

CRITICARE SYSTEMS INC /DE/
Form 10-Q
February 09, 2006

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, 2005

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)

39-1501563
(I.R.S. Employer I.D.
Number)

20925 Crossroads Circle
Suite 100
Waukesha, Wisconsin
(Address of Principal Executive Offices)

53186
(Zip Code)

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

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes
 No

Number of shares outstanding of each class of the registrant's classes of common stock as of December 31, 2005:
Voting Common Stock, 12,062,268 shares.

CRITICARE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND JUNE 30, 2005

(UNAUDITED)

	December 31, 2005	June 30, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,676,963	\$ 3,680,965
Accounts receivable, less allowance for doubtful accounts of \$300,000 and \$300,000, respectively	7,441,928	6,847,432
Other receivables	620,432	645,479
Inventories	6,813,934	5,551,093
Prepaid expenses	182,683	255,104
Total current assets	18,735,940	16,980,073
Property, plant and equipment - net	2,626,246	2,010,417
License rights and patents - net	66,483	69,983
TOTAL ASSETS	\$ 21,428,669	\$ 19,060,473
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,054,395	\$ 3,033,559
Accrued liabilities:		
Compensation and commissions	989,347	900,636
Product warranties	412,000	452,000
Obligations under capital lease	65,415	62,739
Other	152,999	191,807
Total current liabilities	5,674,156	4,640,741
LONG-TERM LIABILITIES:		
Obligations under capital lease	168,640	202,031
Other long-term obligations	4,610	8,561
Total long-term liabilities	173,250	210,592
TOTAL LIABILITIES	5,847,406	4,851,333
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, 12,171,961 and 11,925,086 shares issued, and 12,062,268 and 11,812,493 shares outstanding, respectively	486,878	477,003
Additional paid-in capital	25,384,798	24,775,995
Common stock held in treasury (109,693 and 112,593 shares, respectively)	(381,432)	(386,834)
Retained earnings (accumulated deficit)	(9,904,598)	(10,648,912)

Cumulative translation adjustment	(4,383)	(8,112)
Total stockholders' equity	15,581,263	14,209,140
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,428,669	\$ 19,060,473

See notes to consolidated financial statements.

2

CRITICARE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)

	2005	2004
NET SALES	\$ 16,443,126	\$ 12,706,362
COST OF GOODS SOLD	9,931,378	7,733,536
GROSS PROFIT	6,511,748	4,972,826
OPERATING EXPENSES:		
Sales and marketing	3,292,693	2,872,833
Research, development and engineering	1,299,666	1,174,935
Administrative	1,613,900	1,490,328
Total	6,206,259	5,538,096
INCOME (LOSS) FROM OPERATIONS	305,489	(565,270)
OTHER INCOME (EXPENSE):		
Interest expense	(10,565)	(17,027)
Interest income	41,974	20,073
Other income	407,417	13,582
Total	438,826	16,628
INCOME (LOSS) BEFORE INCOME TAXES	744,315	(548,642)
INCOME TAX PROVISION	—	—
NET INCOME (LOSS)	\$ 744,315	\$ (548,642)
NET INCOME (LOSS) PER COMMON SHARE:		
Basic	\$ 0.06	\$ (0.05)