

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 March 31, 2006

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

53186

(Address of principal executive offices)

(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 X 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 X

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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 March 31, 2006: Voting Common Stock, 12,274,054 shares.

CRITICARE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2006 AND JUNE 30, 2005

(UNAUDITED)

ASSETS	March 31, 2006	June 30, 2005
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,246,560	\$ 3,680,965
Accounts receivable, less allowance for doubtful accounts of \$300,000	7,182,864	6,847,432
Other receivables	604,688	645,479
Inventories	7,646,107	5,551,093
Prepaid expenses	217,138	255,104
Total current assets	18,897,357	16,980,073
Property, plant and equipment - net	2,395,925	2,010,417
License rights and patents - net	64,732	69,983
TOTAL ASSETS	\$ 21,358,014	\$ 19,060,473
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,440,550	\$ 3,033,559
Accrued liabilities:		
Compensation and commissions	857,597	900,636
Product warranties	400,000	452,000
Obligations under capital lease	66,796	62,739
Other	182,075	191,807
Total current liabilities	4,947,018	4,640,741
LONG-TERM LIABILITIES:		
Obligations under capital lease	151,415	202,031
Other long-term obligations	2,635	8,561
Total long-term liabilities	154,050	210,592
TOTAL LIABILITIES	5,101,068	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, 12,382,461 and 11,925,086 shares issued, and 12,274,054 and 11,812,493 shares outstanding, respectively	495,298	477,003
Additional paid-in capital	26,060,052	24,775,995
Common stock held in treasury at cost (108,407 and 112,593 shares, respectively)	(379,036)	(386,834)

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Retained earnings (accumulated deficit)	(9,912,574)	(10,648,912)
Cumulative translation adjustment	(6,794)	(8,112)
Total stockholders' equity	16,256,946	14,209,140
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,358,014	\$ 19,060,473

See notes to consolidated financial statements.

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CRITICARE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
NINE MONTHS ENDED MARCH 31, 2006 AND 2005

(UNAUDITED)

	2006	2005
NET SALES	\$ 24,254,956	\$ 18,760,733
COST OF GOODS SOLD	14,653,789	11,357,934
GROSS PROFIT	9,601,167	7,402,799
OPERATING EXPENSES:		
Sales and marketing	5,005,091	4,231,575
Research, development and engineering	1,913,355	1,899,752
Administrative	2,450,762	2,140,193
Total	9,369,208	8,271,520
INCOME (LOSS) FROM OPERATIONS	231,959	(868,721)
OTHER INCOME (EXPENSE):		
Interest expense	(15,360)	(23,091)
Interest income	66,999	38,311
Other income	452,740	59,987
Total	504,379	75,207
INCOME (LOSS) BEFORE INCOME TAXES	736,338	(793,514)
INCOME TAX PROVISION	—	—
NET INCOME (LOSS)	\$ 736,338	\$ (793,514)
NET INCOME (LOSS) PER COMMON SHARE:		
Basic	\$ 0.06	\$ (0.07)
Diluted	\$	\$