

UTAH MEDICAL PRODUCTS INC
Form 10-K/A
September 10, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

Commission File Number: 001-12575

UTAH MEDICAL PRODUCTS, INC.
(Exact name of registrant as specified in its charter)

Utah	87-0342734
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7043 S 300 W, Midvale Utah	84047
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	Telephone (801) 566-1200 Facsimile (801) 566-7305
Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each exchange on which registered
Common Stock, \$.01 Par Value	The NASDAQ Global Market
Preferred Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act:
(Title of Class)
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

L a r g e o	Accelerated <input checked="" type="checkbox"/>	Non-accelerated o	S m a l l e r o
accelerated	filer	filer	r e p o r t i n g
filer			company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. As of June 30, 2011, the aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant was \$84,440,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of September 7, 2012, common shares outstanding were 3,692,000.

DOCUMENTS INCORPORATED BY REFERENCE. The Company's definitive proxy statement for the Annual Meeting of Shareholders is incorporated by reference into Part III, Item 10, 11, 12, 13 and 14 of this Form 10-K.

EXPLANATORY NOTE

Utah Medical Products, Inc., is filing this Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, originally filed with the Securities and Exchange Commission on March 12, 2012 (the “2011 Form 10-K”), solely for the purpose of adding the report and consent of independent registered public accounting firm that audited Femcare Group Limited, our UK subsidiary.

No item of, or disclosure appearing in, our 2011 Form 10-K is affected by this filing other than as described above. This report on Form 10-K/A is presented as of the filing date of the 2011 Form 10-K and does not reflect events occurring after that date or modify or update disclosures in any way.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Currency amounts are in thousands except per-share amounts and where noted.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on its assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2011.

The Company's independent registered public accounting firm, Jones Simkins, P.C., has audited the Company's internal control over financial reporting as of December 31, 2011, and its report is shown on the next page.

The Norton Practice audited the internal control over financial reporting of Femcare Group Limited as of December 31, 2011, and its report follows the report of Jones Simkins, P.C.

By: /s/ Kevin L. Cornwell
Kevin L. Cornwell
Chief Executive Officer

By: /s/ Paul O. Richins
Paul O. Richins
Principal Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Utah Medical Products, Inc.

We have audited the accompanying consolidated balance sheets of Utah Medical Products, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. We also have audited Utah Medical Products, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Utah Medical Products, Inc.'s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits. We did not audit the financial statements and we did not examine the effectiveness of internal control over financial reporting of Femcare Group Limited, a wholly owned subsidiary, whose statements reflect total assets of \$49,891,000 and \$0 as of December 31, 2011 and 2010, respectively, and total revenues of \$13,273,000, \$0, and \$0, respectively for each of the years in the three-year period ended December 31, 2011. Those statements and the effectiveness of internal control over financial reporting were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Femcare Group Limited and the effectiveness of Femcare Group Limited's internal control over financial reporting, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may

deteriorate.

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In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Utah Medical Products, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, based on our audit and the report of the other auditors, Utah Medical Products, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ Jones Simkins, P.C.

JONES SIMKINS, P.C.

Logan, Utah

March 5, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Utah Medical Products, Inc.

We have audited the individual balance sheet of Femcare Group Ltd, including its subsidiaries, as of December 31, 2011, and the related statements of income for the period then ended, which have been prepared on the basis of accounting principles generally accepted in the United Kingdom (UK GAAP). 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 audit.

In addition to these individual UK GAAP financial statements we have also audited the Femcare Group Ltd consolidated results and reconciliation from UK GAAP to accounting principles generally accepted in United States of America (US GAAP) for consolidation in the Utah Medical Products, Inc. financial statements. These consolidated results and US GAAP reconciliation are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated results and US GAAP reconciliation based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and consolidated US GAAP reconciliation referred to above present fairly, in all material respects, the financial position of Femcare Group Ltd, including all subsidiaries, as of December 31, 2011, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ The Norton Practice

The Norton Practice
Reading, United Kingdom

March 1st, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Utah Medical Products, Inc.

We have audited Femcare Group Ltd, including its subsidiaries (Femcare Group), internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Femcare Group's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Femcare Group's internal control over financial reporting based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Femcare Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited the individual balance sheet of Femcare Group Ltd, including its subsidiaries, as of December 31, 2011, and the related statements of income for the period then ended, which have been prepared on the basis of accounting principles generally accepted in the United Kingdom (UK GAAP). In addition to these individual UK GAAP financial statements we have also audited the Femcare Group Ltd consolidation results and reconciliation from UK GAAP to accounting principles generally accepted in the United States of America (US GAAP) for consolidation in the Utah Medical Products, Inc. financial statements and our report dated March 1st, 2012, expressed an unqualified opinion.

/s/ The Norton Practice

The Norton Practice
Reading, United Kingdom

March 1st, 2012

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UTAH MEDICAL PRODUCTS, INC.
CONSOLIDATED BALANCE SHEET
December 31, 2011 and 2010
(In thousands)

ASSETS	2011	2010
Current assets:		
Cash	\$ 6,534	\$ 3,818
Investments, available-for-sale (notes 3 and 4)	64	14,718
Accounts and other receivables, net (note 2)	4,734	3,164
Inventories (note 2)	5,005	3,097
Prepaid expenses and other current assets	345	161
Deferred income taxes (note 9)	333	185
Total current assets	17,016	25,142
Property and equipment, net (note 5)	8,805	8,750
Goodwill (note 6)	15,120	7,191
Other intangible assets (note 6)	39,461	2,166
Other intangible assets - accumulated amortization	(4,012)	(2,011)
Other intangible assets - net (note 2)	35,449	155
Total assets	\$ 76,389	\$ 41,238
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 925	\$ 398
Accrued expenses (note 2)	3,276	1,290
Current portion of notes payable (note 7)	5,430	215
Total current liabilities	9,631	1,903
Notes payable (note 7)	16,242	909
Deferred tax liability - intangible assets (note 6)	8,549	-
Other long term liabilities	522	-
Deferred income taxes (note 9)	688	634
Total liabilities	35,632	3,446
Commitments and contingencies (notes 8 and 13)	-	-
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$.01 par value; 50,000 shares authorized, issued 3,640 shares in 2011 and 3,619 shares in 2010	36	36
Accumulated other comprehensive income	(2,906)	(1,275)
Additional paid-in capital	721	107
Retained earnings	42,904	38,924
Total stockholders' equity	40,757	37,792
Total liabilities and stockholders' equity	\$ 76,389	\$ 41,238

See accompanying notes to financial statements.

UTAH MEDICAL PRODUCTS, INC.
CONSOLIDATED STATEMENT OF INCOME
AND COMPREHENSIVE INCOME

Years ended December 31, 2011, 2010 and 2009

(In thousands, except per share amounts)

	2011	2010	2009
Sales, net (notes 11, 12 and 13)	\$ 37,860	\$ 25,121	\$ 25,916
Cost of goods sold	15,460	11,911	12,127
Gross profit	22,400	13,209	13,789
Operating expense:			
Sales and marketing	(2,815)	(1,537)	(1,584)
Research and development	(518)	(397)	(361)
General and administrative	(7,225)	(2,354)	(2,412)
Operating income	11,842	8,922	9,432
Other income (expense):			
Dividend and interest income	16	48	206
Capital gains and (losses) on investments	1	(9)	6
Royalty income (note 13)	71	-	-
Interest expense	(859)	(25)	(51)
Other, net	10	104	(14)
Income before provision for income taxes	11,080	9,041	9,580
Provision for income taxes (note 9)	3,666	3,026	3,322
Net income	\$ 7,414	\$ 6,014	\$ 6,258
Earnings per common share (basic) (note 1):	\$ 2.04	\$ 1.66	\$ 1.73
Earnings per common share (diluted) (note 1):	\$ 2.03	\$ 1.65	\$ 1.72
Other comprehensive income:			
Foreign currency translation net of taxes of \$(635), \$(127) and \$44	\$ (993)	\$ (199)	\$ 68
Unrealized gain (loss) on investments net of taxes of \$(2), \$29 and \$10	(3)	45	15
Total comprehensive income	\$ 6,418	\$ 5,860	\$ 6,341

See accompanying notes to financial statements.

UTAH MEDICAL PRODUCTS, INC.
CONSOLIDATED STATEMENT OF CASH FLOW
Years Ended December 31, 2011, 2010 and 2009
(In thousands)

	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 7,414	\$ 6,014	\$ 6,258
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	707	563	555
Amortization	2,066	44	34
Gain on investments	(6)	(38)	(212)
Provision for (recovery of) losses on accounts receivable	77	6	7
Loss on disposal of assets	-	0	1
Deferred income taxes	(549)	-	230
Stock-based compensation expense	95	83	98
(Increase) decrease in:			
Accounts receivable	502	110	290
Accrued interest and other receivables	(31)	(165)	69
Inventories	(624)	286	(83)
Prepaid expenses and other current assets	529	58	(10)
Increase (decrease) in:			
Accounts payable	(1,213)	52	(73)
Accrued expenses	2,158	143	63
Deferred revenue	(66)	-	-
Other liability	307	-	-
Net cash provided by operating activities	11,365	7,157	7,226
Cash flows from investing activities:			
Capital expenditures for:			
Property and equipment	(247)	(1,532)	(466)
Intangible assets	(10)	(2)	(8)
Purchases of investments	(500)	(1,600)	(3,800)
Proceeds from the sale of investments	15,155	5,839	1,116
Net cash paid in acquisition	(41,084)	-	-
Net cash provided by (used in) investing activities	(26,685)	2,705	(3,158)
Cash flows from financing activities:			
Proceeds from issuance of common stock - options	485	425	132
Common stock purchased and retired	-	(439)	(116)
Tax benefit attributable to exercise of stock options	34	38	14

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Proceeds from notes payable	26,934	-	-
Repayments of notes payable	(5,942)	(413)	(463)
Dividends paid	(3,433)	(6,030)	(3,337)
Net cash provided by (used in) financing activities	18,078	(6,419)	(3,770)
Effect of exchange rate changes on cash	(41)	(35)	15
Net increase in cash and cash equivalents	2,717	3,408	313
Cash at beginning of year	3,818	410	97
Cash at end of year	\$ 6,534	\$ 3,818	\$ 410
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	\$ 2,685	\$ 2,810	\$ 3,075
Interest	859	25	51

See accompanying notes to financial statements.

UTAH MEDICAL PRODUCTS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2011, 2010 and 2009
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2008	3,603	\$ 36	\$ -	\$ (1,122)	\$ 35,891	\$ 34,805
Shares issued upon exercise of employee stock options for cash	16	0	186	-	-	186
Shares received and retired upon exercise of stock options	(2)	(0)	(54)	-	-	(54)
Tax benefit attributable to appreciation of stock options	-	-	14	-	-	14
Stock option compensation expense	-	-	98	-	-	98
Common stock purchased and retired	(5)	(0)	(243)	-	127	(116)
Foreign currency translation adjustment	-	-	-	112	-	112
Unrealized holding gain from investments, available-for-sale, net of taxes	-	-	-	15	-	15
Common stock dividends	-	-	-	-	(3,337)	(3,337)
Net income	-	-	-	-	6,258	6,258
Balance at December 31, 2009	3,612	\$ 36	\$ -	\$ (994)	\$ 38,939	\$ 37,981
Shares issued upon exercise of employee stock options for cash	27	0	497	-	-	497
Shares received and retired upon exercise of stock options	(3)	(0)	(73)	-	-	(73)
Tax benefit attributable to appreciation of stock options	-	-	38	-	-	38
Stock option compensation expense	-	-	83	-	-	83
Common stock purchased and retired	(18)	(0)	(439)	-	-	(439)
	-	-	-	(326)	-	(326)

Foreign currency translation adjustment						
Unrealized holding gain from investments, available-for-sale, net of taxes	-	-	-	45	-	45
Common stock dividends	-	-	-	-	(6,030)	(6,030)
Net income	-	-	-	-	6,014	6,014
Balance at December 31, 2010	3,619	\$ 36	\$ 107	\$ (1,275)	\$ 38,924	\$ 37,792
Shares issued upon exercise of employee stock options for cash	21	0	485	-	-	485
Tax benefit attributable to appreciation of stock options	-	-	34	-	-	34
Stock option compensation expense	-	-	95	-	-	95
Foreign currency translation adjustment	-	-	-	(1,628)	-	(1,628)
Unrealized holding gain from investments, available-for-sale, net of taxes	-	-	-	(3)	-	(3)
Common stock dividends	-	-	-	-	(3,433)	(3,433)
Net income	-	-	-	-	7,414	7,414
Balance at December 31, 2011	3,640	\$ 36	\$ 721	\$ (2,906)	\$ 42,904	\$ 40,757

See accompanying notes to financial statements.

Currency amounts are in thousands except per-share amounts and where noted.

Note 1 – Summary of Significant Accounting Policies

Organization

Utah Medical Products, Inc. and its wholly owned subsidiaries, Femcare Holdings Ltd, with headquarters located in Romsey, Hampshire, England, and Utah Medical Products Ltd., which operates a manufacturing facility in Athlone, Ireland, (the Company) are in the primary business of producing specialized medical devices for the healthcare industry. The Company's broad range of products includes those used in critical care areas and the labor and delivery departments of hospitals, as well as outpatient clinics and physicians' offices. Products are sold in both domestic U.S. and international markets.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Although actual results could differ from those estimates, management believes it has considered and disclosed all relevant information in making its estimates that materially affect reported performance and current values.

Principles of Consolidation

The consolidated financial statements include those of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Company considers cash on deposit and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Investments

The Company classifies its investments as "available for sale." Securities classified as "available for sale" are carried in the financial statements at fair value. Realized gains and losses, determined using the specific identification method, are included in operations; unrealized holding gains and losses are reported as a separate component of accumulated other comprehensive income. Declines in fair value below cost that are other than temporary are included in operations. As of December 31, 2011 the Company's investments are in General Electric (GE) and Citigroup (C).

Concentration of Credit Risk

The primary concentration of credit risk consists of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which, when realized, have been within the range of management's expectations as reflected by its reserves.

The Company's customer base consists of hospitals, medical product distributors, physician practices and others directly related to healthcare providers, as well as other manufacturing companies. Although the Company is affected by the well-being of the global healthcare industry, management does not believe significant trade receivable credit risk exists at December 31, 2011 except under an extreme global financial crisis.

The Company maintains its cash in bank deposit accounts in addition to Fidelity Investment accounts. The Company has not experienced any losses in such accounts and believes it is not exposed to a significant credit risk on cash and cash equivalent balances.

Note 1 – Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are amounts due on product sales and are unsecured. Accounts receivable are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest although a finance charge may be applied to such receivables that are past the due date. Accounts receivable are periodically evaluated for collectibility based on past credit history of customers. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions (see note 2).

Inventories

Finished products, work-in-process, raw materials and supplies inventories are stated at the lower of cost (computed on a first-in, first-out method) or market (see note 2).

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line and units-of-production methods over estimated useful lives as follows:

Building and improvements	15-40 years
Furniture, equipment and tooling	3-10 years

Long-Lived Assets

The Company evaluates its long-lived assets in accordance with Accounting Standards Codification (ASC) 360, “Accounting for the Impairment of Long-Lived Assets.” Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

Intangible Assets

Costs associated with the acquisition of patents, trademarks, trade names, customer relationships, regulatory approvals & product certifications, license rights and non-compete agreements are capitalized and are being amortized using the straight-line method over periods ranging from 5 to 20 years. UTMD’s goodwill is tested for impairment annually, in the fourth quarter of each year, using a fair value measurement test, in accordance with ASC 350. UTMD would also perform an impairment test, between annual tests, if circumstances changed that would more than likely reduce the fair value of goodwill below its net book value. If UTMD determined that its goodwill were impaired, a second step would be completed to measure the amount of the impairment loss. UTMD does not expect its goodwill to become impaired in the foreseeable future. Estimated future amortization expense on intangible assets currently held, using 1.57 USD/GBP currency exchange rate, is about \$2,505 in 2012, \$2,504 in 2013, \$2,500 in 2014, \$2,499 in 2015 and \$2,467 in 2016 (see note 2). The weighted average amortization period for intangible assets purchased in 2011 was 5 years for non-compete agreements, 11 years for patents, and 15 years for trademarks, trade name, customer relationships, regulatory approvals and product certifications.

Loans to Related Parties

As a general policy, the Company does not make loans to related entities including employees, directors, shareholders, suppliers or customers. UTMD was able to manage its A/R balances to achieve an average aging of 41 days from date of invoice by the end of the year, and A/R balances over 90 days from date of invoice to 4% of total A/R. Both of these measures are historically lower than normal. As an exception in 2009, the Company extended partial payment terms to an OEM customer that converted to a three-year term loan of \$70 on July 1, 2010. The balance on the note was \$39 at year-end 2011. The loan is secured by personal guarantees provided by the principals of the customer. UTMD believes that this was a wise use of its liquidity to build goodwill with a customer at an unusual time, which should ultimately help grow UTMD's business.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue at the time of shipment as title generally passes to the customer at the time of shipment. Revenue recognized by UTMD is based upon documented arrangements and fixed contracts in which the selling price is fixed prior to completion of an order. Revenue from product and service sales is generally recognized at the time the product is shipped or service completed and invoiced, and collectibility is reasonably assured. There are circumstances under which revenue may be recognized when product is not shipped, which meet the criteria of SAB 104: the Company provides engineering services, for example, design and production of manufacturing tooling that may be used in subsequent UTMD manufacturing of custom components for other companies. This revenue is recognized when UTMD's service has been completed according to a fixed contractual agreement.

Income Taxes

The Company accounts for income taxes under ASC 740, "Accounting for Income Taxes," whereby deferred taxes are computed under the asset and liability method.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, in Utah, in the United Kingdom, in Australia and in Ireland. UTMD is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008. In 2010, the Internal Revenue Service (IRS) examined the Company's federal income tax return for 2008 and did not propose any adjustments.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expenses and any related penalties in income taxes. During the year ended December 31, 2009 the Company recognized \$10 in interest expense related to a 2009 settlement with the IRS, compared to none in 2010 and 2011. The Company did not have any related tax penalties in any of the three years.

Legal Costs

The Company has been involved in lawsuits which are an expected consequence of its operations and in the ordinary course of business. The Company maintains a reserve for legal costs which are probable and estimated based on previous experience. The reserve for legal costs at December 31, 2011 and 2010 was \$301 and \$74, respectively (see note 2).

Earnings per Share

The computation of basic earnings per common share is based on the weighted average number of shares outstanding during each year.

The computation of earnings per common share assuming dilution is based on the weighted average number of shares outstanding during the year plus the weighted average common stock equivalents which would arise from the exercise of stock options outstanding using the treasury stock method and the average market price per share during the year.

The shares (in thousands) used in the computation of the Company's basic and diluted earnings per share are reconciled as follows:

	2011	2010	2009
	3,631	3,621	3,607

Weighted average number of shares outstanding – basic			
Dilutive effect of stock options	14	22	23
Weighted average number of shares outstanding, assuming dilution	3,645	3,643	3,630

Note 1 – Summary of Significant Accounting Policies (continued)

Presentation of Sales and Similar Taxes

Sales tax on revenue-producing transactions is recorded as a liability when the sale occurs. UTMD is not required to withhold sales tax on international sales, and at least 90% of domestic 2011 sales were to customers who are tax exempt or who are in jurisdictions where UTMD is not required to withhold sales tax.

Stock-Based Compensation

At December 31, 2011, the Company has stock-based employee compensation plans, which are described more fully in note 10. The Company accounts for stock compensation under ASC 718, Share-Based Payment. This statement requires the Company to recognize compensation cost based on the grant date fair value of options granted to employees and directors. In 2011, the Company recognized \$95 in compensation cost compared to \$83 in 2010 and \$98 in 2009.

Translation of Foreign Currencies

Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at the applicable exchange rates at year-end. Net gains or losses resulting from the translation of the Company's assets and liabilities are reflected as a separate component of stockholders' equity. A negative translation impact on stockholders' equity reflects a current relative U.S. Dollar value higher than at the point in time that assets were actually acquired in a foreign currency. A positive translation impact would result from a U.S. dollar weaker in value than at the point in time foreign assets were acquired.

Income and expense items are translated at the weighted average rate of exchange (based on when transactions actually occurred) during the year.

Note 2 – Detail of Certain Balance Sheet Accounts

	December 31,	
	2011	2010
Accounts and other receivables:		
Accounts receivable	\$ 4,584	\$ 2,968
Income tax receivable	161	128
Accrued interest and other	113	116
Less allowance for doubtful accounts	(124)	(48)
	\$ 4,734	\$ 3,164
Inventories:		
Finished products	\$ 2,518	\$ 1,008
Work-in-process	795	757
Raw materials	1,692	1,332
	\$ 5,005	\$ 3,097
Other intangible assets:		
Patents	\$ 2,017	\$ 1,913
Non-compete agreements	155	-
Trademarks & trade names	11,361	252

Customer relationships	11,109	-
Regulatory approvals & product certifications	14,819	-
	39,461	2,165
Accumulated amortization	(4,012)	(2,010)
	\$ 35,449	\$ 155
Accrued expenses:		
Income taxes payable	\$ 1,069	\$ 197
Payroll and payroll taxes	1,475	878
Reserve for litigation costs	301	74
Other	431	141
	\$ 3,276	\$ 1,290

Note 3 – Investments

The Company's investments, classified as available-for-sale consist of the following:

	December 31	
	2011	2010
Investments, at cost	\$ 380	\$ 15,029
Equity securities:		
-Unrealized holding gains	-	
-Unrealized holding (losses)	(316)	(311)
Investments, at fair value	\$ 64	\$ 14,718.

Changes in the unrealized holding loss on investment securities available-for-sale and reported as a separate component of accumulated other comprehensive income are as follows:

	December 31,	
	2011	2010
Balance, beginning of year	(190)	\$ (235)
Realized loss from securities included in beginning balance	18	43
Gross unrealized holding gains (losses) in equity securities	(23)	31
Deferred income taxes on unrealized holding loss	2	(29)
Balance, end of year	\$ (193)	\$ (190)

During 2011, 2010 and 2009, UTMD had proceeds from sales of available-for-sale securities of \$15,155, \$5,839 and \$1,116, respectively.

Note 4 – Fair Value Measurements

The Company follows a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company uses the following valuation techniques to measure fair value for its assets and liabilities:

Quoted market prices in active markets for identical assets or liabilities;

Level

1 -

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Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for Level 1 identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);

Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

3 -

The following table provides financial assets carried at fair value measured as of December 31 for the past two years:

	Level 1		Levels 2 & 3		Total	
	2011	2010	2011	2010	2011	2010
Money market funds	\$ -	\$ 14,490	-	-	\$ -	\$ 14,490
Equities	64	228	-	-	64	228
	\$ 64	\$ 14,718	-	-	\$ 64	\$ 14,718

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Note 5 – Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2011	2010
Land	\$ 1,372	\$ 1,381
Buildings and improvements	10,309	10,369
Furniture, equipment and tooling	14,983	14,364
Construction-in-progress	179	65
	26,843	26,179
Accumulated depreciation and amortization	(18,038)	(17,429)
	\$ 8,805	\$ 8,750

Included in the Company's consolidated balance sheet are the assets of its manufacturing and administrative facilities in Utah, England and Ireland. Property and equipment, by location, are as follows:

	December 31, 2011			
	Utah	England	Ireland	Total
Land	\$ 926	\$ -	\$ 446	\$ 1,372
Building and improvements	5,589	-	4,720	10,309
Furniture, equipment and tooling	13,456	600	927	14,983
Construction-in-progress	168	-	11	179
Total	20,139	600	6,104	26,843
Accumulated depreciation	(15,582)	(101)	(2,355)	(18,038)
Property and equipment, net	\$ 4,557	\$ 500	\$ 3,748	\$ 8,805

	December 31, 2010		
	Utah	Ireland	Total
Land	\$ 926	\$ 455	\$ 1,381
Building and improvements	5,570	4,799	10,369
Furniture, equipment and tooling	13,408	956	14,364
Construction-in-progress	65	-	65

Total	19,969	6,210	26,179
Accumulated depreciation	(15,182)	(2,247)	(17,429)
Property and equipment, net	\$ 4,787	\$ 3,963	\$ 8,750

Note 6 – Acquisition

On March 18, 2011, UTMD purchased all of the common shares of Femcare Holdings Ltd (Femcare) of the United Kingdom, and its subsidiaries. Femcare is best known for its leading global brand the Filshie Clip System – a female surgical contraception device (tubal ligation). UTMD expects the business combination will provide diversification, expansion and integration benefits that each company separately did not have the opportunity to achieve. The acquisition was accretive to financial performance in 2011 and UTMD expects that will also be the case in future years.

While UTMD used its best estimates and assumptions as a part of the \$41 million purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, UTMD will record adjustments to the assets acquired and liabilities assumed. Upon the conclusion of the measurement period or final determination of the values of assets or liabilities assumed, whichever comes first, any subsequent adjustments will be recorded to consolidated statements of operations. UTMD believes that the accounting of fixed assets is complete, but liabilities and intangible asset balances remain uncertain. During the quarter ended December 31, 2011, residual adjustments to initial valuations for prepaid expenses, goodwill and accrued expenses were made, but no adjustment was made to the purchase price or the value of identifiable intangibles.

Note 6 – Acquisition (continued)

A two-year \$3.2 million escrow was set aside from the purchase price to back the warranties and representations of the sellers. The March 18, 2011 purchase price allocation is currently as follows:

Assets Acquired	
Accounts receivable	\$ 2,176
Prepaid expenses	773
Inventory	1,319
Property and equipment	606
Identifiable intangibles	
Patents	97
Non-compete agreements	162
Trademarks, trade names	11,559
Customer relationships	11,559
Regulatory approvals & product certifications	15,419
Goodwill	8,249
Total assets acquired	51,919
Liabilities Assumed	
Accounts payable	1,107
Accrued expenses	644
Deferred tax liability	9,084
Total liabilities assumed	10,835
Net assets acquired	\$ 41,084

With respect to the assets acquired from Femcare, UTMD will amortize the patents and noncompete agreements over 10 and 5 years, respectively. The remaining \$38,537 in identifiable intangibles will be amortized over 15 years. The \$9,084 in deferred tax liability results from the difference between the book basis and tax basis of the accumulated amortization of identifiable intangible assets. The deferred tax liability will decline to zero over 15 years as the tax basis of the intangibles declines. Goodwill was measured as the excess of the purchase consideration paid over the fair value of the net assets acquired. The \$8,249 in goodwill will not be amortized, but will be written down if and when the value becomes impaired.

The Company incurred \$341 in acquisition-related expenses, all of which are categorized under General and Administrative expenses in the Consolidated Statements of Income for the year ended December 31, 2011. A portion, \$266, of the acquisition-related expenses was not tax deductible.

Pro forma Information

Revenue for the year ended December 31, 2011 includes revenue from Femcare of \$13,275. Net income from Femcare (after tax) in 2011 was \$2,326.

Revenue and net income of the combined entity as though the business combination occurred as of the beginning of the reporting period is:

	Year ended		Year ended	
	December 31, 2011		December 31, 2010	
Revenue	\$	41,780	\$	40,488
Net income		8,235		7,027

Pro forma net income of \$8,235 for the year ended December 31, 2011 does not include \$341 in UTMD legal costs directly attributable to the acquisition, and \$1,765 in Femcare expenses for employee shareholder bonuses, loan redemption premium related to termination of ownership, buy-out of warrants, financial advisory fees and an insurance premium for sellers' liability which are directly attributable to the acquisition.

Note 7 – Long-term Debt

In March 2011, the Company obtained a \$14,000 loan from JPMorgan Chase Bank, N.A. (Chase), to help finance the purchase of Femcare. The terms and conditions of the loan require UTMD to a) repay the loan principal in equal monthly payments over 5 years, b) pay interest based on the 30-day LIBOR rate plus a margin starting at 2.80% and ranging from 2.00% to 3.75%, depending on the ratio of its funded debt to EBITDA (Leverage Ratio), c) pledge 65% of all foreign subsidiaries' stock, d) provide first priority liens on all domestic business assets, e) maintain its Interest Coverage Ratio at 1.15 to 1.00 or better, f) maintain its Tangible Net Worth (TNW) above a minimum threshold 20% below UTMD's TNW at closing on March 18, and g) maintain its Leverage Ratio at 2.75 to 1.00 or less.

Based on UTMD's financial position, the bank's margin was 2.00% at December 31, 2011. The variable portion of the interest rate on \$7,000 of the loan was subsequently fixed at 1.79%. The balance on this note at December 31, 2011 was \$10,500.

At the same time the Company obtained a \$12,934 (£8,000) loan from JP Morgan Chase, London Branch, to help finance UTMD's purchase of Femcare. Terms and conditions of the loan are the same as those listed above for the \$14,000 U.S. loan. The variable portion of interest rate on the loan was subsequently fixed at 2.21%. The balance on this note at December 31, 2011 was \$10,565 (£6,800).

In December 2005, the Company borrowed €4,500 (\$5,336) from the Bank of Ireland to finance repatriation of profits achieved since 1996 under The American Jobs Creation Act of 2004. The loan term is 10-years at an interest rate of 1.10% plus the bank's money market rate, which is a total of the bank's cost of funds and cost of liquidity. The balance on the note at December 31, 2011 was \$607 (€468).

The following table shows estimated minimum required principal reduction of the notes during the next five years using the December 31, 2011 interest and currency exchange rates and starting with the December 31, 2011 balance of \$21,673:

Year	Payments	Interest	Principal	Ending Balance
2012	\$ 6,139	\$ 709	\$ 5,430	\$ 16,242
2013	5,956	521	5,435	10,807
2014	5,768	328	5,440	5,367
2015	4,525	130	4,395	971
2016	978	7	971	-
Total	\$ 23,366	\$ 1,694	\$ 21,673	

Note 8 – Commitments and Contingencies

Operating Leases

The Company has a lease agreement for land adjoining its Utah facility for a term of forty years commencing on September 1, 1991. On September 1, 2001 and subsequent to each fifth lease year, the basic rental was and will be adjusted for published changes in a price index. The Company leases its Femcare facilities and automobiles for sales representatives in England. The Company leased its CMI building in Oregon until its lease expired on May 31, 2010. Rent expense charged to operations under these operating lease agreements was approximately \$155, \$62 and

\$114 for the years ended December 31, 2011, 2010 and 2009, respectively.

Future minimum lease payments under its lease obligations as of December 31, 2011 were as follows:

Years ending December 31:	Amount
2012	\$ 215
2013	87
2014	45
2015	43
2016	44
Thereafter	720
Total future minimum lease payments	\$ 1,154

Note 8 – Commitments and Contingencies (continued)

Purchase Obligations

The Company has obligations to purchase raw materials for use in its manufacturing operations. The Company has the right to make changes in, among other things, purchase quantities, delivery schedules and order acceptance.

Product Liability

Except for its Femcare subsidiary, the Company is self-insured for product liability risk. “Product liability” is an insurance industry term for the cost of legal defense and possible damages awarded as a result of use of a company’s product during a procedure which results in an injury of a patient. The Company maintains a reserve for product liability litigation and damages consistent with its previous long-term experience. Actual product liability litigation costs and damages during the last three reporting years have been immaterial, which is consistent with the Company’s overall history. Femcare product liability indemnity limit is £5 million each claim and in the annual aggregate.

The Company absorbs the costs of clinical training and trouble-shooting in its on-going operating expenses.

Warranty Reserve

The Company’s published warranty is: “UTMD warrants its products to conform in all material respects to all published product specifications in effect on the date of shipment, and to be free from defects in material and workmanship for a period of thirty (30) days for supplies, or twenty-four (24) months for equipment, from date of shipment. During the warranty period UTMD shall, at its option, replace any products shown to UTMD’s reasonable satisfaction to be defective at no expense to the Purchaser or refund the purchase price.”

UTMD maintains a warranty reserve when needed to provide for estimated costs which are likely to occur. The amount of this reserve is adjusted, as required, to reflect its actual experience. Based on its analysis of historical warranty claims and its estimate that existing warranty obligations were immaterial, no warranty reserve was made at December 31, 2011. Femcare had an established reserve at the time of acquisition by UTMD, which was subsequently eliminated as shown in the table below. The following table summarizes changes to UTMD’s warranty reserve during 2011:

Beginning Balance, January 1, 2011	\$ 0
Changes in Warranty Reserve during 2011:	
Aggregate reductions for warranty repairs	-
Aggregate changes for warranties issued during reporting period	(32)
Aggregate changes in reserve related to preexisting warranties	32
Ending Balance, December 31, 2011	\$ 0

Litigation

The Company has been involved in lawsuits which are an expected consequence of its operations and in the ordinary course of business. Presently, there is no litigation for which the Company believes the outcome may be material to its financial results. The Company applies its accounting policy to accrue legal costs that can be reasonably estimated.

Irish Development Agency

In order to satisfy requirements of the Irish Development Agency in assisting the start-up of its Ireland subsidiary, the Company agreed to invest certain amounts and maintain a certain capital structure in its Ireland subsidiary. The effect of these financial relationships and commitments are reflected in the consolidated financial statements and do not represent any significant credit risk that would affect future liquidity.

Note 9 – Income Taxes

Deferred tax assets (liabilities) consist of the following temporary differences:

	December 31,			
	2011 Current	2011 Long-term	2010 Current	2010 Long-term
Inventory write-downs and differences due to UNICAP	\$ 76	\$ -	\$ 69	\$ -
Allowance for doubtful accounts	22	-	17	-
Accrued liabilities and reserves	127	-	99	-
Other - foreign	108	(75)	-	(81)
Depreciation and amortization	-	(9,285)	-	(674)
Unrealized investment gains	-	123	-	121
Deferred income taxes, net	\$ 333	\$ (9,237)	\$ 185	\$ (634)

The components of income tax expense are as follows:

	Years ended December 31,		
	2011	2010	2009
Current	\$ 4,287	\$ 3,022	\$ 3,087
Deferred	(621)	4	235
Total	\$ 3,666	\$ 3,026	\$ 3,322

Income tax expense differed from amounts computed by applying the statutory federal rate to pretax income as follows:

	Years ended December 31,		
	2011	2010	2009
Federal income tax expense at the statutory rate	\$ 2,650	\$ 2,914	\$ 3,128
State income taxes	257	283	304
Foreign income taxes (blended rate)	877	74	46
ETI, manufacturing deduction and tax credits	(270)	(275)	(193)
Other	152	30	37
Total	\$ 3,666	\$ 3,026	\$ 3,322

The domestic and foreign components of income before income tax expense were as follows:

Years ended December 31,

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	2011	2010	2009
Domestic	\$ 7,795	\$ 8,571	\$ 9,200
Foreign	3,285	469	380
Total	\$ 11,080	\$ 9,041	\$ 9,580

Note 10 – Options

The Company has stock option plans which authorize the grant of stock options to eligible employees, directors and other individuals to purchase up to an aggregate of 1,011,759 shares of common stock, of which 228,306 are outstanding as of December 31, 2011. All options granted under the plans are granted at current market value at the date of grant, and may be exercised between six months and ten years following the date of grant. The plans are intended to advance the interest of the Company by attracting and ensuring retention of competent directors, employees and executive personnel, and to provide incentives to those individuals to devote their utmost efforts to the advancement of shareholder value. Changes in stock options were as follows:

	Shares	Price Range Per Share	
2011			
Granted	67,200	26.52 \$ -	\$ 26.75
Expired or canceled	24,612	24.00 -	31.33
Exercised	21,220	9.13 -	25.59
Total outstanding at December 31	238,306	15.01 -	31.33
Total exercisable at December 31	172,027	15.01 -	31.33
2010			
Granted	7,700	28.06 \$ -	\$ 28.06
Expired or canceled	5,243	17.71 -	31.33
Exercised	27,230	6.75 -	28.13
Total outstanding at December 31	216,938	9.13 -	31.33
Total exercisable at December 31	173,178	9.13 -	31.33
2009			
Granted	56,600	24.00 \$ -	\$ 24.00
Expired or canceled	6,712	18.00 -	31.33
Exercised	16,434	6.50 -	25.59
Total outstanding at December 31	241,711	6.75 -	31.33
Total exercisable at December 31	167,501	6.75 -	31.33

For the years ended December 31, 2011, 2010 and 2009, the Company reduced current income taxes payable and increased additional paid-in capital by \$34, \$38 and \$14, respectively, for the income tax benefit attributable to sale by optionees of common stock received upon the exercise of stock options.

Stock-Based Compensation

In 2011, the Company recognized \$95 in equity compensation cost, compared to \$83 in 2010 and \$98 in 2009.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Years ended December 31,					
	2011		2010		2009	
Expected dividend amount per quarter	\$	0.2449	\$	0.2471	\$	0.2466
Expected stock price volatility	22.8	%	22.0	%	21.6	%
Risk-free interest rate	1.19	%	2.08	%	1.76	%
Expected life of options	3.6	years	4.5	years	4.7	years

The per share weighted average fair value of options granted during 2011, 2010 and 2009 is \$3.09, \$3.71 and \$2.62, respectively.

All UTMD options vest over a four-year service period. Expected dividend amounts were estimated based on the actual cash dividend rate at the time the options were granted and an estimate of future dividends based on past dividend rate changes as well as management's expectations of future dividend rates over the expected holding period of the options. Expected volatility is based on UTMD's historical volatility over recent periods of time and trends in that volatility, giving weight to more recent periods. Risk free interest rates were estimated based on actual U.S. Treasury Securities Interest rates as reported by the Federal Reserve Bank for periods of time equivalent to the holding periods estimated for the options on the dates the options were granted. Expected term of options were estimated based on historical holding periods for similar options previously granted by UTMD to employees and directors.

Note 10 – Options (continued)

The following table summarizes information about stock options outstanding at December 31, 2011:

Range of Exercise Prices	Number Outstanding	Options Outstanding Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable Number Exercisable	Weighted Average Exercise Price
15.01 -					
\$ 24.02 - 25.59	96,669	4.28	\$ 22.11	81,680	\$ 21.76
25.59 - 26.52	45,562	2.08	25.59	45,562	25.59
31.33 -	96,057	7.48	28.21	44,785	29.91
15.01 -					
\$ 31.33 -	238,306	5.15	\$ 25.23	172,027	\$ 24.90

Note 11 – Geographic Sales Information

The Company had sales in the following geographic areas:

	United States	Europe	Other
2011	\$ 18,853	\$ 7,821	\$ 11,186
2010	17,431	3,367	4,323
2009	18,626	3,030	4,260

Note 12 – Revenues by Product Category

The Company had revenues in the following product categories:

Product Category	2011	2010	2009
Obstetrics	\$ 5,742	\$ 5,940	\$ 6,543
Gynecology/Electrosurgery/Urology	19,196	5,888	6,220
Neonatal	6,951	7,295	7,252
Blood Pressure Monitoring and Accessories	5,971	5,998	5,902

Note 13 - Product Sale and Purchase Commitments

The Company has had license agreements for the rights to develop and market certain products or technologies owned by unrelated parties. The confidential terms of such agreements are unique and varied, depending on many factors relating to the value and stage of development of the technology licensed. Royalties on future product sales are a normal component of such agreements and are included in the Company's cost of goods sold on an ongoing basis.

In 2009 and 2010 there were no patents under which UTMD received royalties from other parties. In 2011, UTMD received royalties of \$70 for the use of intellectual property of Filshie Clip System as part of Femcare's exclusive U.S. distribution agreement with Cooper Surgical, Inc.

Note 14 – Employee Benefit Plans

The Company sponsors a contributory 401(k) savings plan for U.S. employees, and contributory retirement plans for Irish and English employees. The Company's matching contribution is determined annually by the board of directors. Company contributions were approximately \$209, \$103 and \$106 for the years ended December 31, 2011, 2010 and 2009, respectively.

Note 15 – Fair Value Financial Instruments

None of the Company's financial instruments, which are current assets and liabilities that could be readily traded, are held for trading purposes. Detail on investments is provided in note 3 above. The Company estimates that the fair value of all financial instruments at December 31, 2011 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying consolidated balance sheet.

Note 16 – Recent Accounting Pronouncements

The Company's management has evaluated the recently issued accounting pronouncements through the filing date of these financial statements and has determined that the application of these pronouncements will not have a material impact on the Company's financial position and results of operations.

Note 17 – Subsequent Events

The Company evaluated its December 31, 2011 financial statements for subsequent events through the date the financial statements were issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report or incorporated herein by reference.

1. Financial Statements.

(See Table of Contents to Item 8, above.)

2. Supplemental Schedule.

Financial Statement Schedules are omitted because they are inapplicable or the required information is otherwise included in the accompanying Financial Statements and the notes thereto.

3. Exhibits.

	SEC	
Exhibit #	Reference #	Title of Document
1	3	Articles of Restatement of the Articles of Incorporation
2	3	Articles of Correction to the Restated Articles of Incorporation
3	3	Bylaws
4	4	Rights Agreement dated as of July 30, 2004, between Utah Medical Products, Inc., and Registrar and T
5	4	Designation of Rights, Privileges, and Preferences of Series “A” Preferred Stock
6	10	Employment Agreement dated December 21, 1992 with Kevin L. Cornwell*
7	10	Amendment, effective May 15, 1998, to Employment Agreement dated December 21, 1992 with Kevin
8	10	Utah Medical Products, Inc., 2003 Employees’ and Directors’ Incentive Plan*

9	10	Loan Agreement, signed 6-December-2005 between Utah Medical Products Limited and Bank of Ireland
10	10	Amendment to Loan Agreement, dated 12-March-2008 between Utah Medical Products Limited and B
11	10	Guarantee and Indemnity, dated 13-June-2008, by Utah Medical Products, Inc. to Bank of Ireland
12	10	Agreement relating to the sale and purchase of the whole of the issued share capital of Femcare Group
13	10	Credit Agreement dated as of March 17, 2011 among Utah Medical Products, Inc., as Borrower, and JP
14	10	Facility Agreement dated 18 March 2011 for Femcare Group Limited as Borrower with JPMorgan Cha
15	10	Summary of Officer and Director Compensation

Exhibit #	SEC Reference #	Title of Document
16	21	Subsidiaries of Utah Medical Products, Inc.
17	23	Consent of Jones Simkins, P.C., Company's independent auditors for the years ended December 31, 20
18	23	Consent of The Norton Practice, Femcare Group Ltd's independent auditors for the year ended 31 Dec
19	31	Certification of CEO pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-O
20	31	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 3
21	32	Certification of CEO pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes
22	32	Certification of Principal Financial Officer pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Sectio
101.ins		XBRL Instance Document
101.xsd		XBRL Taxonomy Extension Schema Document
101.cal		XBRL Taxonomy Extension Calculation Linkbase Document
101.def		XBRL Taxonomy Extension Definition Linkbase Document
101.tab		XBRL Taxonomy Extension Label Linkbase Document
101.pre		XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract of compensatory plan or arrangement required to be filed pursuant to Item 14(c).

- (1) Incorporated by reference from the Company's annual report on form 10-K filed with the Commission for the year ended December 31, 2004.
- (2) Incorporated by reference from the Company's registration statement on form S-8 filed with the Commission effective February 10, 1995.
- (3) Incorporated by reference from the Company's report on form 8-K filed with the Commission on October 1, 2004.
- (4) Incorporated by reference from the Company's annual report on form 10-K filed with the Commission for the year ended December 31, 2003.
- (5) Incorporated by reference from the Company's annual report on form 10-K filed with the Commission for the year ended December 31, 2002.
- (6) Incorporated by reference from the Company's report on form 8-K filed with the Commission on December 12, 2005.
- (7) Incorporated by reference from the Company's annual report on form 10-K/A filed with the Commission for the year ended December 31, 2008.
- (8) Incorporated by reference from the Company's report on form 8-K filed with the Commission on March 23, 2011.
- (9) Incorporated by reference from the Company's annual report on form 10-K filed with the Commission for the year ended December 31, 2011.
- (10) Incorporated by reference from the Company's annual report on form 10-K filed with the Commission for the year ended December 31, 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned this 10th day of September, 2012.

UTAH MEDICAL PRODUCTS, INC.

By: /s/ Kevin L.
Cornwell
Kevin L.
Cornwell
Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 10th day of September, 2012.

/s/ Paul O.
By: Richins
Paul O. Richins
Principal
Financial and
Accounting
Officer