

OSI SYSTEMS INC  
Form 8-K/A  
October 12, 2004

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 8-K/A**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):

March 19, 2004

**OSI SYSTEMS, INC.**

(EXACT NAME OF REGISTRANT SPECIFIED IN CHARTER)

**CALIFORNIA**  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION)

**000-23125**  
(COMMISSION FILE NUMBER)

**330238801**  
(IRS EMPLOYER  
IDENTIFICATION NO.)

**12525 Chadron Avenue, Hawthorne, CA**  
(Address of principal executive offices)

**90250**  
(Zip Code)

Registrant's telephone number, including area code: (310) 978-0516

N/A

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Section 2 Financial Information**

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

As previously reported, on March 19, 2004, OSI Systems, Inc. (the Registrant ) completed the acquisition of Spacelabs Medical pursuant to a purchase agreement entered into on January 2, 2004, between Instrumentarium Corporation ( Instrumentarium ) and the Registrant as amended and supplemented on March 19, 2004. Spacelabs Medical was a business unit of Instrumentarium, which GE Medical Systems acquired in October 2003.

On March 26, 2004, the Registrant filed a current report on Form 8-K disclosing the acquisition of Spacelabs Medical, but omitted the financial statements of the business acquired and the pro forma financial information as it was permitted to do pursuant to the rules and regulations governing Form 8-K.

On June 1, 2004, the Registrant filed a current report on Form 8-K/A that amended the initial report on Form 8-K filed on March 26, 2004 to include the financial information that was omitted.

This second amendment to the Registrant s current report on Form 8-K originally filed on March 26, 2004 and amended on June 1, 2004, is made to update the financial information included in the first amendment by including the audited financial statements of Spacelabs Medical as of December 31, 2003 and for the period from January 1, 2003 through October 8, 2003 and the period from October 9, 2003 through December 31, 2003.

**Section 9 Financial Statements and Exhibits**

**Item 9.01 Financial Statements and Exhibits.**

The following financial statements and pro forma financial information are filed as part of this report:

(a) Financial Statements of Business Acquired

(i) Audited Consolidated/Combined Financial Statements of Spacelabs Medical as of December 31, 2002 and 2003 and for the year ended December 31, 2001, the period from January 1, 2002 through July 3, 2002, the period from July 4, 2002 through December 31, 2002, the period from January 1, 2003 through October 8, 2003, and the period from October 9, 2003 through December 31, 2003.

(b) Pro Forma Financial Information

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(i) Unaudited Pro Forma Condensed Combined Statements of Operations of the Registrant and Spacelabs Medical for the year ended June 30, 2004.

(ii) Notes to the Unaudited Pro Forma Condensed Combined Information.

(c) Exhibits

23.1 Independent Auditors Consent

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**Item 9.01 Financial Statements and Exhibits.**

**(a) Financial Statements of Business Acquired**

SPACELABS MEDICAL  
INDEPENDENT AUDITORS REPORT AND  
CONSOLIDATED/COMBINED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2002 AND 2003 AND  
FOR THE YEAR ENDED DECEMBER 31, 2001,  
THE PERIOD FROM JANUARY 1, 2002 THROUGH JULY 3, 2002,  
THE PERIOD FROM JULY 4, 2002 THROUGH DECEMBER 31, 2002,  
THE PERIOD FROM JANUARY 1, 2003 THROUGH OCTOBER 8, 2003,  
AND THE PERIOD FROM OCTOBER 9, 2003 THROUGH DECEMBER 31, 2003

Independent Auditors' Report

The Board of Directors

OSI Systems Inc.:

We have audited the accompanying combined balance sheets as of December 31, 2002 and December 31, 2003 of Spacelabs Medical (the Company) and the related consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 2001 and for the period from January 1, 2002 through July 3, 2002, and the combined statements of operations, parent's investment and cash flows for the period from July 4, 2002 through December 31, 2002, for the period from January 1, 2003 through October 8, 2003 and for the period from October 9, 2003 through December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spacelabs Medical as of December 31, 2002 and 2003, respectively, and the results of their operations and their cash flows for the year ended December 31, 2001, for the period from January 1, 2002 through July 3, 2002, for the period July 4, 2002 through December 31, 2002, for the period from January 1, 2003 through October 8, 2003 and for the period October 9, 2003 through December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the accompanying financial statements, on July 3, 2002 and October 8, 2003, the Company was acquired in separate transactions accounted for as a purchase. The purchase accounting resulted in all assets and liabilities being recorded at their estimated fair values. Accordingly, the financial statements for periods subsequent to the acquisitions are not comparable to the financial statements presented for prior periods.

As discussed in Note 1 to the accompanying financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill in accordance with SFAS No. 142 Goodwill and Other Intangible Assets.

/s/ KPMG LLP

Seattle, Washington

October 7, 2004

KPMG LLP

## SPACELABS MEDICAL

## COMBINED BALANCE SHEETS

(Dollars in thousands)

	December 31, 2002	December 31, 2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 6,646	\$ 2,165
Trade receivables, net of allowance for doubtful accounts and sales returns of \$9,121, and \$6,283 (Note 2)	37,431	35,469
Inventories (Note 5)	53,839	38,986
Prepaid expenses and other current assets	2,778	2,171
Refundable income taxes	2,263	2,263
Assets of business held for sale (Note 4)	26,050	
<b>Total current assets</b>	<b>129,007</b>	<b>81,054</b>
Property, plant and equipment, net (Note 6)	8,144	163
Other intangibles, net of accumulated amortization of \$4,632 (Notes 2 and 7)	28,943	
Other assets	1,524	1,371
	<b>\$ 167,618</b>	<b>\$ 82,588</b>
<b>LIABILITIES AND PARENT'S INVESTMENT</b>		
Current liabilities:		
Accounts payable	9,372	3,726
Accrued expenses (Note 9)	13,392	14,979
Deferred revenue	5,407	4,653
Restructuring (Note 10)	7,711	2,440
Income taxes payable (Note 11)	1,149	413
Liabilities of business held for sale (Note 4)	6,977	
<b>Total current liabilities</b>	<b>44,008</b>	<b>26,211</b>
Other long-term obligations (Note 12)	9,562	18,974
Deferred income taxes (Note 11)	2,240	
Commitments and contingencies (Notes 12 and 14)		
Parent's investment:		
Accumulated other comprehensive income	65	158
Other	111,743	37,245
<b>Total Parent's investment</b>	<b>111,808</b>	<b>37,403</b>
	<b>\$ 167,618</b>	<b>\$ 82,588</b>

See accompanying Notes to Consolidated and Combined Financial Statements.





## SPACELABS MEDICAL

## CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

(In thousands)

	Year ended December 31, 2001 <u>(Consolidated)</u>	Period From January 1 - July 3, 2002 <u>(Consolidated)</u>	Period From July 4 - December 31, 2002 <u>(Combined)</u>	Period From January 1 - October 8, 2003 <u>(Combined)</u>	Period From October 9 - December 31, 2003 <u>(Combined)</u>
Revenue	\$ 194,966	\$ 92,185	\$ 80,827	\$ 108,209	\$ 38,399
Cost of sales (Note 2)	116,366	54,962	58,846	78,172	21,315
Gross margin	78,600	37,223	21,981	30,037	17,084
Operating expenses:					
Selling, general and administrative (Note 2)	66,037	36,094	28,007	40,792	14,954
Provision for doubtful accounts	1,232	4,368	886	1,756	228
Research and development	18,972	10,780	9,454	12,705	4,028
In-process research and development (Note 2)			1,311		
Total operating expenses	86,241	51,242	39,658	55,253	19,210
Gain (loss) on sale of assets (Note 6)	22,394	(226)	(468)	(396)	
Income (loss) from operations	14,753	(14,245)	(18,145)	(25,612)	(2,126)
Other income (expense):					
Interest income	421	558	254		
Interest expense	(3,566)	(28)	(234)		
Other income (expense), net (Note 15)	(7,090)	(2,056)	(161)	1,114	293
Income (loss) from continuing operations before extraordinary item and income taxes	4,518	(15,771)	(18,286)	(24,498)	(1,833)
Income taxes (Note 11)	2,054	22,739		310	103
Income (loss) from continuing operations before extraordinary item	2,464	(38,510)	(18,286)	(24,808)	(1,936)
Discontinued operations (Note 4):					
Loss from discontinued operations before income taxes	(7,026)	(2,042)	(925)		
Income taxes	(2,466)				
Loss from discontinued operations	(4,560)	(2,042)	(925)		
Loss before extraordinary item	(2,096)	(40,552)	(19,211)	(24,808)	(1,936)
Extraordinary item unallocated negative goodwill					1,177
Net loss	\$ (2,096)	\$ (40,552)	\$ (19,211)	\$ (24,808)	\$ (759)

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See accompanying Notes to Consolidated and Combined Financial Statements.

## SPACELABS MEDICAL

## CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(In thousands)

	Year ended December 31, 2001 <u>(Consolidated)</u>	Period From January 1 - July 3, 2002 <u>(Consolidated)</u>	Period From July 4 - December 31, 2002 <u>(Combined)</u>	Period From January 1 - October 8, 2003 <u>(Combined)</u>	Period From October 9 - December 31, 2003 <u>(Combined)</u>
Operating activities:					
Net loss	\$ (2,096)	\$ (40,552)	\$ (19,211)	\$ (24,808)	\$ (759)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
(Gain) loss on sales of assets	(22,439)	226	468	396	
Depreciation and amortization	8,662	3,630	6,503	7,218	
Unallocated Negative goodwill					(1,177)
In-process research and development			1,311		
Amortization of deferred gain on sale	(2,156)	(3,593)			
Deferred rent				2,470	732
Loss for other than temporary declines in fair value of investments and write-down of other assets	2,554	1,000			
Deferred income taxes	(207)	28,502			
Changes in operating assets and liabilities					
(Increase) decrease in trade receivables	9,597	12,038	6,146	(74)	3,258
Decrease in inventories	13,032	4,010	5,096	11,553	6,639
(Increase) decrease in prepaid expenses	(382)	(559)	1,175	82	583
Increase (decrease) in accounts payable and accrued expenses	5,889	(6,028)	(11,547)	(7,947)	(931)
Increase (decrease) in deferred revenue	1,596	1,563	983	(791)	1,967
Increase (decrease) in taxes on income	(526)	(42)	(84)	(839)	103
Other	656	667	(19)	683	499
Cash provided (used) by operating activities	<u>14,180</u>	<u>862</u>	<u>(9,179)</u>	<u>(12,057)</u>	<u>10,914</u>
Investing activities:					
Investment in property, plant and equipment	(8,221)	(2,926)	(4,645)	(3,410)	(163)
Proceeds from sales of Lifeclinic and Burdick			1,994	19,073	
Proceeds from sales of assets	76,898		753	104	
Purchase of assets and other investments	(346)				
Other	734	(161)	149	245	
Cash provided (used) by investing activities	<u>69,065</u>	<u>(3,087)</u>	<u>(1,749)</u>	<u>16,012</u>	<u>(163)</u>
Financing activities:					
Changes in Parent's Investment			(116)	(6,979)	(10,294)
Decrease in short-term borrowings	(318)				
Principal payments on long-term debt	(65,653)				

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Exercise of stock options	100	44			
Cash provided (used) by financing activities	(65,871)	44	(116)	(6,979)	(10,294)
Effect of exchange rate changes on cash	(53)	458	(105)	(1,208)	(706)
Increase (decrease) in cash and cash equivalents	17,321	(1,723)	(11,149)	(4,232)	(249)
Cash and cash equivalents at beginning of period	2,583	19,904	18,181	6,646	2,414
Cash and cash equivalents at end of period	\$ 19,904	\$ 18,181	7,032	\$ 2,414	\$ 2,165
Less cash of Burdick, held for sale			(386)		
Cash and cash equivalents at end of period on combined balance sheet			\$ 6,646		

See accompanying Notes to Consolidated and Combined Financial Statements.

## SPACELABS MEDICAL

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**  
**AND CHANGES IN PARENT'S INVESTMENT**

(In thousands)

	Common Stock Outstanding		Additional Paid-In Capital	Common Stock In Treasury		Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders Equity
	Shares	Amount		Shares	Amount			
Balance, December 31, 2000	9,686	\$ 113	\$ 98,721	1,605	\$(35,758)	\$ (8,205)	\$ 110,134	\$ 165,005
Comprehensive income:								
Net loss							(2,096)	(2,096)
Change in fair value of interest rate swap agreements, including transition adjustments, net of tax						(1,135)		(1,135)
Adjustment for losses on interest rate swaps reclassified to net loss						1,135		1,135
Foreign currency translation adjustment						(315)		(315)
Total comprehensive loss						(315)	(2,096)	(2,411)
Exercise of stock options	7		(58)	(7)	158			100
Amortization of unearned compensation (Note 12)			90					90
Contribution of shares to ISSOP 401(k) Plan	60		(659)	(60)	1,365			706
Balance, December 31, 2001	9,753	\$ 113	\$ 98,094	1,538	\$(34,235)	\$ (8,520)	\$ 108,038	\$ 163,490
Comprehensive loss:								
Net loss							(40,552)	(40,552)
Pension adjustment						(2,029)		(2,029)
Foreign currency translation adjustment						1,943		1,943
Total comprehensive loss						(86)	(40,552)	(40,638)
Exercise of stock options	4		(50)	(4)	94			44
Amortization of unearned compensation (Note 12)			8					8
Forfeitures of restricted shares	(1)		29	1	(29)			
Contribution of shares to ISSOP 401(k) Plan	28		(288)	(28)	663			375
Balance, July 3, 2002	9,784	\$ 113	\$ 97,793	1,507	\$(33,507)	\$ (8,606)	\$ 67,486	\$ 123,279

