

FEMALE HEALTH CO
Form 10QSB
August 15, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number 1-13602

THE FEMALE HEALTH COMPANY
(Exact Name of Small Business Issuer as Specified in Its Charter)

Wisconsin
(State or Other Jurisdiction of
Incorporation or Organization)

39-1144397
(I.R.S. Employer Identification No.)

515 North State Street, Suite 2225, Chicago, IL
(Address of Principal Executive Offices)

60610
(Zip Code)

312-595-9123
(Issuer's Telephone Number, Including Area Code)

Not applicable
(Former Name, Former Address and Former Fiscal Year,
If Changed Since Last Report)

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES NO

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date:

Common Stock, \$.01 Par Value - 23,461,425 shares outstanding
as of August 12, 2005

Transitional Small Business Disclosure Format (check one):
YES NO

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THE FEMALE HEALTH COMPANY AND SUBSIDIARIES

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CAUTIONARY STATEMENT REGARDING
FORWARD LOOKING STATEMENTS

Certain statements included in this quarterly report on Form 10-QSB which are not statements of historical fact are intended to be, and are hereby identified as "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions readers that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such factors include, among others, the following: the Company's inability to secure adequate capital to fund operating losses, working capital requirements, advertising and promotional expenditures and principal and interest payments on debt obligations; factors related to increased competition from existing and new competitors including new product introduction, price reduction and increased spending on marketing; limitations on the Company's opportunities to enter into and/or renew agreements with international partners, the failure of the Company or its partners to successfully market, sell and deliver its product in international markets, and risks inherent in doing business on an international level, such as laws governing medical devices that differ from those in the U.S., unexpected changes in the regulatory requirements, political risks, export restrictions, tariffs and other trade barriers and fluctuations in currency exchange rates; the disruption of production at the Company's manufacturing facility due to raw material shortages, labor shortages and/or physical damage to the Company's facilities; the Company's inability to manage its growth and to adapt its administrative, operational and financial control systems to the needs of the expanded entity and the failure of management to anticipate, respond to and manage changing business conditions; the loss of the services of executive officers and other key employees and the Company's continued ability to attract and retain highly-skilled and qualified personnel; the costs and other effects of litigation, governmental investigations, legal and administrative cases and proceedings, settlements and investigations; and developments or assertions by or against the Company relating to intellectual property rights.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2005	September 30, 2004
Current Assets:		
Cash	\$ 1,542,822	\$ 755,482
Accounts receivable, net	2,183,762	1,450,756
Inventories, net	879,767	1,413,315
Prepaid expenses and other current assets	365,487	270,539
TOTAL CURRENT ASSETS	4,971,838	3,890,092
Certificate of deposit	47,360	72,194
Patents, net	77,631	178,940
Other assets	184,804	179,683
	309,795	430,817
EQUIPMENT AND FURNITURE AND FIXTURES	4,803,534	4,611,944
Less accumulated depreciation and amortization	(4,444,519)	(4,437,583)
Net equipment and furniture and fixtures	359,015	174,361
TOTAL ASSETS	\$ 5,640,648	\$ 4,495,270
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 350,815	\$ 398,672
Accrued expenses and other current liabilities	642,591	522,199
Unearned revenues	205,200	-
Current maturities of obligations under capital leases	8,952	21,552
Preferred dividends payable	12,639	11,464
Note payable, bank, net of unamortized discount	-	453,748
TOTAL CURRENT LIABILITIES	1,220,197	1,407,635
Deferred gain on sale of facility	1,174,527	1,262,278
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, Class A Series 1	560	560
Convertible preferred stock, Class A Series 3	4,734	4,734
Convertible preferred stock, Class B	-	-
Common stock	234,415	207,152
Additional paid-in-capital	62,746,858	59,700,265
Unearned consulting fees	(220,458)	(69,547)
Deferred compensation	(35,906)	-
Accumulated deficit	(59,807,332)	(58,427,365)
Accumulated other comprehensive income	355,129	441,634
Treasury stock, at cost	(32,076)	(32,076)
TOTAL STOCKHOLDERS' EQUITY	3,245,924	1,825,357
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 5,640,648	\$ 4,495,270

See notes to unaudited condensed consolidated financial statements.

THE FEMALE HEALTH COMPANY AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2005	2004
Net revenues	\$ 2,792,739	\$ 2,760,235
Cost of products sold	1,509,948	1,428,028
Gross profit	1,282,791	1,332,207
Advertising and promotion	27,077	7,176
Selling, general and administrative	1,227,917	1,016,727
Research and development	91,405	72,818
Stock compensation	104,696	59,561
Total operating expenses	1,451,095	1,156,282
Operating (loss) income	(168,303)	175,925
Interest, net and other expense	2,174	194,701
Foreign currency translation loss	7,997	-