

CRITICARE SYSTEMS INC /DE/  
Form 10-Q  
November 13, 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 September 30, 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  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.

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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 September 30, 2006:  
Voting Common Stock, 12,295,306 shares.

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

(UNAUDITED)

ASSETS	September 30, 2006	June 30, 2006
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,675,450	\$ 3,793,781
Accounts receivable, less allowance for doubtful accounts of \$803,024 and \$829,700, respectively	8,441,194	6,187,351
Other receivables	425,412	591,008
Short-term note receivable	50,000	50,000
Inventories	9,311,435	9,464,037
Prepaid expenses	248,472	227,606
<b>Total current assets</b>	<b>21,151,963</b>	<b>20,313,783</b>
Property, plant and equipment - net	2,372,824	2,452,314
License rights and patents - net	61,231	62,981
Long-term note receivable	112,500	150,000
<b>Total other assets</b>	<b>173,731</b>	<b>212,981</b>
<b>TOTAL ASSETS</b>	<b>\$ 23,698,518</b>	<b>\$ 22,979,078</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,900,109	\$ 5,408,746
<b>Accrued liabilities:</b>		
Compensation and commissions	857,116	914,889
Product warranties	388,000	425,000
Obligations under capital lease	69,644	68,205
Other	147,413	174,667
<b>Total current liabilities</b>	<b>7,362,282</b>	<b>6,991,507</b>
<b>LONG-TERM LIABILITIES:</b>		
Obligations under capital lease	115,866	133,826
Other long-term obligations	(658)	659
<b>Total long-term liabilities</b>	<b>115,208</b>	<b>134,485</b>
<b>TOTAL LIABILITIES</b>	<b>7,477,490</b>	<b>7,125,992</b>
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock - \$.04 par value, 500,000 shares authorized no shares issued or outstanding		—
Common stock - \$.04 par value, 15,000,000 shares authorized, 12,399,256 and 12,398,131 shares issued, and 12,295,306 and 12,291,454 shares outstanding, respectively	495,970	495,925

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Additional paid-in capital	26,192,414	26,156,864
Common stock held in treasury at cost (103,950 and 106,677 shares, respectively)	(370,733)	(375,813)
Retained earnings (accumulated deficit)	(10,103,918)	(10,436,794)
Cumulative translation adjustment	7,295	12,904
Total stockholders' equity	16,221,028	15,853,086
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 23,698,518</b>	<b>\$ 22,979,078</b>

See notes to consolidated financial statements.

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CRITICARE SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(UNAUDITED)

	2006	2005
NET SALES	\$ 8,206,593	\$ 7,672,313
COST OF GOODS SOLD	5,085,520	4,737,013
GROSS PROFIT	3,121,073	2,935,300
OPERATING EXPENSES:		
Sales and marketing	1,296,119	1,486,832
Research, development and engineering	642,282	626,650
Administrative	856,228	764,747
Total	2,794,629	2,878,229
INCOME FROM OPERATIONS	326,444	57,071
OTHER INCOME (EXPENSE):		
Interest expense	(4,119)	(5,443)
Interest income	33,723	20,256
Other income (expense)	(23,172)	65,494
Total	6,432	80,307
INCOME BEFORE INCOME TAXES	332,876	137,378
INCOME TAX PROVISION	—	