

CRITICARE SYSTEMS INC /DE/
Form 10-Q
February 05, 2007

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 December 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
(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 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 December 31, 2006:
Voting Common Stock, 12,298,073 shares.

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

(UNAUDITED)

ASSETS	December 31, 2006	June 30, 2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,947,297	\$ 3,793,781
Accounts receivable, less allowance for doubtful accounts of \$698,372 and \$829,700, respectively	6,161,894	6,187,351
Other receivables	420,843	591,008
Short-term note receivable	50,000	50,000
Inventories	8,077,732	9,464,037
Prepaid expenses	119,288	227,606
Total current assets	18,777,054	20,313,783
Property, plant and equipment - net	2,401,237	2,452,314
License rights and patents - net	59,480	62,981
Long-term note receivable	100,000	150,000
Total other assets	159,480	212,981
TOTAL ASSETS	\$ 21,337,771	\$ 22,979,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,148,887	\$ 5,408,746
Accrued liabilities:		
Compensation and commissions	937,699	914,889
Product warranties	388,000	425,000
Obligations under capital lease	71,114	68,205
Other	112,774	174,667
Total current liabilities	4,658,474	6,991,507
LONG-TERM LIABILITIES:		
Obligations under capital lease	97,526	133,826
Other long-term obligations	—	659
Total long-term liabilities	97,526	134,485
TOTAL LIABILITIES	4,756,000	7,125,992
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, 12,399,631 and 12,398,131 shares issued, and 12,298,073 and 12,291,454 shares outstanding, respectively	495,985	495,925

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Additional paid-in capital	26,223,139	26,156,864
Common stock held in treasury at cost (101,558 and 106,677 shares, respectively)	(366,278)	(375,813)
Retained earnings (accumulated deficit)	(9,753,186)	(10,436,794)
Other comprehensive income (loss)	(17,889)	12,904
Total stockholders' equity	16,581,771	15,853,086
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,337,771	\$ 22,979,078

See notes to consolidated financial statements.

CRITICARE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED DECEMBER 31, 2006 AND 2005

(UNAUDITED)

	2006	2005
NET SALES	\$ 16,669,334	\$ 16,443,126
COST OF GOODS SOLD	10,132,140	9,931,378
GROSS PROFIT	6,537,194	6,511,748
OPERATING EXPENSES:		
Sales and marketing	2,813,618	3,292,693
Research, development and engineering	1,199,694	1,299,666
Administrative	1,882,345	1,613,900
Total	5,895,657	6,206,259
INCOME FROM OPERATIONS	641,537	305,489
OTHER INCOME (EXPENSE):		
Interest expense	(7,889)	(10,565)
Interest income	62,661	41,974
Other (expense) income	(12,700)	407,417
Total	42,072	438,826
INCOME BEFORE INCOME TAXES	683,609	744,315
INCOME TAX PROVISION	—	—
NET INCOME	\$ 683,609	\$ 744,315