

HYDROMER INC  
Form 10-Q  
February 21, 2012

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

**FORM 10-Q**

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

For the quarter ended December 31, 2011

Commission File Number 001-31238

**HYDROMER, INC.**

(Exact name of registrant as specified in its charter)

New Jersey    22-2303576

(State of incorporation)    (I.R.S. Employer Identification No.)

35 Industrial Pkwy, Branchburg, New Jersey    08876-3424

(Address of principal executive offices)    (Zip Code)

Registrant's telephone number, including area code: (908) 722-5000

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:

Common Stock Without Par Value

(Title of class)

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 report(s), 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, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Class Outstanding at December 31, 2011

Common 4,772,318

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**FORWARD-LOOKING STATEMENTS**

*This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate” or “believe” or similar expressions or the negatives thereof. These expectations are based on management’s assumptions and current beliefs based on currently available information. Although the Company believes that the expectations reflected in such statements are reasonable, it can give no assurance that such expectations will be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report on Form 10-Q and the Company does not have any obligation to update the forward looking statements. The Company’s operations are subject to a number of uncertainties, risks and other influences, many of which are outside its control, and any one of which, or a combination of which, could cause its actual results of operations to differ materially from the forward-looking statements.*

HYDROMER, INC.

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**Part I – Financial Information****Item # 1****HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS**

	December 31, June 30,	
	2011	2011
	UNAUDITED	
Assets		
Current Assets:		
Cash and cash equivalents	<b>\$361,161.</b>	\$ 502,597.
Short-term investments	-	50,000.
Trade receivables less allowance for doubtful accounts of \$19,073 and \$5,622 as of December 31, 2011 and June 30, 2011, respectively	<b>817,243.</b>	774,753.
Inventory	<b>309,026.</b>	444,604.
Prepaid expenses	<b>151,822.</b>	209,241.
Deferred tax asset	<b>122,100.</b>	122,100.
Other	<b>6,242.</b>	13,547.
Total Current Assets	<b>1,767,594.</b>	2,116,842.
Property and equipment, net	<b>2,776,926.</b>	2,863,912.
Deferred tax asset, non-current	<b>1,283,376.</b>	1,196,704.
Intangible assets, net	<b>791,169.</b>	820,231.
Total Assets	<b>\$6,619,065.</b>	\$ 6,997,689.
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	<b>\$387,351.</b>	\$ 387,094.
Accrued expenses	<b>237,825.</b>	313,626.
Current portion of capital lease	<b>15,657.</b>	18,687.
Current portion of deferred revenue	<b>65,689.</b>	149,108.
Current portion of mortgage payable	<b>53,530.</b>	51,720.
Total Current Liabilities	<b>760,052.</b>	920,235.
Deferred tax liability	<b>294,012.</b>	294,012.
Long-term portion of capital lease	<b>9,647.</b>	15,398.
Long-term portion of deferred revenue	<b>98,068.</b>	120,940.
Long-term portion of mortgage payable	<b>2,686,274.</b>	2,714,817.
Total Liabilities	<b>3,848,053.</b>	4,065,402.
Stockholders' Equity		

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Preferred stock – no par value, authorized 1,000,000 shares, no shares . issued and outstanding	-	-
Common stock – no par value, authorized 15,000,000 shares; 4,783,235 shares issued and 4,772,318 shares outstanding as of December 31, 2011 and June 30, 2011		
Contributed capital	<b>3,721,815.</b>	3,721,815.
Accumulated deficit	<b>633,150.</b>	633,150.
Treasury stock, 10,917 common shares at cost	<b>(1,577,813)</b>	(1,416,538)
Total Stockholders' Equity	(6,140)	(6,140)
Total Liabilities and Stockholders' Equity	<b>2,771,012.</b>	2,932,287.
	<b>\$6,619,065.</b>	\$ 6,997,689.

See accompanying notes

**HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

	Three months Ended		Six months Ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Revenues				
Sale of products	\$ <b>744,189.</b>	\$560,330.	\$ <b>1,501,239.</b>	\$1,210,734.
Service revenues	<b>371,248.</b>	401,068.	<b>721,647.</b>	770,389.
Royalties and Contract Revenues	<b>277,271.</b>	244,727.	<b>618,419.</b>	480,894.
Total Revenues	<b>1,392,708.</b>	1,206,125.	<b>2,841,305.</b>	2,462,017.
Expenses				
Cost of Sales	<b>422,119.</b>	321,983.	<b>838,131.</b>	748,582.
Operating Expenses	<b>1,037,556.</b>	1,077,919.	<b>2,142,881.</b>	2,277,211.
Other Expenses	<b>54,981.</b>	48,683.	<b>106,240.</b>	98,562.
Benefit from Income Taxes	<b>(46,862)</b>	(44,504)	<b>(84,672)</b>	(209,432)
Total Expenses	<b>1,467,794.</b>	1,404,081.	<b>3,002,580.</b>	2,914,923.
Net Loss	\$ <b>(75,086)</b>	\$ (197,956)	\$ <b>(161,275)</b>	\$ (452,906)
Loss Per Common Share	\$ <b>(0.02)</b>	\$ (0.04)	\$ (0.03)	\$ (0.09)
Weighted Average Number of Common Shares Outstanding				
Common Shares Outstanding assuming dilution	<b>4,772,318</b>	4,772,318	<b>4,772,318</b>	4,772,318
			4,772,986	4,772,986

See accompanying notes.

There was no impact to earnings per share from dilutive securities

as the resultant would have been anti-dilutive.

**HYDROMER, INC. and CONSOLIDATED SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited)

	Six months Ended	
	December 31,	
	2011	2010
Cash Flows From Operating Activities:		
Net Loss	\$(161,275)	\$(452,906)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	<b>209,654.</b>	200,838.
Deferred income taxes	(86,672)	(214,883)
Changes in Assets and Liabilities:		
Trade receivables	<b>(42,490)</b>	107,253.
Inventory	<b>135,578.</b>	(69,997)
Prepaid expenses	<b>44,669.</b>	63,912.
Other assets	<b>7,305.</b>	14,337.
Accounts payable and accrued liabilities	<b>(73,545)</b>	(121,416)
Deferred income	<b>(106,291)</b>	(20,641)
Income taxes payable	<b>(2,000)</b>	3,891.
Net Cash Used in Operating Activities	(75,067)	(489,612)
Cash Flows From Investing Activities:		
Cash purchases of property and equipment	(31,880)	(66,390)
Cash payments on patents and trademarks	(57,756)	(88,756)
Redemption of matured short-term investments	<b>50,000.</b>	440,000.
Net Cash (Used in) Provided by Investing Activities	(39,636)	284,854.
Cash Flows From Financing Activities:		
Repayment of long-term borrowings	(26,733)	(24,949)
	(26,733)	(24,949)
Net Cash Used in Financing Activities		
Net Decrease in Cash and Cash Equivalents:	<b>(141,436).</b>	(229,707)
Cash and Cash Equivalents at Beginning of Period	<b>502,597..</b>	843,610.
Cash and Cash Equivalents at End of Period	<b>\$361,161..</b>	\$613,903.

















