SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2002

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 0-25186

CAPTARIS, INC.

(Name of Registrant as Specified in Its Charter)

Washington (State of incorporation) 91-1190085 (I.R.S. Employer Identification Number)

11410 NE 122nd Way Kirkland, WA 98034 (Address of principal executive offices)

Registrant s telephone number, including area code: (425) 820-6000

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 "

The number of outstanding shares of the Registrant s Common Stock as of July 31, 2002 was 31,910,480.

As further discussed in Note 12 to the accompanying unaudited condensed consolidated financial statements, Captaris, Inc. (the Company) has determined, after consultation with its new independent auditor, that it must restate (1) its consolidated financial statements for the year ended December 31, 2001 and (2) its unaudited condensed consolidated financial statements for the quarterly period ended March 31, 2002 and for each quarterly period during the year ended December 31, 2001.

As a result of the Company s restatement of its consolidated financial statements for the year ended December 31, 2001, the Company intends to engage its independent auditor to reaudit those financial statements. Upon completion of the audit, the Company expects to amend its Annual Report on Form 10-K for the year ended December 31, 2001, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002 and any other Quarterly Report on Form 10-Q that the Company determines must be amended.

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CAPTARIS, INC.

FORM 10-Q For the Quarter Ended June 30, 2002

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CAPTARIS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

International problem internati		June 30, 2002	December 31, 2001 (as restated see Note 12)
Current assets: 9,658 \$ 12,726 Cash and cash equivalents 64,332 64,446 Accounts receivable, net 14,303 14,597 Inventories 5,881 5,022 Deferred and prepaid income taxes 7,698 8,267 Prepaid expenses and other assets 1,032 1,034 Total current assets 103,504 106,362 Equipment and leasehold improvements, net 6,198 7,463 Goodwill, net 8,374 12,104 Intangibles and other assets, net 3,230 9,632 Deferred income taxes \$ 124,509 \$ 138,330 LLABILITIES AND SHAREHOLDERS EQUITY Current liabilities: \$ 124,509 \$ 138,330 Accrued compensation and benefits 5,917 7,985 Deferred revenue 8,959 7,433 0,013 3,265 Current liabilities 24,059 24,242 24,059 24,242 Deferred revenue 8,959 7,433 0,014 3,356 Current liabilities 24,059		(in th	ousands)
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Deferred tax liability1,3663,301Note payable, net of current portion882Total liabilities25,42528,425Shareholders equity: Preferred stock, par value \$.01 per share, 2,000,000 authorized; none outstanding Common stock, par value \$.01 per share, 120,000,000 authorized; 31,907,848 and 31,746,067 shares outstanding, respectively, and additional paid-in capital64,57866,260	Total current liabilities	24.050	24 242
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Note payable, net of current portion 882 Total liabilities 25,425 Shareholders equity: 25,425 Preferred stock, par value \$.01 per share, 2,000,000 authorized; none outstanding 64,578 Common stock, par value \$.01 per share, 120,000,000 authorized; 31,907,848 and 31,746,067 shares 64,578 outstanding, respectively, and additional paid-in capital 64,578 66,260	Deferred tax liability	1.366	3.301
Total liabilities 25,425 28,425 Shareholders equity: Preferred stock, par value \$.01 per share, 2,000,000 authorized; none outstanding Common stock, par value \$.01 per share, 120,000,000 authorized; 31,907,848 and 31,746,067 shares outstanding, respectively, and additional paid-in capital 64,578 66,260			
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Preferred stock, par value \$.01 per share, 2,000,000 authorized; none outstanding Common stock, par value \$.01 per share, 120,000,000 authorized; 31,907,848 and 31,746,067 shares outstanding, respectively, and additional paid-in capital 64,578 66,260			
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outstanding, respectively, and additional paid-in capital64,57866,260			
Retained earnings 34,990 44,173			
	Retained earnings	34,990	44,173

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Accumulated other comprehensive loss	(484)	(528)
Total shareholders equity	99,084	109,905
Total liabilities and shareholders equity	\$ 124,509	\$ 138,330

See accompanying notes to unaudited condensed consolidated financial statements.

CAPTARIS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Quarter ended June 30,		Six months ended June 30,	
	2002	2001 (as restated see Note 12)	2002	2001 (as restated see Note 12)
		(in thousands, exc	ept per share data)	
Net sales	\$ 22,748	\$ 23,550	\$ 44,291	\$ 43,977
Cost of sales	8,184	9,026	16,348	16,375
Gross profit	14,564	14,524	27,943	27,602
Operating expenses:				
Research and development	2,749	4,113	5,447	7,503
Sales, general and administrative	12,970	15,100	25,452	30,435
Stock compensation	(410)		(614)	
Impairment of intangible assets	5,529		5,529	
Non-recurring charges			2,994	2,942
Total operating expenses	20,838	19,213	38,808	40,880
Operating loss	(6,274)	(4,689)	(10,865)	(13,278)
Other income, net	508	952	882	1,817
Loss before income taxes and cumulative effect of change in accounting principle	(5,766)	(3,737)	(9,983)	(11,461)
Income tax benefit	(2,018)	(1,310)	(3,495)	(4,011)
Loss before cumulative effect of change in accounting principle	(3,748)	(2,427)	(6,488)	(7,450)
Cumulative effect of change in accounting principle			(2,695)	
Net loss	\$ (3,748)	\$ (2,427)	\$ (9,183)	\$ (7,450)
Net loss per common share, basic and diluted:				
Prior to cumulative effect of change in accounting principle Cumulative effect of change in accounting principle	\$ (0.12)	\$ (0.08)	\$ (0.20) (0.09)	\$ (0.23)
Net loss per common share, basic and diluted	\$ (0.12)	\$ (0.08)	\$ (0.29)	\$ (0.23)
Weighted average common shares outstanding, basic and diluted	31,890	32,104	31,858	32,168

See accompanying notes to unaudited condensed consolidated financial statements.

CAPTARIS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six months ended June 30,		
	2002	2001 (as restated see Note 12)	
	(in the	ousands)	
Cash flows from operating activities:	¢ (0,192)	¢ (7.450)	
Net loss	\$ (9,183)	\$ (7,450)	
Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization	2,859	3,669	
Loss on disposal of assets	353	5,007	
Deferred income taxes	(2,369)	(3,028)	
Stock compensation	(614)	(*,*=*)	
Purchased in-process research and development, expensed		1,900	
Impairment of intangibles	5,529	,	
Cumulative effect of change in accounting principle	2,695		
Changes in assets and liabilities, net of amounts acquired:			
Accounts receivable	294	3,998	
Inventories	(859)	607	
Prepaid income taxes	569		
Prepaid expenses and other assets	(328)	(428)	
Accounts payable	234	(2,070)	