

SPO Medical Inc
Form 10-Q
May 15, 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 March 31, 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 May 15, 2009, SPO Medical Inc. had outstanding 24,833,007 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
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	March 31, 2009 Unaudited	December 31, 2008 Audited
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 354	\$ 263
Trade receivables, net	294	224
Prepaid expenses and other accounts receivable	31	32
Inventories	662	850
	\$ 1,341	\$ 1,369
LONG-TERM INVESTMENTS		
Deposits	12	12
Severance pay fund	245	270
	257	282
PROPERTY AND EQUIPMENT, NET		
	178	189
Total net assets	\$ 1,776	\$ 1,840
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Short-term loans, net	\$ 1,131	\$ 1,138
Trade payables	200	298
Employees and payroll accruals	603	492
Accrued expenses and other payables	859	785
	2,793	2,713
LONG-TERM LIABILITIES		
Accrued severance pay	463	492
STOCKHOLDERS' DEFICIENCY		
Stock capital	248	248
Additional paid-in capital	14,269	14,241
Accumulated deficit	(15,997)	(15,854)
	(1,480)	(1,365)
Total liabilities and stockholders' deficiency	\$ 1,776	\$ 1,840

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

SPO MEDICAL INC.AND ITS SUBSIDIARY
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands except share data

	Three months ended March 31,	
	2009	2008
	Unaudited	
Revenues	\$ 380	\$ 1,079
Cost of revenues	185	592
Gross profit	195	487
Operating expenses		
Research and development, net	70	430
Selling and marketing	48	143
General and administrative	168	302
Total operating expenses	286	875
Operating loss	91	388
Financial expenses, net	52	113
Loss for the period	\$ 143	\$ 501
Basic and diluted loss per ordinary share	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding used in computation of basic and diluted loss per share	26,022,826	22,380,163

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	\$ (15,854)	\$ (1,365)
Issuance of ordinary stock to service provider	*-	5		5
Issuance of ordinary stock in consideration of unpaid accrued interest	*-	6		6
Amortization of deferred stock-based compensation related to options granted to employees		17		17
Net Loss			(143)	(143)
Balance as of March 31, 2009, Unaudited	\$ 248	\$ 14,269	\$ (15,997)	\$ (1,480)

* Less than \$1

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

SPO MEDICAL INC.
AND ITS SUBSIDIARY
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Three months ended	
	March 31, 2009	2008 Unaudited
Cash Flows from Operating Activities		
Loss for the period	\$ (143)	\$ (501)
Adjustments to reconcile loss to net cash provided by (used in) operating activities:		
Depreciation	11	11
Stock-based compensation expenses	22	21
Amortization of loan discounts	-	49
Increase in accrued interest payable on loans	30	32
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(70)	1
Decrease (Increase) in other receivables	1	(251)
Decrease (Increase) in inventories	188	(50)
decrease in accounts payable	(98)	(10)
Increase in employees and payroll accruals	111	41
decrease in accrued severance pay, net	(4)	