

CRITICARE SYSTEMS INC /DE/
Form 10-Q
May 10, 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 March 31, 2007

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

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, 2007: Voting
Common Stock, 12,301,071 shares.

CRITICARE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2007 AND JUNE 30, 2006

(UNAUDITED)

	March 31, 2007	June 30, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,038,871	\$ 3,793,781
Accounts receivable, less allowance for doubtful accounts of \$586,388 and \$829,700, respectively	5,642,413	6,187,351
Other receivables	349,740	591,008
Short-term note receivable	50,000	50,000
Inventories	8,326,103	9,464,037
Prepaid expenses	199,524	227,606
Total current assets	18,606,651	20,313,783
Property, plant and equipment - net	2,287,258	2,452,314
License rights and patents - net	57,730	62,981
Long-term note receivable	87,500	150,000
Total other assets	145,230	212,981
TOTAL ASSETS	\$ 21,039,139	\$ 22,979,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,002,653	\$ 5,408,746
Accrued liabilities:		
Compensation and commissions	740,128	914,889
Product warranties	370,000	425,000
Obligations under capital lease	72,616	68,205
Other	130,133	174,667
Total current liabilities	4,315,530	6,991,507
LONG-TERM LIABILITIES:		
Obligations under capital lease	78,799	133,826
Other long-term obligations	—	659
Total long-term liabilities	78,799	134,485
TOTAL LIABILITIES	4,394,329	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	495,985	495,925

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12,398,131 shares issued, and 12,301,071 and 12,291,454 shares outstanding, respectively		
Additional paid-in capital	26,261,311	26,156,864
Common stock held in treasury at cost (98,560 and 106,677 shares, respectively)	(360,693)	(375,813)
Retained earnings (accumulated deficit)	(9,723,059)	(10,436,794)
Other comprehensive income (loss)	(28,734)	12,904
Total stockholders' equity	16,644,810	15,853,086
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,039,139	\$ 22,979,078

See notes to consolidated financial statements.

2

CRITICARE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED MARCH 31, 2007 AND 2006

(UNAUDITED)

	2007	2006
NET SALES	\$ 23,790,883	\$ 24,254,956
COST OF GOODS SOLD	14,376,860	14,653,789
GROSS PROFIT	9,414,023	9,601,167
OPERATING EXPENSES:		
Sales and marketing	4,284,603	5,005,091
Research, development and engineering	1,813,672	1,913,355
Administrative	2,699,106	2,450,762
Total	8,797,381	9,369,208
INCOME FROM OPERATIONS	616,642	231,959
OTHER INCOME (EXPENSE):		
Interest expense	(11,303)	(15,360)
Interest income	94,983	66,999
Other (expense) income	13,414	452,740
Total	97,094	504,379
INCOME BEFORE INCOME TAXES	713,736	736,338
INCOME TAX PROVISION	—	—