)	240	384	268	892
Income (loss) before benefit from income taxes	$65,686	$(139,887)	$78,834	$4,633

Variance

	Chemical	Electronics	Engineering	Total
Revenue	$ 50,816	$ (344,626)	$ (95,578)	$ (389,388)
Cost of Sales	3,985	(271,525)	(48,834)	(316,374)
Gross Profit	46,831	(73,101)	(46,744)	(73,014)
Gross Profit Percentage	4 %	-4 %	7 %	14 %
Operating Expenses	71,702	(150,530)	(7,541)	(86,369)
Operating Income (Loss)	(24,871)	77,429	(39,203)	13,355
Other income (expenses)	2,380	702	1,547	4,629
Income (loss) before benefit from income taxes	$ (22,491)	$ 78,131	$ (37,656)	$ 17,984

Revenues for the three months ended June 30, 2018 decreased by $389,388.

For the three months ended June 30, 2018, the decrease of $389,388 is a result of reduces sales of $344,626 in the electronics segment and $95,578 in the engineering segment, partially offset by increased revenues in the chemical segment of $50,816. The decrease in the electronics segment and increase in the chemical segment is primarily the result of the changes in customer ordering patterns.

Gross profit for the three months ended June 30, 2018 decreased by $73,014. The decrease in gross profit resulted from lower sales for the three-month period.

We are highly dependent upon certain customers. During the three months ended June 30, 2018, two customers accounted for 52% of our net revenue. During the three months ended June 30, 2017, two customers accounted for 60% of our net revenue.

The complete loss of or significant reduction in business from, or a material adverse change in the financial condition of any of our customers could cause a material and adverse change in our revenues and operating results.

Income from operations for the three months ended June 30, 2018 increased by $13,355. The increase in operating income for the three-month period is from reduced operating expenses.

Interest income increased $4,629 for the three months ended June 30, 2018. The increase is due to increased funds invested in a money market account.

The foregoing resulted in net income before provision for income taxes for the three months ended June 30, 2018 of $22,617. Earnings per share were $0.00 for the three months ended June 30, 2018 and 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2018, we had cash and cash equivalents of $1,558,624 as compared to $1,693,532 at March 31, 2018. The $134,908 decrease was primarily the result of cash used in operations during the three-month period in the amount of $168,832, coupled by cash used in financing activities of $33,924. Our cash will continue to be used for increased marketing costs, and the related administrative expenses all in an attempt to increase our revenue, as well as increased expenditures for our internal R&D. We expect to have enough cash to fund operations for the next twelve months.

Future Sources of Liquidity:

We expect that growth in profitable revenues and continued focus on new customers will enable us to continue to generate cash flows from operating activities during fiscal 2019.

If we do not generate sufficient cash from operations, face unanticipated cash needs or do not otherwise have sufficient cash, we may need to consider the sale of certain intellectual property which does not support the Company's operations. In addition, we have the ability to reduce certain expenses depending on the level of business operation.

Based on current expectations, we believe that our existing cash of $1,558,624 as of June 30, 2018, and other potential sources of cash will be sufficient to meet our cash requirements. Our ability to meet these requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

OPERATING ACTIVITIES

Net cash used in operating activities was $168,832 for the three months ended June 30, 2018, as compared to net cash used by operating activities of $227,220 for the three months ended June 30, 2017. The cash used during the three months ended June 30, 2018 was primarily due to net income of $22,617 plus depreciation and amortization of $9,818 and deferred tax assets of $1,095,634 coupled with a decrease in net operating liabilities of $10,312, coupled by a decrease in net operating assets of $148,984.

In addition, we have increased our internal R&D expenditures as we are now devoting more of our engineering resources to advance our own proprietary medical device technologies.

INVESTING ACTIVITIES

No cash was provided for or used in investing activities for the three months ended June 30, 2018.

FINANCING ACTIVITIES

For the three months ended June 30, 2018, net cash used in financing activities was $33,924. Cash was used for repayments on capital lease obligations.

OFF BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have had or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and our investment in ITI. We have no control over the market value of our investment in ITI.

Cash and cash equivalents – For financial statement purposes, the Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less at inception. The Company deposits cash and cash equivalents with high credit quality financial institutions and believes that any amounts in excess of insurance limitations to be at minimal risk. Cash and cash equivalents held at these accounts are current insured by the Federal Deposit Insurance Corporation ("FDIC") up to a maximum of $250,000. At June 30, 2018, approximately $1,385,000 exceeded the FDIC limit.

Our sales are materially dependent on a small group of customers, as noted in Note 4 of our condensed consolidated financial statements. We monitor our credit risk associated with our receivables on a routine basis. We also maintain credit controls for evaluating and granting customer credit.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Ru1e 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. During the quarterly period ended December 31, 2017, there were no changes in the Company's internal control over financial reporting which materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

13

The determination that our disclosure controls and procedures were not effective as of June 30, 2018, is a result of:

a. *Deficiencies in Internal Control Structure Environment.* During the current year, the Company's focus was on expanding their customer base to initiate revenue production.

b. *Inadequate staffing and supervision within the accounting operations of our company.* The relatively small number of employees who are responsible for accounting functions prevents the Company from segregating duties within its internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews. The Company's plan is to expand its accounting operations as the business of the Company expands.

The Company believes that the financial statements present fairly, in all material respects, the Company's condensed consolidated balance sheets as of June 30, 2018, and March 31, 2018 and the related condensed consolidated statements of operations, and cash flows for the three months ended June 30, 2018 and 2017, in conformity with generally accepted accounting principles, notwithstanding the material weaknesses we identified.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During September 2017, a suit was filed by a vendor for $33,000 claiming non-payment for services regarding investor relations and marketing. The Company has filed a countersuit for $12,000 and 300,000 shares of its common stock, paid to the vendor due to lack of performance and other factors. The Company believes the suit is without merit and intends to vigorously pursue its counterclaims. As the lawsuit is in the initial stages, additional detail is not available at this time.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors contained in our Annual Report on Form 10-K for the year ended March 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS.

(a) Exhibit No.

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

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

101.INS** XBRL Instance
101.SCH** XBRL Taxonomy Extension Schema
101.CAL** XBRL Taxonomy Extension Calculation
101.DEF** XBRL Taxonomy Extension Definition
101.LAB** XBRL Taxonomy Extension Labels
101.PRE** XBRL Taxonomy Extension Presentation

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

ADM TRONICS UNLIMITED, INC.
(Registrant)

By: /s/ Andre' DiMino
Andre' DiMino, Chief Executive
Officer and Chief Financial Officer

Dated: Northvale, New Jersey
August 20, 2018

15