

CRITICARE SYSTEMS INC /DE/
Form 10-Q
February 11, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended December 31, 2004

OR

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 1-31943

CRITICARE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

39-1501563
(IRS Employer Identification No.)

20925 Crossroads Circle, Suite 100
Waukesha, Wisconsin
(Address of principal executive offices)

53186
(Zip Code)

Registrant's telephone number including area code (262) 798-8282

N/A

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of each class of the registrant's classes of common stock as of December 31, 2004:
Class A Common Stock 11,457,111 shares.

CRITICARE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND JUNE 30, 2004

(UNAUDITED)

ASSETS	December 31, 2004	June 30, 2004
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,773,491	\$ 3,738,825
Accounts receivable, less allowance for doubtful accounts of \$300,000 and \$260,000, respectively	6,266,174	6,489,884
Other receivables	352,224	359,806
Inventories	5,164,905	6,418,135
Prepaid expenses	137,643	364,375
Total current assets	15,694,437	17,371,025
Property, plant and equipment - net	1,892,465	2,094,330
License rights and patents - net	73,484	76,985
TOTAL ASSETS	\$ 17,660,386	\$ 19,542,340
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,069,469	\$ 3,237,405
Accrued liabilities:		
Compensation and commissions	926,659	863,113
Product warranties	487,000	444,000
Liability under guarantees	490,000	490,000
Out of court settlement	—	200,000
Obligations under capital lease	60,173	57,712
Other	125,759	174,395
Total current liabilities	4,159,060	5,466,625
LONG-TERM LIABILITIES:		
Obligations under capital lease	234,056	264,770
Other long-term obligations	13,231	21,646
Total long-term liabilities	247,287	286,416
TOTAL LIABILITIES	4,406,347	5,753,041
STOCKHOLDERS' EQUITY:		
Preferred stock - \$.04 par value, 500,000 shares authorized no shares issued or outstanding		—
Common stock - \$.04 par value, 15,000,000 shares authorized, 11,574,749 shares issued, and 11,457,111 and 11,450,021 shares outstanding, respectively	462,990	462,990
Additional paid-in capital	23,966,075	23,965,900

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Common stock held in treasury (117,638 and 124,728 shares, respectively)	(396,232)	(409,439)
Retained earnings (accumulated deficit)	(10,775,312)	(10,226,670)
Cumulative translation adjustment	(3,482)	(3,482)
Total stockholders' equity	13,254,039	13,789,299
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,660,386	\$ 19,542,340

See notes to consolidated financial statements.

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CRITICARE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)

	2004	2003
NET SALES	\$ 12,706,362	\$ 15,352,694
COST OF GOODS SOLD	7,733,536	9,093,679
GROSS PROFIT	4,972,826	6,259,015
OPERATING EXPENSES:		
Sales and marketing	2,872,833	3,372,216
Research, development and engineering	1,174,935	1,224,313
Administrative	1,490,328	1,725,051
Total	5,538,096	6,321,580
LOSS FROM OPERATIONS	(565,270)	(62,565)
OTHER INCOME (EXPENSE):		
Interest expense	(17,027)	—
Interest income	20,073	20,749
Other income	13,582	62,510
Total	16,628	83,259
(LOSS) INCOME BEFORE INCOME TAXES	(548,642)	20,694
INCOME TAX PROVISION	—	—
NET (LOSS) INCOME	\$ (548,642)	\$ 20,694
NET (LOSS) INCOME PER COMMON SHARE:		
Basic	\$ (0.05)	\$ 0.00
Diluted	\$ (0.05)	\$ 0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	11,453,405	11,098,339
Diluted	11,453,405	11,432,539

See notes to consolidated financial statements.

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CRITICARE SYSTEMS, INC.
CONSOLIDATED INCOME STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)