FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
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FILER

JAYARK CORP

CIK:**53260**| IRS No.: **131863419** | State of Incorp.:**DE** | Fiscal Year End: **0430**
Type: **10-Q** | Act: **34** | File No.: **000-03255** | Film No.: **99709492**
SIC: **5020** Furniture & home furnishings

Mailing Address
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UNITED STATES
Securities and Exchange Commission
Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended: July 31, 1999

Or

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

For the transition period from to

0-3255
(Commission File Number)

JAYARK CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	13-1864519
(State or other jurisdiction of incorporation)	(IRS EIN)
Post Office Box 741528, Houston, Texas	77274
(Address of principal executive offices)	(Zip Code)

(713) 783-9184
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at July 31, 1999
Common Stock $0.01 Par Value	27,663,597

Part I.
Item I.

Jayark Corporation and Subsidiaries
Consolidated Balance Sheets

<TABLE>
<CAPTION>

	Unaudited 7/31/99	Audited 4/30/99
<S>	<C>	<C>
Assets		
Current Assets		
Cash and Cash Equivalents	$513,734	$209,724
Accounts Receivable-Trade, Less Allowance For Doubtful Accounts of $82,000 at 7/31/99 and $59,000 at 4/30/99	1,411,577	1,818,214
Inventories	504,204	337,914
Other Current Assets	48,966	46,247
Total Current Assets	2,478,481	2,412,099
Non Current Assets		
Property & Equipment, Less Accumulated Depreciation and Amortization	112,822	120,410
Excess of Cost Over Net Assets of Businesses Acquired, Less Accumulated Amortization of $490,000 at 7/31/99 and $485,000 at 4/30/99	242,042	247,382
Total Non-Current Assets	354,864	367,792
Total Assets	$2,833,345	$2,779,891
Liabilities		
Current Liabilities		
Notes Payable & Line of Credit	$0	$0
Current Maturities of Long Term Debt	161,332	161,332
Accounts Payable	618,070	689,209
Accrued Expenses	255,916	253,796

Accrued Salaries	413,703	392,420
Accrued Interest	504,510	504,510
Other Current Liabilities	44,225	39,918
Total Current Liabilities	1,997,756	2,041,185
Long Term Debt	1,420,787	1,424,229
Total Liabilities	$3,418,543	$3,465,414
Stockholders' Equity (Deficit)		
Common Stock of $.01 Par Value. Authorized 30,000,000 Shares; Issued 27,663,597 Shares at 7/31/99 and 4/30/99	276,636	276,636
Additional Paid-In Capital	12,350,084	12,350,084
Deficit	(13,211,918)	(13,312,243)
Total Stockholders' Equity (Deficit)	$(585,198)	$(685,523)
Total Liabilities & Stockholders' Equity (Deficit)	$2,833,345	$2,779,891

See accompanying notes to consolidated financial statements

</TABLE>

Jayark Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

<TABLE>
<CAPTION>

Three Months Ended:	7/31/99	7/31/98
<S>	<C>	<C>
Net Revenues	$3,430,942	$4,046,269
Cost of Revenues	2,883,838	3,498,261
Gross Margin	547,104	548,008
Selling, General and Administrative	419,392	481,177
Operating Income	127,712	66,831
Other Income (Expense):		
Interest Expense	(27,387)	(93,674)

Pre Tax Earnings (losses)	100,325	(26,843)
Provision for Income Taxes	--	--
Net Income (loss)	$100,325	$(26,843)
Basic and Diluted Earnings (Loss)per Common Share:		
Net Income (Loss)	$.00	$.00
Weighted Average Common Shares:		
Basic and Diluted	27,663,597	9,221,199

See accompanying notes to consolidated financial statements
</TABLE>

Jayark Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the Three Months Ended
(Unaudited)

<TABLE>
<CAPTION>

<S>	7/31/99 <C>	7/31/98 <C>
Cash Flows From Operating Activities:		
Net Income (loss)	$100,325	$(26,843)
Adjustments to Reconcile Earnings (Loss) to Cash From Operating Activities:		
Depreciation and Amortization of Property and Equipment	16,634	29,224
Changes In Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable Net	406,637	(138,419)
(Increase) Decrease in Inventories	(166,290)	(235,305)
(Increase) Decrease in Other Current Assets	(2,718)	(18,110)
Increase (Decrease) in Accounts Payable	(71,138)	228,628
Increase (Decrease) in Accrued Expenses	2,120	(2,604)
Increase (Decrease) in Accrued Salaries	21,282	(9,503)
Increase (Decrease) in Accrued Interest	--	42,000
Increase (Decrease) in Other Liabilities	4,307	30,026
Net Cash Provided By (Used In) Operating Activities	311,159	(100,906)

Cash Flows From Investing Activities:		
Purchases of Property and Equipment	(3,706)	(778,395)
Net Cash Provided By (Used In) Investing Activities	(3,706)	(778,395)
Cash Flows From Financing Activities:		
Proceeds From Issuance of Long Term Debt	--	142,955
Proceeds From Issuance of Notes Payable	--	650,000
Payments of Notes Payable & Subordinated Debentures	(3,443)	(12,138)
Net Cash Provided By (Used In) Financing Activities	(3,443)	780,817
Net Increase (Decrease) in Cash and Cash Equivalents	304,010	(98,484)
Cash & Cash Equivalents at Beginning of Year	209,724	238,858
Cash & Cash Equivalents at End of Year	$513,734	$140,374

See accompanying notes to consolidated financial statements

</TABLE>

Notes to Consolidated Financial Statements
(Unaudited)

1. Jayark Corporation ("Jayark" or "the Company") conducts its operations through two wholly owned subsidiaries, AVES Audiovisual Systems, Inc. ("AVES") and MED Services Corp. ("Med"), each of which constitute a business segment for financial reporting purposes. The consolidated balance sheet of Jayark Corporation and subsidiaries (the "Company"), as of July 31, 1999, and the related consolidated statements of operations and cash flows for the periods ended July 31, 1999 and 1998 are unaudited. The consolidated balance sheet as of April 30, 1999 has been derived from audited financial statements. The consolidated financial statements should be read in conjunction with the audited financial statements and footnotes for the year ended April 30, 1999, included in the Company's report on Form 10-K.

2. The interim financial statements reflect all adjustments (consisting of only normal and recurring accruals and adjustments) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The Company's operating results for any particular interim period may not be indicative of results for the full year.

3. Certain reclassifications have been made in the 1998 financial statements to conform them to and make them consistent with the

presentation used in the 1999 financial statements.

Item 2.

Management's Discussion & Analysis of Results of Operations

Three Months Ended July 31, 1999 as compared to July 31, 1998

NET REVENUES

Consolidated Revenues of $3,431,000 for the period ended July 31, 1999 decreased $615,000, or 17.9%, as compared to the same period in 1998. Sales at AVES were down $575,000 as compared to the same period last year. This decrease was due to a decrease in direct sales as compared to the prior year. In addition to the decrease at AVES, Med reported zero sales as compared to $40,000 in prior year rental sales, as a result of the November 1998 termination of its distribution agreements with Vivax Medical Corporation.

COST OF REVENUES

Consolidated Cost of Revenues of $2,884,000 decreased $614,000, or 17.6%, as compared to the same period last year. The decrease was a result of the decrease in sales.

GROSS MARGIN

Consolidated Gross Margin of $547,000 was 15.9% of revenues, as compared to $548,000, or 13.5%, for the same period last year. The Company experienced lower unit sales with higher profit margins that resulted in a gross margin comparable to the prior year, despite the decrease in revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated Expenses of $419,000 decreased $62,000 or 12.8% as compared to the same period last year. Jayark Corporate expenses decreased $38,000 due to a reduction in the President's salary accrual and decreased legal and audit fees as compared to last year. Med decreased expenses $21,000 due to a reduction in legal fees from the prior year. The prior year legal fees were a result of the formation of the new subsidiary. AVES' spending was down $3,000 as compared to the same period last year.

OPERATING INCOME

Consolidated Operating Income of $128,000 increased $61,000, or 91.1%, as compared to the same period last year. This increase was possible, despite the decrease in revenues, due to the decrease in selling, general and administrative expenses.

INTEREST EXPENSE

Consolidated Interest Expense of $27,000 decreased $66,000, or 70.8%. This decrease was primarily a result of the decrease in subordinated debt and notes payable attributed to the conversion of debt in conjunction with the Rights Offering which expired on October 30, 1998. As compared with the prior period, subordinated debt was down $787,000, with an interest rate reduction on the $613,000 in remaining principal from 12% to 8%, and notes payable decreased $1,000,000 due to the exchange of equity for debt.

NET INCOME (LOSS)

Consolidated Net Income of $100,000 increased as compared to a net loss of $(27,000) during the same period last year. The $127,000 increase, or 473.7%, was a result of decreased selling, general and administrative costs and reduced interest expense.

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 1999, and at April 30, 1999, consolidated open lines of credit available to the Company for borrowing were $1,250,000. It is the opinion of the Company's management that operating expenses, as well as obligations coming due during the next fiscal year, will be met primarily by cash flow generated from operations and from available borrowing levels.

Working capital was $481,000 at July 31, 1999, compared with $371,000 at April 30, 1999.

Net cash provided by operating activities was $311,000 in 1999 as compared with net cash used of $101,000 in 1998.

Cash flows used in investing activities were $4,000 in 1999 as compared to $778,000 in 1998. This difference is a result of the Med's purchase of equipment for rental in the prior year.

Cash used by financing activities was $3,000 in 1999, compared to cash provided of $781,000 in 1998 as a result of the issuance of notes payable and long-term debt.

Year 2000

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain information technology systems and their associated software ("IT Systems"), and certain equipment that uses programmable logic chips to control aspects of their operation ("embedded chip equipment"), may recognize "00" as a year other than the year 2000. The year 2000 issue could result, at the Company and elsewhere, in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or to engage in other normal business activities.

The Company has addressed, and continues to address, its year 2000 issues, including efforts relating to IT Systems and embedded chip equipment used within the Company, efforts to address issues the Company faces if third parties who do business with the Company are not prepared for the year 2000, and contingency planning. The Company has used both internal and external resources to identify, correct, upgrade or replace and test its IT systems and embedded chip equipment for year 2000 compliance.

The Company's IT Systems have been tested and determined to be compliant in a simulated year 2000 environment. As a result, the Company believes that its IT systems are ready for the year 2000, although isolated incidences of non-compliance may be experienced. The Company plans to allocate internal resources and retain dedicated consultants and vendor representatives to be ready to take action should these events occur.

The Company has identified some non-IT systems, embedded chip equipment, such as telephones, fax machines, climate control devices and building security systems, which may be impacted by the year 2000 problem, and is in the process of determining what actions may be required to make the equipment year 2000 compliant. These non-IT systems are minor in nature and would not significantly impact the Company's operations.

With respect to the IT and non-IT Systems of critical third parties, such as product vendors, utilities, communications, transportation, government, banking and other important services, the Company has established communication to obtain assurances regarding their respective year 2000 efforts. While the Company expects such third parties to address the year 2000 issues based on the representations it has received to date, the Company cannot guarantee that these systems will be made year 2000 compliant in a timely manner. Computer errors or failures in any of these areas may have the potential to disrupt business operations. The Company will continue to monitor the progress of such third parties.

Although the Company values established relationships with key vendors, substitute products for most goods may be obtained from other vendors. If certain vendors are unable to deliver product on a timely basis, due to their own year 2000 issues, the Company anticipates that there will be others who will be able to deliver similar goods. However, the lead-time involved in sourcing certain goods may result in temporary shortages of relatively few items.

The Company expects all expenditures relating to their year 2000 readiness to be funded by cash flows from operations and that this will not materially impact other operating or investment plans.

The Company believes that the IT and non-IT technologies which support its critical functions will be ready for the transition to the year 2000. There can be no assurance that similar unresolved issues for key third parties will not cause an adverse effect on the Company. As a result, the Company is in the process of developing and finalizing the appropriate contingency plans, which plans will be established and then revised as necessary during the course of 1999. Although the Company believes that its efforts to address the year 2000 issue will be sufficient to avoid a material adverse impact on the Company, there can be no assurances that these efforts will be fully effective.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits - None

(b) Report on Form 8-K - None

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.

JAYARK CORPORATION
Registrant

/s/ David L. Koffman
David L. Koffman, President
Chief Executive Officer

September 10, 1999

/s/ Robert C. Nolt September 10, 1999
Robert C. Nolt
Chief Financial Officer

[ARTICLE] 5
[CIK] 0000053260
[NAME] JAYARK CORPORATION
[MULTIPLIER] 1000
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[PERIOD-END] JUL-31-1999
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[RECEIVABLES] 1,494
[ALLOWANCES] 82
[INVENTORY] 504
[CURRENT-ASSETS] 2,478
[PP&E] 433
[DEPRECIATION] 320
[TOTAL-ASSETS] 2,833
[CURRENT-LIABILITIES] 1,998
[BONDS] 0
[PREFERRED-MANDATORY] 0
[PREFERRED] 0
[COMMON] 277
[OTHER-SE] (862)
[TOTAL-LIABILITY-AND-EQUITY] 2,833
[SALES] 3,431
[TOTAL-REVENUES] 3,431
[CGS] 2,884
[TOTAL-COSTS] 2,884
[OTHER-EXPENSES] 419
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