NITCHES INC
Form 10-K/A
July 17, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

Amendment No. 2

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

For the fiscal year ended August 31, 2005

o **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 0-13851

NITCHES, INC.

(Exact name of registrant as specified in its charter)

California	**95-2848021**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
10280 Camino Santa Fe San Diego, California	**92121**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number: (858) 625-2633

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	**NASDAQ Capital Market**

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
x	o

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act).

Yes	No
o	x

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

As of October 31, 2005, 1,171,169 shares of the Registrant s common stock were outstanding.

The aggregate market value of all equity securities held by non-affiliates of the Registrant as of the last business day of the most recently completed second fiscal quarter (February 28, 2005) based on the closing price of the Registrant s stock in the NASDAQ Capital Market on that date was $5,047,738.

EXPLANATORY NOTE

This amendment to the annual report of Nitches, Inc. on form 10-K for the fiscal year ended August 31, 2005 is being made to:

1) Revise the cover page to eliminate the note for documents incorporated by reference;
2) Revise the presentation of the Company s Consolidated Balance Sheets, Consolidate Statements of Cash Flows and Trade Receivables footnote to eliminate the netting of receivables due from factor with advances due to factor as required by Rule 5-02.19(2) of Regulation S-X;
3) Change the terminology for shipping and handling costs billed to customers as freight costs ;
4) Include a schedule under the Income Taxes footnote disclosing the amount and expiration of our net operating loss carry forward;
5) Present that information required under Part III which had been incorporated by reference to the Company s Definitive Proxy Statement, as the proxy was not timely filed to allow such incorporation by reference;
6) File as Exhibit 14.1 the Company s Code of Ethics and Business Conduct and provide the website address where the Company makes the most current version publicly available;
7) Revise the certifications required under Section 302 of Sarbanes Oxley and Item 601(b)(31) to reflect the exact language required by these regulations.

PART I

Item 1 - Business

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

Statements in the annual report on Form 10-K under the caption Business , as well as oral statements that may be made by the Company or by officers, directors or employees of the Company acting on the Company s behalf, that are not historical fact constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company s actual results in future periods to differ materially from forecasted results. Those risks include a softening of retailer or consumer acceptance of the Company s products, pricing pressures, competitive forces,worldwide political instability, or unanticipated loss of a major customer. In addition, the Company s business, operations and financial condition are subject to reports and statements filed from time to time with the Securities and Exchange Commission.

General

Nitches, Inc. (the Company or Nitches) designs, markets and distributes wholesale apparel to national retailers, regional chain stores and specialty retailers. Product offerings include men s casual lifestyle clothing by Newport Blue®, men s golf apparel by The Skins Game®, women s sleepwear by Dockers®, women s western wear by Adobe Rose® and Southwest Canyon®, and women s private label apparel and Saguaro® outerwear. The Company provides fashionable clothing to the popularly priced market segment that generally retails between $10 and $35 per item. For 35 years the Company has competed on the basis of price, quality, the desirability of its fabrics and designs, and the reliability of its delivery and service.

In recent years the apparel market has been marked by deflation and reduced profit margins in many markets. The consolidation of retail stores among a small number of national chains has given these chains leverage to seek lower pricing and thereby reduce profit margins for suppliers such as Nitches. During this same time, more vertical retailers who design, produce and sell their own product direct to consumers have emerged. Management has responded by discontinuing product lines in areas where the Company cannot maintain a reasonable profit margin and to develop products in categories that are underserved or where the Company retains an advantage in sources of supply, design or distribution.

Recent Developments

Subsequent to fiscal 2005, on October 24, 2005, the Company acquired the remaining seventy-two percent (72%) of Designer Intimates, Inc. that Nitches did not own. Designer Intimates is a New York City based importer and distributor of both branded and private label women s sleepwear, robes, loungewear, swimwear and intimate apparel; men s sleepwear, robes, and loungewear; and infant s and children s sleepwear and robes. With the Designer Intimates acquisition, the Company has become a diversified supplier of women s intimate apparel at multiple levels of retail distribution, added significant revenues, further strengthened the Company s product mix, and added to the Company s portfolio of brands.

Product Development and Design

The in-house design and merchandising staff of Nitches develops high quality lines of clothing for each of the Company s brands. Using computer-based design and illustration technology, designers create original garment bodies (styles) with unique fabric prints and designs. The Company also may incorporate prints and concepts purchased from freelance artists and independent design services. The use of advanced design tools allows the Company to simulate a wide variety of product for development and presentation to retailers on printed storyboards and in catalogs. The time and expense of sample production is thereby avoided or reduced as merchandisers narrow and refine product lines.

Nitches responds to frequent style changes in women s and men s clothing by maintaining a program of evaluating current trends in style and fabric. In an effort to continually stay abreast of fashion trends, Company representatives shop at department and specialty stores in the United States, Europe, Japan and other countries that are known to sell merchandise with advanced styling direction. The Company may also seek input from selected customers and other industry resources. Design teams then select styles, fabrics, and colors that interpret current fashion trends for their respective product lines.

Retail store buyers may also provide specifications to the Company or may select for sale through their private label apparel programs styles from product lines Nitches designers have developed. The Company then manufactures and imports these goods which are generally sold under a label owned by or exclusive to a retailer. Retailers rely on the established reputation of the Company for arranging for foreign manufacture on a reliable, expeditious and cost-effective basis.

Sources of Supply

Over 95% of the garments sold by the Company are manufactured abroad. Contracting with foreign manufacturers enables the Company to take advantage of prevailing lower labor rates, with the consequent ability to produce a quality garment that can be retailed in the popular, value and moderate price ranges. The Company arranges for the production of garments with suppliers on a purchase order basis, with each order generally backed by an irrevocable letter of credit. The Company does not have any long-term contractual arrangements with manufacturers. This provides the Company with flexibility regarding the selection of manufacturers for future production of goods. The Company believes that it could replace the loss of any particular manufacturer in any country within a reasonable time period. However, in the event of the loss of a major manufacturer the Company could experience a temporary interruption in supply.

As a result of import restrictions on certain garments imposed by bilateral trade agreements between the United States and certain foreign countries, the Company has sought diversity in the number of countries in which it has manufacturing arrangements. The percentage of total purchases from particular countries varies from period to period based upon quota availability and price considerations. The Company has arranged, and will continue to arrange, for production in the United States when economically feasible to meet specific needs.

The following table shows the percentage of the Company s total purchases, not including freight charges, duties and commissions, from each country for the years ended August 31, 2005, 2004, and 2003.

Percent of Total Purchases by Country

	Year ended August 31,		
	2005	**2004**	**2003**
Cambodia	36.4	27.6	34.4
India	16.7	18.8	12.8
Pakistan	16.4	16.5	2.7
Hong Kong	15.4	7.1	3.5
Sri Lanka	5.7	13.6	7.0
United States	4.9	14.5	7.7
China	2.7		
Mexico	1.0		
Countries less than .95% each in the current year	0.8	1.9	31.9

The Company owns 100% of the outstanding capital stock of Nitches Far East Ltd., a Hong Kong corporation that performs production coordination, quality control and sample production services for the Company. Furthermore, the Company works with independent agents specializing in sourcing and production control in Cambodia, India, Pakistan and Sri Lanka. The Company and its subsidiary perform no material manufacturing and maintain no significant assets outside the United States.

In some cases, the manufacturer or agent with whom the Company contracts for production may subcontract work. Most of the listed countries have numerous suppliers that have the technical capability to manufacture garments of the type sold by the Company. The availability of alternate sources tends to offset the risk associated with the loss of a major manufacturer.

The Company believes that the production capacity of foreign manufacturers with which it has developed, or is developing, a relationship is adequate to meet the Company s production requirements for the foreseeable future. However, because of existing and potential import restrictions, the Company continues to attempt to diversify its sources of supply.

When management believes, based on previous experience and market performance, that additional orders for certain garments will be received, the Company may place production runs in amounts in excess of firm customer orders. This may allow the Company to achieve overall lower costs as well as to be able to respond more quickly to customer delivery requirements. However, the Company bears the consequent risk if garments purchased in advance of receipt of customer purchase orders do not sell.

Raw Materials

A substantial majority of the clothing sold by the Company is made of l00% cotton, although the Company also utilizes cotton blends, polyester, rayon and leather fabrics. All of these fabrics are readily available in most countries in which the Company contracts for production and are easily imported to those countries that do not have an internal supply of such fabric. The majority of the fabric that the Company uses comes from multiple sources of supply in China. The Company is not dependent on a single source of supply for fabric that is not readily replaceable.

Quality Control

Company representatives regularly visit manufacturers to inspect garments and monitor production facilities in order to assure timely delivery, maintain quality control and issue inspection certificates. Furthermore, through these representatives and independent inspectors from major retailers, the Company ensures that the factories the Company uses for production adhere to policies consistent with prevailing labor laws. A sample of garments from a percentage of each production run is inspected before each shipment. Letters of credit arranged by the Company require, as a condition to the release of funds to the supplier, that a representative of the Company sign an inspection certificate.

Marketing and Distribution

The Company sells its products through an established sales network consisting of both in-house sales personnel and independent sales representatives. The Company does not generally advertise, although customers sometimes feature the Company s products in their advertisements. Employees in Company showrooms in New York City and Los Angeles represent the Company in soliciting orders nationally. In addition, senior managers of the Company have primary responsibility for sales to certain key accounts. The Company s products are also marketed by approximately 51 independent commissioned sales representatives.

The presence of a national brand has emerged as a principle factor in apparel buying decisions. In response, the Company has sought ownership or control of recognized brands for the categories of apparel which it distributes. In an agreement with Designer Intimates, the Company markets Dockers® ladies sleepwear in a variety of fabrics and styles, including pajamas, nightshirts and nightgowns. The Company designs and distributes men s wear under the Newport Blue® and The Skins Game® labels through agreements with third parties. The Company distributes women s Western wear shirts under its own labels Adobe Rose® and Southwest Canyon®. Western jeans are sold under the label Posted® through a licensing agreement with a third party supplier. During 2005, we also began importing and distributing women s sweaters and Saguaro® leather outerwear under an agreement with a third party.

Most garments are shipped by suppliers in bulk form to the Company s warehouse in San Diego, where they are sorted, stored and packed for distribution to customers. From time to time, the Company may rent additional short-term warehouse space as needed to accommodate its requirements during peak shipping periods. In addition, to facilitate shipping to customers, some of its overseas suppliers perform sorting, price ticketing, hanging, and packing functions.

Purchase orders may be canceled by the Company s customers in the event of late delivery or in the event of receipt of nonconforming goods. Late deliveries usually are attributable to production or shipping delays beyond the Company s control. In the event of canceled purchase orders, rejections or returns, the Company will sell garments to other retailers, off-price discount stores or garment jobbers. In the past the Company has often been able to recover from its manufacturers some portion of its expenses or losses associated with sales below cost for causes attributable to manufacturing problems. However, the Company has also historically experienced losses on merchandise that is rejected or returned. Yet past losses on rejected and returned merchandise have not been material to the Company.

The Company s business is concentrated on certain significant customers. Sales to one customer accounted for 53.1% of the Company s net sales during fiscal 2005. Two customers accounted for 32.3% and 31.3% respectively, of the Company s net sales in fiscal 2004. While the Company believes its relationships with its major customers are good, because of competitive changes and availability of the types of garments sold by the Company from a number of other suppliers, there is the possibility that any customer could alter the amount of business it does with the Company. If the Company experiences a significant decrease in sales to any of its major customers, and is unable to replace such sales volume with sales to other major customers, there could be a material adverse financial effect on the Company.

Imports and Import Restrictions

The ability of the Company to import garments is subject to the risks of international commerce. Imports into the United States are affected by, among other things, the cost of transportation and import restrictions that limit the specific number of garments that may be imported from any country during a specific period. Countries from which the Company purchases garments may impose or alter quotas, duties or other restrictions on substantially all of the products imported by the Company. Because of this uncertainty, the Company has sought diversity in the number of countries in which it has garments manufactured.

Import restrictions have, in some cases, increased the cost of finished goods to the Company as a result of increased competition for a restricted supply of goods. The Company s future results may also be affected by additional bilateral or unilateral trade restrictions, a significant change in existing quotas, political instability resulting in the disruption of trade from exporting countries, or the imposition of additional duties, taxes and other charges on imports.

Because of import restrictions and quotas, embargos, and political instability in some countries of origin,the Company may be unable, from time to time, to import certain types of garments. Because of the Company s dependence on foreign suppliers, a significant tightening or utilization of import quotas for the types of garments imported by the Company, applicable to a substantial number of countries from which the Company imports, could force the Company to seek other sources of supply and to take other actions which could increase costs of production. This could also cause delays in production and result in cancellation of orders. Any of these factors could result in an adverse financial impact on the Company.

The Company believes it has the ability to locate, establish relationships with and develop manufacturing sources in countries where the Company has not previously operated. The time required to commence contract production in supplier countries ranges from several weeks in the case of a country with a relatively well developed garment manufacturing industry to four months or more for a country in which there are less developed capabilities. The cost to the Company of arranging for production in a country generally involves management time and associated travel expenses.

Backlog

At August 31, 2005 and August 31, 2004 the Company had unfilled customer orders of $9.9 million and $10.5 million, respectively, with such orders generally scheduled for delivery by March 2006 and 2005, respectively. The decrease in order backlog was primarily in the Company s sleepwear product line due to delays in anticipated order placement from Kohl s as they looked to place orders closer to requested delivery dates in order to more accurately anticipate consumer demand. This decline was partially offset by the addition of orders for private label apparel and Saguaro® outerwear. The amount of unfilled orders at any given time is affected by a number of factors, including the timing of the receipt and processing of customer orders and the scheduling of the manufacture and shipping of the product, which may be dependent on customer requirements.

As of November 30, 2005, the Company had on-hand unfilled customer orders of $12.3 million as compared to $12.9 million at November 30, 2004, with such orders generally scheduled for delivery by May2006 and 2005, respectively. The decrease in backlog is due to reduced sleepwear orders, offset partially by the inclusion of orders for private label apparel through the Company s agreement with a third party.

Backlog amounts include both confirmed orders and unconfirmed orders that the Company believes, based on industry practice and past experience, will be confirmed. While cancellations, rejections and returns have generally not been material in the past, there can be no assurance that such action by customers will not reduce the amount of sales realized from the backlog of orders at either August 31, 2005 or November 30, 2005.

Competition

The apparel industry is highly competitive and consists of many manufacturers and distributors, none of which accounts for a significant percentage of total sales, but many of which are larger and have substantially greater resources than the Company. The Company competes with a number of companies which import clothing from abroad for wholesale distribution, with domestic retailers having established foreign manufacturing capabilities and with domestically produced goods. Management believes that the Company competes upon the basis of price, quality, the desirability of its fabrics and styles, and the reliability of its service and delivery. In addition, the Company has developed long-term working relationships with manufacturers and agents, which presently provide the Company with reliable sources of supply. Increasingly the Company competes directly with agents or with retailers own sourcing affiliates who own factories or have established production relationships that allow these companies to directly supply retailers with the desired product at a lower cost.

Employees

The Company s ability to compete effectively is dependent, in part, on its ability to retain managerial personnel with experience in locating, developing and maintaining reliable sources of supply and to retain experienced sales and product development personnel. As of August 31, 2005, the Company had 43 full-time employees, of whom nine worked in executive, administrative or clerical capacities and 26 worked in sales, design, and production. Additionally, the Company employs eight individuals in its Hong Kong office who are responsible for fabric and trim sourcing, product development and quality control. The Company contracts with an unrelated entity to provide warehouse services. The Company may also employ temporary personnel on a seasonal basis. None of the Company s employees is represented by a union. The Company considers its working relationships with its employees to be good and has never experienced an interruption of its operations due to any kind of labor dispute.

Investments

On October 1, 2002, the Company acquired a 28% interest in Designer Intimates, Inc., which owns 100% of NAP, Inc. (NAP), a New York-based intimate apparel company. NAP is a leading designer, marketer and distributor of women s sleepwear, robes, loungewear, daywear and foundations in the United States. Designer Intimates acquired NAP from its founders and obtained a credit line of approximately $12 million from HSBC which was later assumed by CIT that is secured by the inventory and accounts receivable of NAP and the guarantees of shareholders of Designer Intimates. The Company has guaranteed $3.0 million of this credit line and this guaranty formed the consideration from the company for its 28% ownership interest in Designer Intimates. In the event of a call on this guaranty by CIT, Nitches has a contract with the remaining shareholders of Designer Intimates to limit Nitches exposure to 28% of the called value, subject to the maximum guaranty of $3.0 million. The major shareholder in Designer Intimates is Haresh T. Tharani, Chairman of Bill Blass, Ltd. The Company and Mr. Tharani have a relationship that began in 1995 when the company sold its junior sportswear business to a company also owned by Mr. Tharani, Design & Source Holding Company. Steven Wyandt serves on the boards of directors of NAP and Designer Intimates.

Subsequent to fiscal 2005, on October 24, 2005, the Company acquired the remaining seventy-two percent (72%) of the issued and outstanding stock of Designer Intimates, Inc. This transaction is further described in the Subsequent Event footnote 13 on page 29. There are additional disclosures regarding the investment in the Equity Investment discussion on page 10 and page 25 presents condensed financial statements for Designer Intimates.

Item 1A Risk Factors

Certain Business Risk Factors

We rely on a few key customers, and the loss of any one key customer would substantially reduce our revenues.

We derive a significant amount of our revenues from a few major customers. A significant decrease in business from or loss of any of our major customers could harm our financial condition by causing a significant decline in revenues attributable to such customers.

The Company s business is concentrated on certain significant customers. Sales to one customer accounted for 53.1% of the Company s net sales during fiscal 2005. Two customers accounted for 32.3%, and 31.3% respectively, of the Company s net sales in fiscal 2004. While the Company believes its relationships with its major customers are good, we do not have long-term contracts with any of them and purchases generally occur on an order-by-order basis. Because of competitive changes and the availability of the types of garments sold by the Company from a number of other suppliers, there is the possibility that any customer could alter the amount of business it does with the Company. If the Company experiences a significant decrease in sales to any of its major customers, and is unable to replace such sales volume with orders from other major customers, there could be a material adverse financial effect on the Company.

Our business depends on consumer spending patterns.

Our business is sensitive to a number of factors that influence the levels of consumer spending, including political and economic conditions such as recessionary environments, the levels of disposable consumer income, consumer debt, interest rates and consumer confidence. Reduced consumer spending on apparel and accessories could have an adverse effect on our operating results.

We operate in a highly competitive and fragmented industry and our failure to successfully compete could result in a loss of one or more significant customers.

The retail apparel industry is highly competitive and fragmented. Our competitors include numerous apparel designers, manufacturers, importers and licensors, many of which have greater financial and marketing resources than us. We believe that the principal competitive factors in the apparel industry are:

timeliness, reliability and quality of services provided,
pricing that supports retailers targeted gross margins,
brand name and brand identity, and
the ability to anticipate customer requirements and consumer demand.

If we do not continue to provide high quality and reliable services on a timely basis at competitive prices, we may not be able to continue to compete in our industry. If we are unable to compete successfully, we could lose one or more of our significant customers which, if not replaced, could negatively impact our sales and financial performance.

We must successfully gauge fashion trends and changing consumer preferences to succeed.

Our failure to anticipate, identify and respond effectively to changing consumer demands and fashion trends could adversely affect acceptance of our products by retailers and consumers and may result in a significant decrease in net sales or leave us with a substantial amount of unsold inventory. We believe that our success depends on our ability to anticipate, identify and respond to changing fashion trends in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. If our products are not successfully received by retailers and consumers and we are left with a substantial amount of unsold inventory, we may be forced to rely on markdowns or promotional sales to dispose of excess, slow-moving inventory. If this occurs, our business, financial condition, results of operations and prospects may be harmed.

We depend on our key personnel.

Our success depends to a large extent upon the continued services of our officers and managers. The loss of the services of any key member of management could have a material adverse effect on our ability to manage our business. Our continued success is dependent upon our ability to attract and retain qualified management, administrative and sales personnel to support our future growth. Our inability to do so may have a significant negative impact on our ability to manage our business.

Item 1B Unresolved Staff Comments

None.

Item 2 - Properties

The Company currently leases properties in New York, California and Hong Kong. The Company leases one showroom in New York, one in Los Angeles and approximately 30,000 square feet of warehouse with administrative offices in San Diego. The Company may lease additional short-term warehouse space from time to time as needed.

Item 3 - Legal Proceedings

By letter dated December 6, 2004, the Company, together with Steve Wyandt and Paul Wyandt, were served notice by the U.S. Department of Labor that a complaint had been filed with the office of Occupational Safety & Health Administration (OSHA) by Angel Martin Aquino alleging discriminatory employment practices in violation of Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002 (also known as the Sarbanes-Oxley Act). OSHA thoroughly investigated the matter, found no basis for the complaint, and dismissed the matter on February 25, 2005.

Item 4 - Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2005.

PART II

Item 5 - Market for the Registrant s Common Stock and Related Shareholder Matters

The Company s Common Stock trades on The NASDAQ Capital Market under the symbol NICH. The number of shareholders of record of the Common Stock on October 31, 2005 was 103. The Company believes that there are a significant number of beneficial owners of its Common Stock whose shares are held in street name . The closing sales price of the Common Stock on October 31, 2005 was $5.10 per share.

The high and low closing sale prices, adjusted for stock dividends, for each fiscal quarter ending on the specified date during the last two fiscal years were as follows:

	High	Low
FISCAL YEAR ENDED AUGUST 31, 2005		
First Quarter	$ 7.16	$ 5.28
Second Quarter	6.65	4.21
Third Quarter	5.22	3.60
Fourth Quarter	5.28	4.35
FISCAL YEAR ENDED AUGUST 31, 2004		
First Quarter	$ 5.16	$ 3.87
Second Quarter	6.25	3.63
Third Quarter	8.69	5.10
Fourth Quarter	8.98	4.83

The Company does not have a quarterly dividend policy and did not pay or declare any dividends during fiscal year 2005 and 2004.

Item 6 - Selected Financial Data (In thousands, except per share amounts)

OPERATING RESULTS DATA:

	Fiscal Year Ended August 31,				
	2005	**2004**	**2003**	**2002**	**2001**
	(In thousands, except per share amounts)				
Net sales	$ 26,320	$ 32,179	$ 28,440	$ 29,589	$ 33,780
Cost of goods sold	20,534	22,783	21,856	22,214	24,854
Gross profit	5,786	9,396	6,584	7,375	8,926
Selling, general and administrative	8,175	8,389	7,663	7,132	7,313
Income (loss) from operations	(2,389)	1,007	(1,079)	243	1,613
Other income	460		3	16	247
Interest expense	(102)	(93)	(83)	(80)	(162)
Net income (loss) from equity investment	(64)	14	(236)		
Income (loss) before income taxes	(2,095)	928	(1,395)	179	1,698
Provision for (benefit from) income taxes	(894)	371	(425)	63	615
Net income (loss)	$ (1,201)	$ 557	$ (970)	$ 116	$ 1,083
Basic earnings per share	$ (1.03)	$ .48	$ (0.83)	$ 0.10	$ 0.92
Diluted earnings per share	$ (1.03)	$ .48	$ (0.83)	$ 0.10	$ 0.92
Cash dividends per common share	$	$	$ 0.30	$ 0.45	$ 1.35
Weighted average number of common shares (000 s):					
Basic	1,171	1,171	1,171	1,112	1,172
Diluted	1,171	1,171	1,171	1,112	1,172

CONSOLIDATED BALANCE SHEETS DATA:

	As of August 31				
	2005	**2004**	**2003**	**2002**	**2001**
	(In thousands)				
Cash	$ 192	$ 219	$ 110	$ 182	$ 192
Receivables	1,102	3,587	922	4,523	3,179
Income taxes receivables	212		466	118	75
Inventories	4,582	3,373	4,974	5,306	5,408
Total current assets	7,257	7,556	6,721	10,378	9,157