

SPO Medical Inc
Form 10-Q
November 16, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

MARK ONE

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period ended September 30, 2009; 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: 0-11772

SPO MEDICAL INC.
(Exact name of registrant specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

25-1411971
(I.R.S. Employer Identification No.)

Beit Hapa'amon, Suite 209, 20 Hata'as Street, Kfar Saba, Israel
(Address of principal executive offices, including zip code)

972 9 764-3570
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a Smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) smaller reporting company

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of November 16, 2009, SPO Medical Inc. had outstanding 25,183,007 shares of common stock, par value \$0.01 per share.

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FORWARD LOOKING STATEMENTS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES CONTAINED ELSEWHERE IN THIS FORM 10-Q. CERTAIN STATEMENTS MADE IN THIS DISCUSSION ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECTS," "INTENDS," "ANTICIPATES," "BELIEVES," "ESTIMATES," "PREDICTS," OR "CONTINUE" OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY AND INCLUDE, WITHOUT LIMITATION, STATEMENTS BELOW REGARDING: THE COMPANY'S INTENDED BUSINESS PLANS; EXPECTATIONS AS TO PRODUCT PERFORMANCE; EXPECTATIONS AS TO MARKET ACCEPTANCE OF THE COMPANY'S TECHNOLOGY; AND BELIEF AS TO THE SUFFICIENCY OF CASH RESERVES. BECAUSE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THE COMPANY'S INABILITY TO OBTAIN NECESSARY FINANCING; GOING CONCERN QUALIFICATIONS; THE COMPETITIVE ENVIRONMENT GENERALLY AND IN THE COMPANY'S SPECIFIC MARKET AREAS; CHANGES IN TECHNOLOGY; THE AVAILABILITY OF AND THE TERMS OF FINANCING; INFLATION; CHANGES IN COSTS AND AVAILABILITY OF GOODS AND SERVICES; ECONOMIC CONDITIONS IN GENERAL AND IN THE COMPANY'S SPECIFIC MARKET AREAS; DEMOGRAPHIC CHANGES; CHANGES IN FEDERAL, STATE AND /OR LOCAL GOVERNMENT LAW AND REGULATIONS AFFECTING THE TECHNOLOGY; CHANGES IN OPERATING STRATEGY OR DEVELOPMENT PLANS; AND THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL. ALTHOUGH THE COMPANY BELIEVES THAT EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CANNOT GUARANTEE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THESE FORWARD-LOOKING STATEMENTS. THE COMPANY IS UNDER NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS.

SPO MEDICAL INC. AND ITS SUBSIDIARY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2009

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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SPO MEDICAL INC.
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share data)

| | September 30, 2009 Unaudited | December 31, 2008 Audited |
|---|------------------------------------|---------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 297 | \$ 263 |
| Trade receivables, net | 95 | 224 |
| Prepaid expenses and other accounts receivable | 32 | 32 |
| Inventories | 402 | 850 |
| | 826 | 1,369 |
| LONG TERM INVESTMENTS | | |
| Deposits | 12 | 12 |
| Severance pay fund | 273 | 270 |
| | 285 | 282 |
| PROPERTY AND EQUIPMENT, NET | | |
| | 159 | 189 |
| Total net assets | \$ 1,270 | \$ 1,840 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| Current Liabilities | | |
| Short-term loans, net | \$ 1,122 | \$ 1,138 |
| Trade payables | 131 | 298 |
| Employees and Payroll accruals | 867 | 492 |
| Accrued expenses and other liabilities | 922 | 785 |
| | 3,042 | 2,713 |
| Long-Term Liabilities | | |
| Accrued severance pay | 552 | 492 |
| STOCKHOLDERS' DEFICIENCY | | |
| Stock capital | 252 | 248 |
| Additional paid-in capital | 14,315 | 14,241 |
| Accumulated deficit | (16,891) | (15,854) |
| | (2,324) | (1,365) |
| Total liabilities and stockholders' deficiency | \$ 1,270 | \$ 1,840 |

SPO MEDICAL INC. AND ITS SUBSIDIARY
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. dollars in thousands (except share data)

| | Nine months ended September 30, Unaudited | | Three months ended September 30, Unaudited | |
|---|---|------------|--|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenues | \$ 933 | \$ 2,421 | \$ 228 | \$ 253 |
| Cost of revenues | 568 | 1,321 | 128 | 134 |
| Gross profit | 365 | 1,100 | 100 | 119 |
| Operating expenses | | | | |
| Research and development, net | 418 | 964 | 153 | 242 |
| Selling and marketing | 109 | 428 | 22 | 104 |
| General and administrative | 649 | 1,030 | 192 | 274 |
| Re-organization expenses | - | 62 | - | 62 |
| Total operating expenses | 1,176 | 2,484 | 367 | 682 |
| Operating loss | 811 | 1,384 | 267 | 563 |
| Financial expenses, net | 226 | 277 | 96 | 25 |
| Loss for the period | \$ 1,037 | \$ 1,661 | \$ 363 | \$ 588 |
| Basic and diluted loss per ordinary share | \$ 0.04 | \$ 0.07 | \$ 0.01 | \$ 0.02 |
| Weighted average number of shares outstanding used in computation of basic and diluted loss per share | 26,133,205 | 23,618,598 | 26,346,119 | 24,518,619 |

The accompanying notes to these financial statements are an integral part thereof.

SPO MEDICAL INC. AND ITS SUBSIDIARY
 CONDENSED INTERIM STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIENCY
 U.S. dollars in thousands

| | Stock capital | Additional paid-in capital | Accumulated deficit | Total |
|---|---------------|----------------------------------|------------------------|----------|
| Balance as of January 1, 2007 | \$ 193 | \$ 9,954 | \$ (11,049) | \$ (902) |
| Issuance of stock capital, net | 14 | 1,169 | | 1,183 |
| Exercise of stock options | 2 | 8 | | 10 |
| Benefit on warrants issued in connection with credit line | | 19 | | 19 |
| Benefit resulting from changes to warrant terms | | 41 | | 41 |
| Issuance of ordinary stock upon exercise of warrants and conversion of loans | 6 | 510 | | 516 |
| Amortization of deferred stock-based compensation related to options granted to employees | | 110 | | 110 |
| Amortization of deferred stock-based compensation related to options granted to directors | | 58 | | 58 |
| Amortization of deferred stock-based compensation related to options granted to consultants | | 35 | | 35 |
| Net Loss | | | (1,604) | (1,604) |
| Balance as of December 31, 2007 | \$ 215 | \$ 11,904 | \$ (12,653) | \$ (534) |
| Issuance of ordinary stock upon conversion of loans and accrued interest | 10 | 512 | | 522 |
| Issuance of stock capital, net | 8 | 549 | | 557 |
| Issuance of ordinary stock to service providers | 9 | 356 | | 365 |
| Issuance of ordinary stock on cancellation of distribution agreement | 4 | 481 | | 485 |
| Benefit on issuance of warrants in connection with conversion of loans and accrued interest | | 105 | | 105 |
| Amortization of deferred stock-based compensation related to options granted to employees | | 249 | | 249 |
| Issuance of ordinary stock in consideration of unpaid legal fees | 2 | 28 | | 30 |
| Benefit on issuance of options and re-pricing of options granted to directors | | 10 | | 10 |
| Benefit on issuance of penny warrants to service providers | | 47 | | 47 |
| Net Loss | | | (3,201) | (3,201) |
| Balance as of December 31, 2008 | \$ 248 | \$ 14,241 | | |