

SPO Medical Inc
Form 10-Q
August 22, 2011

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 June 30, 2011 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.)

3 Gavish Street, POB 2454, Kfar Saba, Israel
(Address of principal executive offices, including zip code)

972-9-966-2520
(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

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

As of August 19, 2011, SPO Medical Inc. had outstanding 33,565,673 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, SUFFICIENCY OF CASH RESERVES, THE COMPANY'S INABILITY TO OBTAIN ADDITIONAL NEEDED 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 SHEET

(U.S. dollars in thousands)

	June 30, 2011 Unaudited	December 31, 2010 Audited
ASSETS		
CURRENT ASSETS		
Prepaid expenses and other accounts receivable	\$ 32	\$ 34
LONG-TERM INVESTMENTS		
Severance pay fund	145	181
PROPERTY AND EQUIPMENT, NET	2	111
TOTAL ASSETS	\$ 179	\$ 326
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Bank overdraft	\$ 33	\$ 8
Short-term loans, net	858	776
Trade payables	16	45
Employees and payroll accruals	561	463
Accrued expenses and other payables	773	621
	2,241	1,913
LONG-TERM LIABILITIES		
Long term loan	69	-
Warrants to issue shares	329	218
Accrued severance pay	264	313
	662	531
STOCKHOLDERS' DEFICIENCY		
Stock capital	335	325
Additional paid-in capital	16,920	16,062
Accumulated deficit	(19,979)	(18,505)
	(2,724)	(2,118)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIENCY	\$ 179	\$ 326

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)

	Six months ended June 30, Unaudited		Three months ended June 30, Unaudited	
	2011	2010	2011	2010
Revenues	\$-	\$113	\$-	\$92
Cost of revenues	-	90	-	72
Gross profit	-	23	-	20
Operating expenses				
Research and development, net	54	98	4	49
Selling and marketing	767	-	395	-
General and administrative	348	351	134	197
Impairment of property and equipment, net	96	-	-	-
Total operating expenses	1,265	449	533	246
Operating loss	1,265	426	533	226
Financial expenses, net	209	120	106	118
Net loss	\$1,474	\$546	\$639	\$344
Loss for the period				
Loss per share	\$(0.03)	\$(0.02)	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding used in computation of basic and diluted loss per share	43,307,223	26,840,648	43,529,723	26,967,315

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

	Six months ended June 30, 2011 2010 Unaudited		Three months ended June 30, 2011 2010 Unaudited		
Cash Flows used in Operating Activities					
Loss for the period	\$(1,474	) \$(546	) \$(639	) \$(344)
Adjustments to reconcile loss to net cash used in operating activities:					
Depreciation	13	19	-	10	
Amortization of deferred interest expenses	13	-	13	-	
Non-cash amortization expenses and Stock-based compensation expenses	753	157	370	157	
Income resulted from a settlement with a loaner	-	(64	) -	(31)
Non-cash expenses related to warrants to issue shares	111	-	34	-	
Grant of ordinary stock to service providers	90	71	12	71	
Increase in accrued interest payable on loans	33	30	17	15	
Impairment of property and equipment, net	96	-	-	-	
Changes in assets and liabilities:					
Decrease in trade receivables	-	15	-	7	
Decrease (increase) in other receivables	2	13	(4) -	
Increase (decrease) in accounts payable	(29	) (12	) 2	(10)
Increase (decrease) in employees and payroll accruals	98	(6	) 31	(15)
Increase (decrease) in accrued severance pay, net	(13	) (8	) 8	(10)
Increase in other payables and accrued expenses	152	24	78	19	
Net cash provided by used in operating activities	(155	) (307	) (78	) (131)
Cash Flows from Investing Activities					
Payment received in connection with license agreement	-	100	-	-	
Net cash provided by investing activities	-	100	-	-	
Cash Flows from (used in)Financing Activities					
Capital raise, net	25	-	25	-	
Increase (decrease) in bank overdraft	25	-	(2) -	
Proceeds from loan	105	-	55	-	
Repayment of short-term loans	-	(83	) -	(44)
Net cash provided by (used in) financing activities	155	(83	) 78	(44)
Decrease in cash and cash equivalents	-	(290) -		