SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**
SEC Accession No. 0000950170-99-001165

(HTML Version on secdatabase.com)

FILER

AQUA CARE SYSTEMS INC /DE/

CIK:**910566**| IRS No.: **133615311** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-22434** | Film No.: **99670757**
SIC: **3580** Refrigeration & service industry machinery

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U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JUNE 30, 1999

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

For the transition period from ____________ to ____________

Commission File Number 0-22434

AQUA CARE SYSTEMS, INC.
(Exact name of small business issuer as specified in its charter)

DELAWARE	13-3615311
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

11820 N.W. 37TH STREET, CORAL SPRINGS, FL 33065
(Address of principal executive offices)

(954) 796-3338
(Issuer's telephone number)

Check whether the issuer (1) 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes __X__ No ____

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

CLASS	Number of Shares Outstanding ON JULY 26, 1999
Common Stock, $ .001 Par Value	2,866,446

Transitional small business disclosure format:

Yes ____ No __X__

AQUA CARE SYSTEMS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The interim consolidated financial statements presented in this report are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of such information. Results for interim periods should not be considered indicative of results for a full year.

These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Form 10-KSB for the fiscal year ended December 31, 1998, filed with the Securities and Exchange Commission on March 30, 1999.

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED WITH RESPECT TO JUNE 30, 1999)

<TABLE>
<CAPTION>

<S>	June 30, 1999 <C>	December 31, 1998 <C>
ASSETS		
Current assets		
Cash and cash equivalents	$ 641,356	$ 573,129
Accounts receivable, net of allowance for doubtful accounts of $260,000	3,389,637	2,858,990
Inventory	2,161,951	2,609,472
Current maturities of notes receivable	48,000	72,744
Prepaids and other	209,722	237,087
Total current assets	6,450,666	6,351,422
Property, plant and equipment, net	4,895,910	4,837,671
Intangible assets, net	2,858,973	2,996,871
Notes receivable, less current maturities	56,000	80,000
Other assets	251,292	301,484
Total assets	$ 14,512,841	$ 14,567,448
LIABILITIES		
Current liabilities		
Accounts payable	$ 1,858,851	$ 1,751,847
Accrued expenses	1,659,670	1,285,841
Current maturities of long-term debt	2,650,707	2,560,439
Indebtedness to related party	125,000	125,000
Total current liabilities	6,294,228	5,723,127
Long-term debt, less current maturities	2,529,351	3,575,964

Total liabilities	8,823,579	9,299,091
COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENT		
STOCKHOLDERS' EQUITY		
Preferred stock, $.001 par; 5,000,000 shares authorized, none outstanding	--	--
Common stock, $.001 par; 30,000,000 shares authorized, 2,852,460 and 2,800,313 shares issued and outstanding	2,852	2,800
Additional paid-in capital	16,957,047	16,928,486
Deficit	(11,270,637)	(11,662,929)
Total stockholders' equity	5,689,262	5,268,357
Total liabilities and stockholders' equity	$ 14,512,841	$ 14,567,448

</TABLE>

See accompanying notes to consolidated financial statements.

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the three months ended June 30, 1999	1998
<S>	<C>	<C>
Revenues	$ 5,816,286	$ 6,253,588
Cost of revenues	3,487,059	3,660,683
Gross profit	2,329,227	2,592,905
Operating expenses:		
Selling, general and administrative	1,761,892	3,196,473
Depreciation and amortization	155,451	188,202
Provision for doubtful accounts and notes	1,004	132,814
Provision for impairment of intangible assets	--	1,052,039
Total operating expenses	1,918,347	4,569,528
Income (loss) from operations	410,880	(1,976,623)
Interest expense, net	(173,633)	(182,691)
Net income (loss)	$ 237,247	$ (2,159,314)
Earnings (loss) per common share - basic	$ 0.08	$ (0.79)
Earnings (loss) per common share - diluted	$ 0.08	$ (0.79)

</TABLE>

See accompanying notes to consolidated financial statements.

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the six months ended June 30, 1999	1998
<S>	<C>	<C>
Revenues	$ 12,130,350	$ 13,442,365
Cost of revenues	7,282,740	8,160,683
Gross profit	4,847,610	5,281,682
Operating expenses:		
Selling, general and administrative	3,778,811	5,401,184
Depreciation and amortization	310,902	376,410
Provision for doubtful accounts and notes	1,004	141,814
Provision for impairment of intangible assets	--	1,052,039
Total operating expenses	4,090,717	6,971,447
Income (loss) from operations	756,893	(1,689,765)
Interest expense, net	(364,601)	(383,100)
Net income (loss)	$ 392,292	$ (2,072,865)
Earnings (loss) per common share - basic	$ 0.14	$ (0.76)
Earnings (loss) per common share - diluted	$ 0.14	$ (0.76)

</TABLE>

See accompanying notes to consolidated financial statements.

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the six months ended June 30, 1999	1998
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income (loss)	$ 392,292	$ (2,072,865)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for doubtful accounts and notes	1,004	141,814
Provision for impairment of intangible assets	--	1,052,039
Depreciation and amortization	310,902	376,410
Pension contribution paid through issuance of Common Stock	28,613	14,813
Changes in assets and liabilities:		
Increase in accounts receivable	(531,651)	(64,654)
Decrease in costs and estimated earnings in excess of billings	--	118,674
Decrease in inventory	447,521	522,609
Decrease (increase) in prepaids and other	27,365	(31,655)
Decrease in other assets	50,192	21,231
Increase in accounts payable and accrued expenses	480,833	624,683
Net cash provided by operating activities	1,207,071	703,099

INVESTING ACTIVITIES:		
Payments received on notes receivable	48,744	41,400
Capital expenditures	(231,243)	(58,317)
Net cash used in investing activities	(182,499)	(16,917)
FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable and long-term debt	6,771,238	6,849,887
Repayment of notes payable and long-term debt	(7,727,583)	(7,703,377)
Net cash used in financing activities	(956,345)	(853,490)
Net increase (decrease) in cash and cash equivalents	68,227	(167,308)
Cash and cash equivalents, beginning of period	573,129	654,932
Cash and cash equivalents, end of period	$ 641,356	$ 487,624

</TABLE>

See accompanying notes to consolidated financial statements.

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED WITH RESPECT TO JUNE 30, 1999 AND 1998)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS

Aqua Care Systems, Inc. and subsidiaries (the "Company") is engaged in the design, engineering, manufacturing, assembly, sales, marketing, distribution and service of filtration systems and products, flow control systems and products, water filtration and purification products and car wash equipment. Currently, the Company provides equipment sales and services to clients in the United States and abroad.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of all subsidiaries. All material intercompany transactions and accounts have been eliminated in consolidation.

PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INVENTORY

Inventory consists principally of materials, purchased parts and work in process. Inventory is valued at the lower of cost (first-in, first-out method) or market.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to thirty years.

INTANGIBLE ASSETS

The excess of the cost over the fair value of net assets of purchased businesses is recorded as goodwill and is amortized on a straight-line basis over 15 years. The Company continually evaluates the carrying value of goodwill. Impairments are recognized when the expected future undiscounted operating cash flows to be derived from such intangible assets are less than their carrying values.

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED WITH RESPECT TO JUNE 30, 1999 AND 1998)

REVENUE RECOGNITION

The Company recognizes revenue on certain filtration systems contracts on the percentage of completion method, based generally on the ratio of costs incurred to date on the contract to the total estimated contract cost. Costs incurred and revenues recognized in excess of amounts billed are classified under current assets as costs and estimated earnings in excess of billings. Amounts billed in excess of revenues recognized are classified under current liabilities as billings in excess of costs and estimated earnings. Losses on such contracts are recognized at the time they become estimatable. Equipment and parts sales and rental and service revenues are accounted for on the accrual method.

INCOME TAXES

Income taxes are accounted for using the liability approach under the provisions of Financial Accounting Standards No. 109.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, notes receivable, accounts payable, accrued expenses and long-term debt. The carrying amounts of such financial instruments as reflected in the consolidated balance sheets approximate their estimated fair values as of June 30, 1999 and December 31, 1998. The estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange or of future earnings or cash flows.

STOCK BASED COMPENSATION

The Company recognizes compensation expense for its stock option incentive plans using the intrinsic value method of accounting. Under the terms of the intrinsic value method, compensation cost is the excess, if any, of the quoted market price of the stock at the grant date, or other measurement date, over the amount an employee must pay to acquire the stock.

EARNINGS PER SHARE

Effective December 31, 1997, the Company adopted Financial Accounting Standards (SFAS) No. 128, Earnings Per Share, which simplifies the computation of earnings per share and requires the restatement of all prior periods presented.

Basic earnings per share are computed on the basis of the weighted average number of common shares outstanding during each period.

Diluted earnings per share are computed on the basis of the weighted average number of common shares and dilutive securities outstanding during each period. Dilutive securities having an anti-dilutive effect on diluted earnings per share are excluded from the calculation.

STATEMENTS OF CASH FLOWS

For purposes of the statements of cash flows, the Company considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

NEW ACCOUNTING STANDARDS

Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The adoption of SFAS No. 130 did not impact the Company's financial statements.

Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures About Segments of an Enterprise and Related Information, supersedes SFAS No. 14, Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company adopted SFAS No. 131 in 1998.

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Statement applies to all entities and is effective for all fiscal quarters of the fiscal years beginning after June 15, 1999. The Company did not engage in derivative instruments or hedging activities in any periods presented in the consolidated financial statements.

2. INVENTORY

	JUNE 30, 1999	DECEMBER 31, 1998
Materials and purchased parts	$ 1,910,194	$ 1,798,051
Work in process	251,757	811,421
Total inventory	$ 2,161,951	$ 2,609,472

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED WITH RESPECT TO JUNE 30, 1999 AND 1998)

3. PROPERTY, PLANT AND EQUIPMENT

	JUNE 30, 1999	DECEMBER 31, 1998
Land and buildings	$ 2,745,427	$ 2,745,427
Machinery and equipment	2,551,173	2,323,455
Furniture and fixtures	653,382	652,726
Leasehold improvements	30,319	27,450
	5,980,301	5,749,058
Less accumulated depreciation	(1,084,391)	(911,387)
Net property, plant and equipment	$ 4,895,910	$ 4,837,671

4. INTANGIBLE ASSETS

	JUNE 30, 1999	DECEMBER 31, 1998

<S>

Goodwill	$ 4,134,266	$ 4,134,266
Less accumulated amortization	(1,275,293)	(1,137,395)
Net intangible assets	$ 2,858,973	$ 2,996,871

</TABLE>

5. LONG-TERM DEBT

<TABLE>
<CAPTION>

	JUNE 30, 1999	DECEMBER 31, 1998
12% note payable, interest only payable quarterly with a balloon payment of $1,150,000 due June 2003, collateralized by substantially all of the assets of the Company	$ 1,150,000	$ 1,200,000
Prime plus 2%, (9.75% at June 30, 1999), revolving credit lines, providing for borrowings, subject to certain collateral requirements and loan covenants, of up to $3,500,000 through June 2000, principally collateralized by accounts receivable and inventory of FSDA, (See (b) below)	1,157,144	1,486,876
Prime plus 2.5%, (10.25% at June 30, 1999), note payable, principal and interest payable monthly with an estimated balloon payment of approximately $400,000 due June 2000, principally collateralized by land and buildings of FSDA, (See (b) below)	724,400	899,600

</TABLE>

<TABLE>
<CAPTION>

	JUNE 30, 1999	DECEMBER 31, 1998
Prime plus 2.5%, (10.25% at June 30, 1999), note payable, principal and interest payable monthly with an estimated balloon payment of approximately $130,000 due June 2000, principally collateralized by machinery and equipment of FSDA, (See (b) below)	255,600	320,400
11% note payable, principal and interest payable monthly with an estimated balloon payment of approximately $600,000 due March 2001, collateralized by all the assets of FSDA, (See (b) below)	1,434,499	1,674,499
9.25% mortgage note payable, principal and interest payable monthly with an estimated balloon payment of approximately $360,000 due June 2001, collateralized by land and building of ACSI	403,728	412,642
Prime plus 1%, notes payable, issued in connection with the acquisition of CWES, paid in April 1999	--	80,000
9.50% note payable, principal and interest payable monthly through June 2002, collateralized by substantially all of the assets of GFSI.	54,687	62,386
	5,180,058	6,136,403
Less current maturities	(2,650,707)	(2,560,439)
Total long-term debt	$ 2,529,351	$ 3,575,964

</TABLE>

At June 30, 1999, maturities of long-term debt are:

2000	$ 2,650,707
2001	1,357,765
2002	21,586
2003	1,150,000
	$ 5,180,058

(a) The Company's loan agreements contain restrictive covenants which require the Company to, among other things, maintain a minimum tangible net worth and maintain certain financial ratios. Certain of such loans also provide that the lenders may, at their options, accelerate such loans as a result of, among other things, a material adverse change in the Company's financial position or results of operations. The lenders have not notified the Company that such an event has occurred and the Company does not expect that such notice will be received.

(b) At December 31, 1998, the Company was not in compliance with certain covenants relating to the above noted debt. However, the Company obtained waivers of such non-compliance from the lenders.

6. RELATED PARTY BALANCES AND TRANSACTIONS

<TABLE>
<CAPTION>

INDEBTEDNESS TO RELATED PARTY	JUNE 30, 1999	DECEMBER 31, 1998
<S>	<C>	<C>
10% unsecured notes payable to a former affiliated entity, matured October 1994	$ 125,000	$ 125,000

</TABLE>

Interest expense on related party indebtedness aggregated $6,250 for each of the six months ended June 30, 1999 and 1998.

7. INCOME TAXES

At June 30, 1999 and December 31, 1998, the Company has approximately $7,400,000 and $7,550,000, respectively, of net operating loss carryforwards expiring through 2011, for both financial reporting and income tax purposes. Changes in ownership of greater than 50% occurred as a result of the Company's issuances of Common Stock which resulted in an approximate $760,000 annual limitation being imposed upon the future utilization of approximately $6,300,000 of the Company's net operating losses for tax purposes. Realization of the approximate $2,780,000 and $2,840,000 deferred tax assets at June 30, 1999 and December 31, 1998, respectively, resulting mainly from the available net operating loss carryforwards, is not considered more likely than not and accordingly, a valuation allowance has been recorded for the full amount of such assets.

The reconciliation of the effective income tax rate to the Federal and State statutory rate is as follows:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Federal and State income tax rate	37.63%	(37.63%)
Effect of net operating loss carryfoward and valuation allowance	(37.63%)	37.63%
Effective income tax rate	0.0%	0.0%

</TABLE>

8. EQUITY TRANSACTIONS

(a) At June 30, 1999, the Company has two stock option plans, which are described below. The Company applies APB Opinion 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related Interpretations in accounting for options granted to employees. Under APB Opinion 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation cost is recognized.

Under the 1991 Performance Equity Plan, the Company may grant options to its employees and certain consultants for up to 2,000,000 shares of Common Stock. Under the 1994 Outside Directors' Plan, the Company may grant options to its directors for up to 400,000 shares of Common Stock. For both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years.

(b) As of June 30, 1999 and December 31, 1998, respectively, the Company has reserved an aggregate 990,850 and 933,100 shares of Common Stock for issuance upon exercise of options and warrants.

(c) The following reconciles the components of the earnings per share computation:

<TABLE>
<CAPTION>

FOR THE SIX MONTHS ENDED JUNE 30,	1999			1998		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE LOSS AMOUNT	(NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings (loss) per common share						
Net income (loss)	$392,292	2,830,560	$0.14	$(2,072,865)	2,722,013	$(0.76)
Effect of dilutive securities						
Options	--	--		--	--	
Warrants	--	--		--	--	
Earnings (loss) per common share assuming dilution						
Net income (loss)	$392,292	2,830,560	$0.14	$(2,072,865)	2,722,013	$(0.76)

</TABLE>

9. SEGMENT INFORMATION

The Company's reportable segments are strategic businesses that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Company primarily evaluates the operating performance of its segments based on the categories noted in the table below. During the six months ended June 30, 1999 and 1998, the Company had no intercompany sales.

Financial information for the Company's business segments is as follows:

<TABLE>
<CAPTION>

	For the six months ended June 30, 1999	1998
<S>	<C>	<C>
REVENUES		
Industrial and municipal fluid handling and filtration	$ 7,987,956	$ 7,729,165
Commercial and residential water filtration and purification	2,271,564	3,500,068
Car wash equipment sales and service	1,870,830	2,213,132
Corporate	--	--
Total revenues	$ 12,130,350	$ 13,442,365

OPERATING INCOME (LOSS)		
Industrial and municipal fluid handling and filtration	$ 632,198	$ (722,158)
Commercial and residential water filtration and purification	377,920	(660,772)
Car wash equipment sales and service	114,959	290,794
Corporate	(368,184)	(597,629)
Total operating income (loss)	$ 756,893	$ (1,689,765)
DEPRECIATION AND AMORTIZATION		
Industrial and municipal fluid handling and filtration	$ 121,620	$ 158,970
Commercial and residential water filtration and purification	99,780	128,340
Car wash equipment sales and service	64,500	64,500
Corporate	25,002	24,600
Total depreciation and amortization	$ 310,902	$ 376,410
INTEREST EXPENSE, NET		
Industrial and municipal fluid handling and filtration	$ 258,275	$ 339,976
Commercial and residential water filtration and purification	--	--
Car wash equipment sales and service	876	8,551
Corporate	105,450	34,573
Total interest expense, net	$ 364,601	$ 383,100

</TABLE>

AQUA CARE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED WITH RESPECT TO JUNE 30, 1999 AND 1998)

<TABLE>
<CAPTION>

	For the six months ended June 30, 1999	1998
<S> <C> <C> <C> <C> <C> <C>		
TOTAL ASSETS		
Industrial and municipal fluid handling and filtration	$ 8,472,492	$ 8,404,244
Commercial and residential water filtration and purification	2,672,908	3,521,114
Car wash equipment sales and service	1,840,273	1,780,962
Corporate	1,527,168	1,095,430
Total assets	$ 14,512,841	$ 14,801,750
CAPITAL EXPENDITURES		
Industrial and municipal fluid handling and filtration	$ 171,762	$ 29,437
Commercial and residential water filtration and purification	27,959	8,672
Car wash equipment sales and service	25,930	12,693
Corporate	5,592	7,515
Total capital expenditures	$ 231,243	$ 58,317

</TABLE>

10. FINANCING FEES

The Company offers a retail financing program for the purpose of assisting one of its subsidiary's water filtration and purification customers (dealers) in obtaining financing through an arrangement with an unrelated lending company. As compensation for its services, the Company receives fees based on amounts financed. Net fees for the six months ended June 30, 1999 and

1998 aggregated $373,784 and $385,471, respectively, and are included in revenues.

11. SUPPLEMENTAL CASH FLOW INFORMATION

For the six months ended June 30, 1999 and 1998, the Company paid $324,438 and $356,614, respectively, for interest.

12. COMMITMENTS AND CONTINGENCIES

(a) The Company leases vehicles and office/warehouse space under operating leases which expire through 2003. Total rent expense aggregated $86,505 and $116,767, for the six months ended June 30, 1999 and 1998, respectively.

(b) The Company has entered into a distribution agreement with Ryko Manufacturing Company ("Ryko"). Under the terms of the agreement, the Company is the exclusive distributor of Ryko car wash equipment in the South Florida region. The distribution agreement provides that the Company sells directly or receives a commission on all Ryko equipment sold within its region. The distribution agreement is due to expire in 1999. However, it provides for automatic renewal upon the achievement of certain sales goals which aggregate approximately $1,800,000 per year for 1998 and 1999. The Company exceeded such goals and is awaiting the finalization of a renewed distribution agreement.

(c) The Company has adopted a 401(k) employee savings and retirement plan. Under the provisions of the Plan, the Company may elect to match each employee's contribution to the Plan at the rate of 50% in Company Common Stock. The Common Stock is restricted stock and vests over a two year period on a quarterly basis. During the six months ended June 30, 1999 and 1998, the Company contributed 52,147 and 18,231 shares of restricted Common Stock valued at $28,613 and $14,813, respectively.

(d) On April 9, 1997 Long Trail Brewing Company filed a complaint against EnviroSystems Supply, Inc., a wholly owned subsidiary of the Company, in Windsor Superior Court in the County of Windsor in the State of Vermont; Docket number S216-5-97Wrcv. The complaint alleges, among other matters, breach of express warranty and specific performance of certain of the parameters of the written agreement for the purchase of a waste water treatment plant designed to treat the industrial waste water generated at the Plaintiff's brewing facility. Management believes, based on facts presently known, that if the outcome of such legal proceedings is determined adverse to the Company, such determination could have a material adverse effect on the Company's financial position, liquidity, or future results of operations. The Company has provided for the estimated probable loss in connection with this matter.

(e) The Company is or may become involved in various lawsuits, claims and proceedings in the normal course of its business including those pertaining to product liability, environmental, safety and health and employment matters. The Company records liabilities when loss amounts are determined to be probable and reasonably estimatable. Insurance recoveries are recorded only when claims for recovery are settled. Although generally the outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, management believes, based on facts presently known, that the outcome of such legal proceedings and claims, other than those previously disclosed, will not have a material adverse effect on the Company's financial position, liquidity, or future results of operations.

13. SUBSEQUENT EVENT

In July 1999, pursuant to the 401(k) employee savings and retirement plan described in Note 12(c), the Company contributed 13,986 shares of restricted Common Stock valued at $10,490.

PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-QSB, as well as, the Company's "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 6 of the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1998.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 1999 AND 1998

Presented below are the consolidated results of operations for the Company for the six months ended June 30, 1999 and 1998:

<TABLE>
<CAPTION>

<S>	SIX MONTHS ENDED JUNE 30, 1999 <C>	SIX MONTHS ENDED JUNE 30, 1998 <C>
Revenues	$ 12,130,350	$ 13,442,365
Cost of revenues	7,282,740	8,160,683
Gross profit	4,847,610	5,281,682
Operating expenses	4,090,717	6,971,447
Income (loss) from operations	756,893	(1,689,765)
Interest expense, net	(364,601)	(383,100)
Net income (loss)	$ 392,292	$ (2,072,865)
Earnings (loss) per common share-basic	$ 0.14	$ (0.76)
Earnings (loss) per common share-diluted	$ 0.14	$ (0.76)

</TABLE>

Revenues decreased by $1,312,015, or 9.8%, from $13,442,365 for the six months ended June 30, 1998, to $12,130,350 for the six months ended June 30, 1999. Of this decrease, $1,228,504 was attributable to lower sales generated by the commercial and residential water filtration and purification segment and $342,302 was due to a decrease in revenues recognized by the car wash equipment sales and service segment; offset by a $258,791 increase in revenues derived by the industrial and municipal fluid handling and filtration segment.

Cost of revenues decreased by $877,943, or 10.8%, from $8,160,683 for the six months ended June 30, 1998, to $7,282,740 for the six months ended June 30, 1999. As a percentage of revenues, these amounts represented 60.7% for 1998, as compared to 60% for 1999. The decrease in cost of revenues as a percentage of revenues primarily was due to efficiencies realized through the purchasing process.

Gross profit decreased $434,072, or 8.2%, from $5,281,682 for the six months ended June 30, 1998 to $4,847,610 for the six months ended June 30, 1999, which, as a percentage of revenues, represented an increase from 39.3% to 40%, respectively, for such periods.

The Company's operating expenses decreased $2,880,730, or 41.3%, from $6,971,447 for the six months ended June 30, 1998 to $4,090,717 for the six months ended June 30, 1999. As a percentage of revenues, these expenses decreased from 51.9% for 1998 to 33.7% for 1999. Of the $2,880,730 decrease, $1,974,853 related to the recognition of non-recurring charges, of which $1,052,039 was due to the permanent impairment of certain of the Company's operating subsidiaries' intangible assets during the six months ended June 30, 1998. The Company incurred no such non-recurring charges during the six months ended June 30, 1999. The remaining $905,877 decrease in operating expenses was primarily in the expense categories of payroll and related expenses ($593,810); provisions for doubtful accounts and notes ($140,810); travel and related expenses ($101,892); and depreciation and amortization ($65,508). Management evaluates operating expenses on a regular basis, and as such, adjusts resources allocated to cover such expenses. Optimum levels of operating expenses are targeted and adjusted according to business levels in order to provide maximum efficiency and effectiveness.

Net interest expense decreased $18,499, or 4.8%, from $383,100 for the six months ended June 30, 1998 to $364,601 for the six months ended June 30,

1999. This decrease was mainly attributable to lower interest rates on outstanding debt balances for the six months ended June 30, 1999, as compared to the six month period ended June 30, 1998.

Principally as a result of the factors described above, the Company achieved net income of $392,292 for the six months ended June 30, 1999, compared to a net loss of $(2,072,865) incurred for the six months ended June 30, 1998.

FINANCIAL CONDITION AND LIQUIDITY

At June 30, 1999, the Company had $641,356 of cash and cash equivalents, working capital of $156,438, assets of $14,512,841, long-term debt, net of current maturities, of $2,529,351 and stockholders' equity of $5,689,262. The Company's operating activities provided $1,207,071 of cash resulting from an increase in accounts payable and accrued expenses ($480,833); a decrease in inventory ($447,521); net income ($392,292); depreciation and amortization ($310,902); a decrease in other assets ($50,192); the pension contribution paid through the issuance of Common Stock ($28,613); a decrease in prepaids and other ($27,365); and the provision for doubtful accounts and notes ($1,004); offset by an increase in accounts receivable ($531,651). Investing activities used $182,499 of cash due to capital expenditures

($231,243); offset by payments received on notes receivable ($48,744). Financing activities used $956,345 of cash due to repayments of notes payable and long-term debt ($7,727,583); offset by the net proceeds from issuance of notes payable and long-term debt ($6,771,238).

Management expects to continue to make acquisitions to expand the Company's markets. As consideration for an acquisition, the Company may issue Common Stock, Preferred Stock, or other securities, notes or cash. Since cash may be required either to consummate acquisitions, or to fund the operations of new or existing businesses, including $2,650,707 of current maturities of long-term debt, management may, from time to time, investigate and pursue various types of financing that are available to the Company. These include, but are not limited to, private placements, secondary offerings, bridge financings, debentures, lines of credit and asset-based loans. While management believes that financing will be available for the Company to not only fund its current operations, but also to fund its acquisition program, there can be no assurance such financing will be on terms reasonably acceptable to the Company.

A portion of the revenues of the Company, particularly through FSDA, have been, and are expected to continue to be, generated from foreign countries. Notwithstanding the fact that the Company expects its foreign contracts to be denominated in U.S. dollars, the Company is subject to the risks associated with fluctuations in the U.S. and foreign currencies and political instability. In particular, if the U.S. dollar increases significantly as compared to foreign currencies, this could adversely impact the ability of the Company to secure orders and generate revenues in foreign countries.

CAPITAL EXPENDITURE REQUIREMENTS

During the six months ended June 30, 1999, the Company spent $231,243 on capital expenditures mainly relating to the development of a new computer system to be implemented by all of the Company's subsidiaries and the purchase of machinery and equipment at FSDA. During 1999, the Company intends to utilize approximately $150,000 more to purchase additional machinery and equipment, most specifically at FSDA, and to complete the development of the above noted computer system. The Company does not presently anticipate any significant additional capital expenditures other than those noted above and those relating to future acquisitions.

NEW ACCOUNTING STANDARDS

Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS No. 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The adoption of SFAS No. 130 did not impact the Company's financial statements.

Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures About Segments of an Enterprise and Related Information, supersedes SFAS No. 14, Financial Reporting for Segments of a Business Enterprise. SFAS No. 131 establishes standards for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company adopted SFAS No. 131 in 1998.

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Statement applies to all entities and is effective for all fiscal quarters of the fiscal years beginning after June 15, 1999. The Company did not engage in derivative instruments or hedging activities in any periods presented in the consolidated financial statements.

YEAR 2000

In the past, many computer software programs were written using two digits rather than four to define the applicable year. As a result, date sensitive computer software may recognize a date using "00" as the year 1900 rather than the year 2000. This is generally referred to as the Year 2000 issue. If this situation occurs, the potential exists for computer system failure or miscalculations by computer programs, which could disrupt operations.

During 1999, the Company will complete the implementation of its new computer system to use 4-digit year fields and will therefore believe itself to be "Year 2000" compliant. The aggregate cost of such implementation is anticipated to be approximately $200,000, and the Company does not believe that it will experience any material disruption in its operations with respect thereto.

The Company is exposed to the risk that one or more of its vendors or customers, including financial institutions, could experience Year 2000 problems that impact their abilities to meet obligations to the Company. To date, the Company is not aware of any vendor or customer Year 2000 issue that would have a material adverse impact on the Company's operations. The Company has received an interim status report from its primary vendors and customers. The Company has no means of ensuring that its vendors and customers will be Year 2000 ready. The inability of such vendors and customers to complete their Year 2000 resolution process in a timely fashion could have an adverse impact on the Company. The effect of non-compliance by vendors and customers is not determinable at this time. The Company's Year 2000 risks are considered minimal and no contingency plans are believed to be necessary.

Widespread disruptions in the national or international economy, including disruption affecting the financial markets, resulting from Year 2000 issues, or in certain industries, such as commercial or investment banks, could also have an adverse impact on the Company. The likelihood and effect of such disruptions is not determinable at this time.

This Form 10-QSB contains certain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of the Company and its subsidiaries, including statements made under Management's Discussion and Analysis of Financial Condition and Results of Operations. These forward looking statements involve certain risks and uncertainties. No assurance can be given that any of such matters will be realized. Factors that may cause actual results to differ materially from those contemplated by such forward looking statements include, among others, the following: competitive pressures in the industries noted; general economic and business conditions; the ability to implement and the effectiveness of business strategy and development plans; quality of management; business abilities and judgment of personnel; availability of qualified personnel; and labor and employee benefit costs.

INFLATION

The Company has not been materially affected by the impact of inflation.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 9, 1997 Long Trail Brewing Company filed a complaint against EnviroSystems Supply, Inc., a wholly owned subsidiary of the Company, in Windsor Superior Court in the County of Windsor in the State of Vermont; Docket number S216-5-97Wrcv. The complaint alleges, among other matters, breach of express warranty and specific performance of certain of the parameters of the written agreement for the purchase of a waste water treatment plant designed to treat the industrial waste water generated at the Plaintiff's brewing facility. Management believes, based on facts presently known, that if the outcome of such legal proceedings is determined adverse to the Company, such determination could have a material adverse effect on the Company's financial position, liquidity, or future results of operations. The Company has provided for the estimated probable loss in connection with this matter.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

27.1 Financial data schedule

(b) REPORTS ON FORM 8-K

None

No other Items of Part II are applicable to the Registrant for the period covered by this Quarterly Report on Form 10-QSB.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

AQUA CARE SYSTEMS, INC.
Registrant

Dated: July 26, 1999

/S/ WILLIAM K. MACKEY

William K. Mackey
Chairman of the Board
President
Chief Executive Officer
Treasurer

Dated: July 26, 1999

/S/ GEORGE J. OVERMEYER

George J. Overmeyer
Corporate Controller

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
27.1	Financial data schedule

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