FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-02-08** | Period of Report: **1995-12-31**
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FILER

CONTOUR MEDICAL INC

CIK:**829649**| IRS No.: **770163521** | State of Incorp.:**NV** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **000-26288** | Film No.: **96513260**
SIC: **3842** Orthopedic, prosthetic & surgical appliances & supplies

Mailing Address
3340 SCHERER DRIVE
ST PETERSBURG FL 33716

Business Address
3340-D SCHERER DR
ST PETERSBURG FL 33716
8135720089

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended December 31, 1995

Commission File No. 0-26288

CONTOUR MEDICAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	77-0163521
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

3340 Scherer Drive
St. Petersburg, Florida 33716

(Address of Principal Executive Offices)

(813) 572-0089

(Registrant's Telephone Number, Including Area Code)

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 [X]   No [   ]

There were 4,613,841 shares of the Registrant's $.001 par value Common Stock outstanding as of January 25, 1996.

CONTOUR MEDICAL, INC.

FORM 10-Q

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Part I. Financial Information

Part II. Other Information

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
[CAPTION]

[S]	December 31, 1995 (Unaudited) [C]	June 30, 1995 [C]
ASSETS		
Current:		
Cash	$ 42,593	$ 96,235
Accounts receivable - trade		
Related parties (Note 4)	1,254,555	943,094
Other	871,615	760,703

Inventories (Note 5)	1,635,673	1,297,394
Refundable income taxes	10,680	10,680
Prepaid expenses and other	143,153	74,319
Due from parent (Note 4)	941,563	1,168,901
	----------	----------
Total Current Assets	4,899,832	4,351,326
Property and Equipment, less accumulated depreciation (Note 6)	807,121	592,243
Other Assets:		
Deposit on equipment	355,454	228,282
Other	4,575	4,575
	----------	----------
Total Other Assets	360,029	232,857
	$6,066,982	$5,176,426

See accompanying notes to consolidated financial statements.

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
[CAPTION]

[S]	December 31, 1995 (Unaudited) [C]	June 30, 1995 [C]
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable to banks - credit lines (Note 7)	$ 303,800	$ 245,600
Accounts payable	1,070,648	882,524
Accrued expenses	136,973	80,977
Current maturities of long-term debt (Note 8)	168,477	168,477
	----------	----------
Total Current Liabilities	1,679,898	1,377,578
Long-term debt, less current maturities (Note 8)	1,061,130	907,711
	----------	----------
Total Liabilities	2,741,028	2,285,289
Stockholders' Equity:		
Preferred stock - Series A convertible, $.001 par value, shares authorized 1,265,000; issued 600,000, at aggregate liquidation		

preference	2,400,000	2,400,000
Common stock $.001 par - shares authorized 76,000,000; issued 4,613,841 and 4,573,600	3,833	3,808
Additional paid-in capital	986,661	781,738
Accumulated (Deficit)	(64,540)	(294,409)
Total stockholders' equity	3,325,954	2,891,137
	$6,066,982	$5,176,426

See accompanying notes to consolidated financial statements.

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
[CAPTION]

[S]	Three Months Ended December 31, 1995 (Unaudited) [C]	December 31, 1994 (Unaudited) [C]
SALES	$2,512,220	$1,016,483
COST OF SALES	1,831,267	655,835
GROSS PROFIT	680,953	360,648
OPERATING EXPENSES	495,343	452,669
OTHER INCOME (EXPENSE)	132	(47,148)
INCOME (LOSS) BEFORE INCOME TAXES	185,742	(139,169)
INCOME TAX EXPENSE	63,152	--
NET INCOME (LOSS)	$ 122,590	$ (139,169)
NET INCOME (LOSS) PER COMMON SHARE, PRIMARY	$ .03	$ (.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	4,613,841	2,560,883

See accompanying notes to consolidated financial statements.

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
[CAPTION]

[S]	Six Months Ended December 31, 1995 (Unaudited) [C]	December 31, 1994 (Unaudited) [C]
SALES	$4,750,349	$2,016,545
COST OF SALES	3,420,339	1,301,075
GROSS PROFIT	1,330,010	715,470
OPERATING EXPENSES	984,944	789,740
OTHER INCOME (EXPENSE)	3,220	(47,100)
INCOME (LOSS) BEFORE INCOME TAXES	348,286	(121,370)
INCOME TAX EXPENSE	118,417	--
NET INCOME (LOSS)	$ 229,869	$ (121,370)
NET INCOME (LOSS) PER COMMON SHARE, PRIMARY	$ .05	$ (.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	4,613,841	2,560,883

See accompanying notes to consolidated financial statements.

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
[CAPTION]

[S]	Six Months Ended December 31, 1995 (Unaudited) [C]	December 31, 1994 (Unaudited) [C]
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 229,869	$(121,370)
Adjustments to reconcile net income (loss) to net provided (used) by operating activities:		
Depreciation	70,447	60,284
Tax benefit from NOL	118,417	--
(Increase) decrease in accounts		

receivable	(422,373)	(41,521)
(Increase) decrease in inventories	(338,279)	42,239
(Increase) decrease in other current assets and other assets	(68,834)	94,051
Increase (decrease) in accounts payable	188,124	183,887
Increase (decrease) in accrued expenses and other liabilities	55,996	(11,078)
	---------	---------
Total Adjustments	(396,502)	327,862
Net cash provided (used) by operating activities	(166,633)	206,492
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of equipment	(412,497)	(80,984)
Decrease in due from parent	227,388	--
	---------	---------
Net cash provided (used) by investing activities	(185,159)	(80,984)

See accompanying notes to consolidated financial statements.

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
[CAPTION]

	Six Months Ended	
	December 31, 1995	December 31, 1994
	------------	------------
	(Unaudited)	(Unaudited)
[S]	[C]	[C]
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deferred offering costs	$ --	$(55,767)
Net borrowing (payments) on loans	211,619	(35,326)
Proceeds from exercise of options	50,000	47,794
Payment of short-swing liability by shareholder	36,531	--
	--------	--------
Net cash provided (used) by financing activities	298,150	(43,299)
	--------	--------
NET INCREASE (DECREASE) IN CASH	(53,642)	82,209
CASH BEGINNING OF PERIOD	96,235	56,997

CASH END OF PERIOD	$ 42,593	$139,206

SUPPLEMENTAL DISCLOSURE OF CASH
FLOW INFORMATION AND NON-CASH
ACTIVITIES:
[CAPTION]

[S]	[C]	[C]
Cash paid for interest	$ 66,061	$ 28,045
Cash paid for income tax	$ 930	$ --

See accompanying notes to consolidated financial statements.

CONTOUR MEDICAL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the June 30, 1995, audited financial statements for Contour Medical, Inc. The results of operations for the periods ended December 31, 1995 and 1994 are not necessarily indicative of the operating results for the full year.

The consolidated financial statements include the accounts of Contour Medical, Inc. ("CMI") and its wholly-owned subsidiaries, Contour Fabricators, Inc. ("CFI") and Contour Fabricators of Florida, Inc. ("CFFI"), collectively referred to as the Company. All material intercompany accounts and transactions have been eliminated. CMI is a majority-owned subsidiary of Retirement Care Associates, Inc. ("Parent").

2. Change in Method of Accounting for Taxes and Income

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109") which requires recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effect attributable to temporary differences and carry forwards. Measurement of deferred income tax is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized.

3. Change in Year End

The Company changed its fiscal year end from December 31 to June 30 during 1995.

4. Related Party Transactions

During 1995, the Company began distributing medical supplies to health care facilities owned, leased or managed by the Parent. Sales to these facilities approximated $907,000 for the three month period ended December 31, 1995, and $1,653,000 for the six month period ended June 30, 1995. Trade accounts receivable of $1,254,555 and $943,094 were outstanding as of December 31, 1995 and June 30, 1995, respectively, as related to these health care facility sales. Additionally, the Company had an outstanding loan receivable due from its parent company of $944,563 and $1,168,901 as of December 31, 1995 and June 30, 1995, respectively, which is due on demand with no stated interest rate.

5. Inventories

Inventories are summarized as follows:

[CAPTION]

[S]	December 31, 1995 [C]	June 30, 1995 [C]
Raw Materials	$ 329,584	$ 259,952
Work in process	55,334	58,704
Finished goods	1,250,755	978,738
	$1,635,673	$1,297,394

All inventories are pledged as collateral.

6. Property and Equipment

Property and equipment consist of the following:

[CAPTION]

[S]	Useful Lives [C]	December 31, 1995 [C]	June 30, 1995 [C]
Land	--	$ 50,000	$ 50,000
Building	5-45 years	596,247	596,247

Machinery and equipment	3-7	years	1,278,095	1,034,568
Furniture and fixtures	5-7	years	128,593	124,651
Leasehold improvements	5	years	51,779	13,923
Vehicles	3-5	years	9,109	9,109
			2,113,823	1,828,498
Less accumulated depreciation			1,306,702	1,236,255
			$ 807,121	$ 592,243

All property and equipment are pledged as collateral (see Notes 7 and 8).

7. Notes Payable to Banks

Notes payable to banks consists of the following:

[CAPTION]

[S]	December 31, 1995 [C]	June 30, 1995 [C]
Borrowings under CFFI's $250,000 line of credit, interest at prime plus 1% (10% and 9.75% at June 30 and December 31, 1995, respectively), payable monthly, collateralized by accounts receivable and inventory	$248,800	$245,600
Borrowings under lines of credit	55,000	--
	$303,800	$245,600

8. Long-term Debt

Long-term debt consists of the following:

[CAPTION]

[S]	December 31, 1995 [C]	June 30, 1995 [C]
Mortgage payable to bank, bearing interest at 8.58%, principal and interest of $6,793, due monthly through 2003, collateralized by accounts receivable, inventory, equipment and real property	$ 436,455	$ 491,622
Mortgage payable to bank, interest at prime		

plus .75% (9.75% and 9.5% at June 30 and December 31, 1995, respectively), principal of $1,190 plus interest due monthly through 2000, collateralized by accounts receivable, inventory, equipment and real property	71,431	78,571
Note payable to bank, interest at prime plus .75% (9.75% and 9.5% at June 30 and December 31, 1995, respectively), principal and interest of $3,044 due monthly through May 2000, collateralized by accounts receivable, inventory, equipment and real property	436,721	182,622
Note payable to bank, interest at prime plus 1% (10% and 9.75% at June 30 and December 31, 1995, respectively), principal of $5,000 plus interest due monthly through June 2000, collateralized by equipment	270,000	300,000
Note payable to bank, interest at prime plus 1% (10% and 9.75% at June 30 and December 31, 1995, respectively), principal and interest of $1,667 due monthly through August 1996, collateralized by accounts receivable, inventory and equipment	15,000	23,333
	----------	----------
	1,229,607	1,076,188
Less current maturities	168,477	168,477
	----------	----------
Total long-term debt	$1,061,130	$ 907,711

The net book value of property and equipment collateralized under the above debt agreements was $807,121 and $592,243 as of December 31, 1995 and June 30, 1995, respectively.

Certain of the above agreements contain certain financial and operating covenants, including requirements that the Company maintain certain net worth levels and satisfy current and debt-to-net-worth ratios. The Company was in compliance with all debt covenants as of December 31, 1995 and June 30, 1995.

The aggregate maturities of long-term debt are as follows as of December 31, 1995:

[S]	[C]
1996	$168,477
1997	$162,136
1998	$159,456
1999	$163,798
2000	$168,527
Thereafter	$321,896

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following should be read in conjunction with the attached Financial Statements and Notes thereto of the Company.

Three Months Ended December 31, 1995, Compared to Three Months Ended December 31, 1994

As a result of the factors discussed below, for the three months ended December 31, 1995, the Company had net income of $122,590 compared to a net loss of $(139,169) for the three months ended December 31, 1994.

Sales increased by $1,495,737 for the three months ended December 31, 1995 as compared to the three months ended December 31, 1994. Approximately $320,000 of this increase related to an increase in demand for the Company's traditional product lines and approximately $268,000 of the increase resulted from sales of pre-packaged kits to other than nursing homes. Approximately $907,000 of the sales increase was attributed to sales of bulk medical supplies and pre-packaged kits to nursing homes managed by the Company's parent. These sales, which started during April 1995, represent a new market for the Company. Approximately $112,000 of these nursing home sales represent sales of the Company's pre-packaged kits and the remainder of the nursing home sales represents sales of bulk medical supplies. The Company expects continued growth in sales to nursing homes of bulk medical supplies and kits as the Parent expands the number of nursing homes it manages or operates.

Gross profit for the three months ended December 31, 1995, was $680,953 or 27% of sales, as compared to $360,648 or 35% of sales, for the same period of the previous year. The decrease in gross profit as a percentage of sales is primarily due to the fact that pre-packaged kits and bulk medical supply products have lower gross profit margins.

Operating expenses for the three month period ending December 31, 1995, were $495,343 as compared to $452,669 in 1994. The operating expenses increased approximately 9% as the result of higher administrative and marketing costs due to the increased level of sales and overall business activity.

Six Months Ended December 31, 1995, Compared to Six Months Ended December 31, 1994

As a result of the factors discussed below, for the six months ended December 31, 1995, the Company had net income of $229,869 compared to a net loss of $(121,370) for the six months ended December 31, 1994.

Sales increased $2,733,804 for the six months ended December 31, 1995, as compared to 1994. Approximately $510,000 of this increase was due to increased demand for the Company's traditional product lines, and approximately $570,000 of the increase resulted from sales of pre-packaged kits to other than nursing homes. Approximately $1,653,000 of the sales increase was attributed to sales of bulk medical supplies and pre-packaged kits to nursing homes managed or operated by the Company's Parent. There were no sales to nursing homes in the comparable period of 1994. Approximately $205,000 of these nursing home sales represent sales of the pre-packaged kits and the remainder of $1,448,000 represents sales of bulk medical supplies to the nursing homes.

Gross profit for the six months ended December 31, 1995, was $1,330,010 or 28% of sales, as compared to $715,470 or 35% of sales, for the same period of the previous year. The decrease in gross profit as a percentage of sales is primarily due to the fact that pre-packaged kits and bulk medical supply products have lower gross profit margins.

Operating expenses for the six month period ending December 31, 1995, were $984,944 as compared to $789,740 in 1994. The operating expenses increased approximately 25% as the result of higher administrative and marketing costs due to the increased level of sales and overall business activity.

Liquidity and Capital Resources

At December 31, 1995, the Company had $3,219,934 of working capital as compared to $2,973,748 on June 30, 1995. The increase was primarily due to increased inventory and receivables net of payables resulting from increased sales volume.

Operating activities for the six months ended December 31, 1995, utilized cash of $166,633 as compared to operating activities during the six months ended December 31, 1994, which provided cash of $206,492. The increased use of cash was primarily due to increases in inventory and accounts receivable, net of increased payables.

Inventories increased by approximately 26% from June 30, 1995 to December 31, 1995, because of the need to carry more inventory to serve the growing nursing home market. Accounts receivable and accounts payable have increased due to the increased level of sales.

The cash flows from investing activities utilized $189,159 during the six months ended December 31, 1995, were a result of the repayment of $227,338 from the Company's parent which was offset by the use of $412,497 for the acquisition of additional equipment.

Cash flow of $298,150 was provided from financing activities in 1995, whereas in 1994 cash flows from financing activities used cash of $43,299. During the six months ended December 31, 1995, $211,619 was provided from net bank borrowings, $50,000 was provided by the exercise of stock options, and $36,531 was provided by payment of a short-swing liability by a shareholder.

The Company currently maintains a total of $350,000 in lines of credit with its banks for short-term working capital needs. As of December 31, 1995, $303,800 had been borrowed against these lines. Management believes that the Company's working capital, together with anticipated net income from operations and unused lines of credit, will be adequate to meet the Company's needs for liquidity for at least the next twelve months. If additional short-term capital is needed, management believes that the Company's Parent would pay down the amount it owes to the Company.

Other than the transaction described below, the Company presently has no commitments for material capital expenditures.

The Company has entered into a Letter of Intent to acquire a company engaged in the bulk medical supply distribution business through a merger of such company into a newly formed subsidiary of the Company. Under the terms of the Letter of Intent, the Company will be required to issue shares of its Common Stock and pay $300,000 in cash in connection with the merger. The Company intends to finance the cash portion of the merger out of the Company's working capital.

Seasonality and Inflation

The Company's business is relatively consistent and stable on a monthly basis, and has not indicated any seasonality over the prior three fiscal periods.

In addition, the Company does not believe that inflation has had a material effect on its results from operations during the past three fiscal years. There can be no assurance, however, that the Company's business will not be affected by inflation in the future.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

On January 30, 1996, the Company entered into a Letter of Intent with a bulk medical supply company located in the Southeast pursuant to which the two companies have proposed to merge the other company into a newly formed subsidiary of the Company. Under the terms of the Letter of Intent, the Company would issue shares of its Common Stock equal in value to $2,100,000 and pay $300,000 in cash in connection with the merger.

The bulk medical supply company has annual revenues of approximately $10,000,000.

The completion of the proposed merger is subject to the execution of a definitive agreement and certain conditions outlined in the Letter of Intent. The Company expects to complete the merger in March 1996.

Item 6. Exhibits and Reports on Form 8-K

None.

SIGNATURES

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

CONTOUR MEDICAL, INC.

Date: February 8, 1996

By /s/ Gerald J. Flanagan

Gerald J. Flanagan, President

EXHIBIT INDEX

[CAPTION]

EXHIBIT		METHOD OF FILING
[S]	[C]	[C]
27.	Financial Data Schedule	Filed herewith electronically

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This schedule contains summary financial information extracted from the
balance sheets and statements of operations found on pages 3-5 of the
Company's Form 10-Q for the year to date, and is qualified in its entirety
by reference to such financial statements.
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