

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

**FORM 10-Q**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission file number 001-14757

EnviroStar, Inc.  
(Exact name of Registrant as Specified in Its charter)

Delaware  
(State of Other Jurisdiction of  
Incorporation or Organization)

11-2014231  
(I.R.S. Employer  
Identification No.)

290 N.E. 68 Street, Miami, Florida 33138  
(Address of Principal Executive Offices)

(305) 754-4551  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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 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

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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$.025 par value per share – 7,033,732 shares outstanding as of February 10, 2012.

---

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

Condensed Consolidated Statements of Operations (Unaudited)  
for the six and three months ended December 31, 2011 and 2010 3

Condensed Consolidated Balance Sheets at December 31, 2011 (Unaudited)  
and June 30, 2011 4

Condensed Consolidated Statements of Cash Flows (Unaudited)  
for the six months ended December 31, 2011 and 2010 6

Notes to Condensed Consolidated Financial Statements (Unaudited) 7

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations** 11

**Item 3. Quantitative and Qualitative Disclosures About Market Risk** 16

**Item 4. Controls and Procedures** 16

## **PART II – OTHER INFORMATION**

**Item 6. Exhibits** 17

Signatures 18

Exhibit Index 19

**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements**EnviroStar, Inc. and Subsidiaries  
Condensed Consolidated Statements of Operations

	For the six months ended December 31,		For the three months ended December 31,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Net sales	\$ 11,147,320	\$ 9,892,041	\$ 4,912,820	\$ 5,215,656
Development fees, franchise and license fees, commission income and other revenue	142,801	226,218	69,430	48,553
Total revenues	11,290,121	10,118,259	4,982,250	5,264,209
Cost of sales, net	8,536,594	7,624,931	3,748,613	4,054,065
Selling, general and administrative expenses	2,357,251	2,159,088	1,209,766	1,082,547
Total operating expenses	10,893,845	9,784,019	4,958,379	5,136,612
Operating income	396,276	334,240	23,871	127,597
Interest income	7,284	12,066	3,407	5,769
Earnings before provision for income taxes	403,560	346,306	27,278	133,366
Provision for income taxes	154,666	132,240	11,882	51,252
Net earnings	\$ 248,894	\$ 214,066	\$ 15,396	\$ 82,114
Net earnings per share – basic and diluted	\$ .04	\$ .03	\$ .01	\$ .01
Weighted average number of basic and diluted common shares outstanding	7,033,732	7,033,732	7,033,732	7,033,732

See Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

EnviroStar, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets

ASSETS

	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,665,791	\$ 6,907,020
Accounts and trade notes receivable, net of allowance for doubtful accounts	1,351,020	1,227,491
Inventories, net	1,818,911	2,290,904
Refundable income taxes	143,509	—
Deferred income taxes	116,530	124,431
Lease and mortgage receivables, net	28,556	68,740
Other current assets	221,979	59,028
<b>Total current assets</b>	<b>10,346,296</b>	<b>10,677,614</b>
Lease and mortgage receivables-due after one year	33,969	33,969
Equipment and improvements, net	143,659	156,792
Franchise license, trademarks and other intangible assets, net	72,584	79,279
Deferred income taxes	52,027	47,847
<b>Total assets</b>	<b>\$ 10,648,535</b>	<b>\$ 10,995,501</b>

See Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

EnviroStar, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets

LIABILITIES AND  
SHAREHOLDERS' EQUITY

	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 749,530	\$ 1,021,054
Accrued employee expenses	360,153	621,482
Income taxes payable	—	47,547
Customer deposits	1,504,981	1,168,755
Total current liabilities	2,614,664	2,858,838
Total liabilities	2,614,664	2,858,838
<b>Shareholders' Equity</b>		
Preferred stock, \$1.00 par value; authorized shares – 200,000; none issued and outstanding	—	—
Common stock, \$.025 par value; authorized shares - 15,000,000; 7,065,500, shares issued and outstanding, including shares held in treasury	176,638	176,638
Additional paid-in capital	2,095,069	2,095,069
Retained earnings	5,766,102	5,868,894
Treasury stock, 31,768 shares, at cost	(3,938)	(3,938)
Total shareholders' equity	8,033,871	8,136,663
Total liabilities and shareholders' equity	\$ 10,648,535	\$ 10,995,501

See Notes to Condensed Consolidated Financial Statements

[Table of Contents](#)

EnviroStar, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows

	Six months ended	
	December 31, 2011 (Unaudited)	December 31, 2010 (Unaudited)
<b>Operating activities:</b>		
Net earnings	\$ 248,894	\$ 214,066
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation and amortization	24,876	30,363
Bad debt expense	1,176	10,929
Inventory reserve	265	(51,568)
Provision for deferred income taxes	3,721	22,684
(Increase) decrease in operating assets:		
Accounts and trade notes receivables	(124,705)	(92,422)
Inventories	471,729	(47,754)
Refundable income taxes	(143,509)	(36,848)
Lease and mortgage receivables	40,185	(12,369)
Other current assets	(162,951)	(9,087)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(271,524)	408,795
Accrued employee expenses	(261,329)	(305,024)
Income taxes payable	(47,547)	(6,096)
Unearned income	—	12,000
Customer deposits	336,226	801,667
Net cash provided by operating activities	115,507	939,336
<b>Investing activities:</b>		
Capital expenditures	(5,050)	(1,926)
Net cash used by investing activities	(5,050)	(1,926)
<b>Financing activities:</b>		
Dividends paid	(351,686)	—
Net cash used in financing activities	(351,686)	—
Net (decrease) increase in cash and cash equivalents	(241,229)	937,410
Cash and cash equivalents at beginning of period	6,907,020	6,061,378
Cash and cash equivalents at end of period	\$ 6,665,791	\$ 6,998,788
<b>Supplemental information:</b>		
Cash paid during the period for income taxes	\$ 342,000	\$ 152,500

See Notes to Condensed Consolidated Financial Statements

## EnviroStar, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

(Unaudited)

**Note (1) - General:** The accompanying unaudited condensed consolidated financial statements include the accounts of EnviroStar, Inc. and its subsidiaries (the "Company"). All material intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and the instructions to Form 10-Q and Article 10 of Regulation S-X related to interim period financial statements. Accordingly, these condensed consolidated financial statements do not include certain information and footnotes required by GAAP for complete financial statements. However, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The condensed consolidated financial statements should be read in conjunction with the Summary of Significant Accounting Policies and other footnotes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2011. The June 30, 2011 balance sheet information contained herein was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K as of that date.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Note (2) - Earnings Per Share:** Basic earnings per share for the six and three months ended December 31, 2011 and 2010 are computed as follows:

	For the six months ended December 31,		For the three months ended December 31,	
	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net earnings	\$ 248,894	\$ 214,066	\$ 15,396	\$ 82,114
Weighted average shares outstanding	7,033,732	7,033,732	7,033,732	7,033,732
Basic and fully diluted earnings per share	\$ .04	\$ .03	\$ .01	\$ .01

At December 31, 2011, the Company had no outstanding options to purchase shares of the Company's common stock or other dilutive securities.

EnviroStar, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

(Unaudited)

**Note (3) - Lease and Mortgage Receivables:** Lease and mortgage receivables result from customer leases of equipment under arrangements which qualify as sales type leases. At December 31, 2011, future lease payments, net of deferred interest (\$7,668 at December 31, 2011), due under these leases was \$62,525. At June 30, 2011, future lease payments, net of deferred interest (\$14,100 at June 30, 2011), due under these leases was \$102,709.

**Note (4) – Revolving Credit Line:** The Company’s original \$2,250,000 revolving line of credit facility expired on October 31, 2011. Due to a change in ownership at the Company’s former lender as a result of the acquisition of the former lender by a new lender, a new line of credit facility was entered into on November 16, 2011. The new credit facility provides a revolving line of credit that entitles the Company to borrow, from time to time, up to \$2,250,000, including a \$1,000,000 standby letter of credit subfacility for the purchase of inventory and a \$250,000 foreign exchange contract subfacility. The Company’s obligations under the new facility are guaranteed by the Company’s subsidiaries and collateralized by substantially all of the Company’s assets. No amounts were outstanding under either facility at December 31, 2011 or June 30, 2011, nor were there any amounts outstanding at any time during fiscal 2011 or the first six months of fiscal 2012. The new facility requires maintenance of certain debt service coverage and leverage ratios and contained other restrictive covenants, including limitations on the extent to which the Company and its subsidiaries could incur additional indebtedness, pay dividends, guarantee indebtedness of others, grant liens, sell assets and make investments. The Company was in compliance with these covenants at December 31, 2011, December 31, 2010 and June 30, 2011.

**Note (5) - Income Taxes:** Income tax expense varies from the federal corporate income tax rate of 34%, primarily due to state income taxes, net of federal income tax effect, and permanent differences.

As of December 31, 2011 and June 30, 2011, the Company had deferred tax assets of \$168,557 and \$172,278, respectively. Consistent with the guidance of the Financial Accounting Standards Board (the “FASB”) regarding accounting for income taxes, the Company regularly estimates its ability to recover deferred tax assets and establishes a valuation allowance against deferred tax assets to reduce the balance to amounts expected to be recoverable. This evaluation considers several factors, including an estimate of the likelihood of generating sufficient taxable income in future periods over which temporary differences reverse, the expected reversal of deferred tax liabilities, past and projected taxable income and available tax planning strategies. As of December 31, 2011, management believes that it is more-likely-than not that the results of future operations will generate sufficient taxable income to realize the net amount of the Company’s deferred tax assets over the periods during which temporary differences reverse.

The Company follows Accounting Standards Codification (“ASC”) Topic 740-10-25, “Accounting for Uncertainty in Income Taxes” (“Topic 740”). Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. During the six and three months ended December 31, 2011, this standard did not result in any adjustment to the Company’s provision for income taxes.

As of December 31, 2011, the Company was subject to potential Federal and State tax examinations for the tax years 2008 through 2011.



EnviroStar, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

(Unaudited)

**Note (6) – Cash Dividends:** On November 11, 2011, the Company’s Board of Directors declared a \$.05 per share cash dividend (an aggregate of \$351,686), which was paid on December 12, 2011 to shareholders of record on November 28, 2011.

**Note (7) - Segment Information:** The Company’s reportable segments are strategic businesses that offer different products and services. They are managed separately because each business requires different marketing strategies. The Company primarily evaluates the operating performance of its segments based on the categories noted in the table below. The Company has no sales between segments. Financial information for the Company’s business segments is as follows:

	For the six months ended December 31,		For the three months ended December 31,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
<b>Revenues:</b>				
Commercial and industrial laundry and dry cleaning equipment and boilers	\$ 11,195,478	\$ 10,051,888	\$ 4,935,154	\$ 5,233,242
License and franchise operations	94,643	66,371	47,096	30,967
<b>Total revenues</b>	<b>\$ 11,290,121</b>	<b>\$ 10,118,259</b>	<b>\$ 4,982,250</b>	<b>\$ 5,264,209</b>
<b>Operating income (loss):</b>				
Commercial and industrial laundry and dry cleaning equipment and boilers	\$ 574,279	\$ 460,948	\$ 115,925	\$ 181,038
License and franchise operations	22,771	54,387	10,253	28,319
Corporate	(200,774)	(181,095)	(102,307)	(81,760)
<b>Total operating income</b>	<b>\$ 396,276</b>	<b>\$ 334,240</b>	<b>\$ 23,871</b>	<b>\$ 127,597</b>

	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
<b>Identifiable assets:</b>		
Commercial and industrial laundry and dry cleaning equipment and boilers	\$ 9,784,622	\$ 10,293,717
License and franchise operations	544,249	522,012
Corporate	319,664	179,772
<b>Total assets</b>	<b>\$ 10,648,535</b>	<b>\$ 10,995,501</b>

**Note (8) - Recently Adopted Accounting Guidance:**

In January 2010, the FASB issued ASU 2010-06, “Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements” (“ASU 2010-06”). ASU 2010-06 amends ASC 820 and clarifies and provides additional disclosure requirements on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons for and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). ASU 2010-06 became effective for the Company beginning July 1, 2010, except for the gross presentation of the Level 3 roll forward, which is required for annual reporting periods beginning for the Company on July 1, 2011 and for interim reporting periods thereafter. Early application was permitted and comparative disclosures were not required in the period of initial adoption. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

EnviroStar, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

(Unaudited)

In July 2010, the FASB issued ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Loss" ("ASU 2010-20"). ASU 2010-20 amends ASC Topic 310, "Receivables" to enhance disclosures about the credit quality of financing receivables and the allowance for credit losses by requiring an entity to provide a greater level of disaggregated information and to disclose credit quality indicators, past due information, and modifications of its financing receivables. ASU 2010-20 is effective for interim or annual fiscal years for the Company beginning January 1, 2011. The Company's adoption of ASU 2010-20 did not have a material impact on its consolidated financial statements.

In April 2011, the FASB issued ASU 2011-02, "Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring" ("ASU 2011-02"). ASU 2011-02 provides additional guidance clarifying when the restructuring of a receivable should be considered a troubled debt restructuring. The additional guidance provided by ASU 2011-02 is for determining whether a creditor has granted a concession and whether the debtor is experiencing financial difficulty. ASU 2011-02 also ends the deferral of activity-based disclosures related to troubled debt restructurings. The Company adopted ASU 2011-02 in the third quarter of 2011. The adoption of ASU 2011-02 did not impact the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). ASU 2011-04 amends ASC 820, providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The Company's adoption of ASU 2011-04 is not expected to have a material effect on the Company's consolidated financial statements.

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

### Overview

Total revenues for the first six months of fiscal 2012 increased by 11.6% over the same period of a year ago. However, for the second quarter of fiscal 2012, revenues decreased by 5.4% from the second quarter of fiscal 2011, although incoming orders continued to trend higher. Quarterly results are not indicative of full year results as shipments vary due to a number of operating reasons. Net earnings followed the same pattern, increasing by 16.3% during the first six months of fiscal 2012 while decreasing by 81.3% for the three month period ending December 31, 2011, in each case from the comparable periods in fiscal 2011.

The decrease in the Company's cash during the first six months of fiscal 2012 was the result of the payment in December 2011 of a cash dividend of \$351,686, partially offset by cash provided by operating activities of \$115,507 during the first six months of fiscal 2012, primarily due to a decrease in inventory and an increase in customer deposits. Inventories are expected to increase for the balance of the fiscal year, as both, backlog and new orders have been trending higher.

The Company's cash position remains strong despite the recent dividend payment in December 2011.

### Liquidity and Capital Resources

For the six month period ended December 31, 2011, cash decreased by \$241,229 compared to an increase of \$937,410 during the same period of fiscal 2011. The following summarizes the Company's Consolidated Statements of Cash Flows:

	Six Months Ended December 31,	
	2011	2010
	(Unaudited)	(Unaudited)
Net cash provided (used) by:		
Operating activities	\$ 115,507	\$ 939,336
Investing activities	\$ (5,050)	\$ (1,926)
Financing activities	\$ (351,686)	\$ —

For the six month period ended December 31, 2011, operating activities provided cash of \$115,507 compared to \$939,326 of cash provided during the same period of fiscal 2011. Cash provided by operating activities during the first six months of fiscal 2012 was primarily due to a decrease of \$471,729 in inventories and a \$336,226 increase in customer deposits. Inventories are expected to rise during the balance of the fiscal year to support increased orders. Cash was also provided by the Company's net earnings of \$248,894 and non-cash expenses for depreciation and amortization of \$24,876. Additional cash was provided by a \$40,185 decrease in lease and mortgage receivables. These increases in cash were partially offset by increases of \$124,705 in accounts and trade notes receivables, \$143,509 in refundable income taxes and \$162,951 in other assets. Cash was also used to reduce accounts payable and accrued expenses by \$271,524, accrued employee expenses by \$261,329 and in income taxes payable by \$47,547. The decrease in accrued employee expenses was mostly due to fiscal 2011 year end bonuses and sales commissions accrued at June 30, 2011 which were paid during the first quarter of fiscal 2012. All other changes were due to the ordinary fluctuations in business activities.

For the six month period ended December 31, 2010, operating activities provided cash of \$939,336. The cash provided by operating activities in the first half of fiscal 2011 was primarily due to an increase of \$801,667 in customer deposits as incoming orders increased during the six month period. Cash was also provided by the Company's net earnings of \$214,066, supplemented by non-cash expenses for depreciation and amortization of \$30,363, bad debts of \$10,929 and a \$22,684 provision for deferred taxes. Additional cash was generated by an increase of \$408,795 in accounts payable and accrued expenses due to new purchases of inventory not yet paid for, offset by a decrease of \$305,024 in accrued employee expenses as year end accrued bonuses and sales commissions were paid during the first quarter. Cash was reduced by \$47,754 associated with an increase in inventories and a \$51,568 reduction in the inventory reserve. This reserve was placed against returned inventory in prior years which the Company resold during the first quarter of fiscal 2011. An additional reduction in cash of \$92,422 was due to an increase in accounts and trade notes receivable and a \$12,369 increase in lease and mortgage receivables as the Company continues to finance some small leasing contracts.

[Table of Contents](#)

Investing activities used cash of \$5,050 and \$1,926 during the six month periods ended December 31, 2011 and 2010, respectively, for capital expenditures.

Financing activities used cash of \$351,686 to pay a dividend of \$.05 per share on December 12, 2011. There were no financing activities during the first six months of fiscal 2011.

The Company's original \$2,250,000 revolving line of credit facility expired on October 31, 2011. Due to a change in ownership at the Company's former lender as a result of the acquisition of the former lender by a new lender, a new line of credit facility was entered into on November 16, 2011. The new credit facility provides a revolving line of credit that entitles the Company to borrow, from time to time, up to \$2,250,000, including a \$1,000,000 standby letter of credit subfacility for the purchase of inventory and a \$250,000 foreign exchange contract subfacility. The Company's obligations under the new facility are guaranteed by the Company's subsidiaries and collateralized by substantially all of the Company's and its subsidiaries' assets. No amounts were outstanding under either facility at December 31, 2011 or June 30, 2011, nor were there any amounts outstanding at any time during fiscal 2011 or the first six months of fiscal 2012. The new facility requires maintenance of certain debt service coverage and leverage ratios and contained other restrictive covenants, including limitations on the extent to which the Company and its subsidiaries could incur additional indebtedness, pay dividends, guarantee indebtedness of others, grant liens, sell assets and make investments. The Company was in compliance with these covenants at December 31, 2011, December 31, 2010 and June 30, 2011.

The Company believes that its existing cash, cash equivalents, net cash from operations will be sufficient to fund its operations and anticipated capital expenditures for at least the next twelve months and to meet its long term liquidity needs.

**Off-Balance Sheet Financing**

The Company has no off-balance sheet financing arrangements within the meaning of Item 303(a)(4) of Regulation S-K.

**Results of Operations**

*Revenues.*

The following table sets forth certain information with respect to changes in the Company's revenues for the periods presented:

	Six months ended December 31,			Three months ended December 31,		
	2011 (Unaudited)	2010 (Unaudited)	% Change	2011 (Unaudited)	2010 (Unaudited)	% Change
Net sales	\$ 11,147,320	\$ 9,892,041	12.7%	\$ 4,912,820	\$ 5,215,656	-5.8%
Development fees, franchise and license fees, commissions and other income	142,801	226,218	36.9%	69,430	48,553	43.0%
<b>Total revenues</b>	<b>\$ 11,290,121</b>	<b>\$ 10,118,259</b>	<b>11.6%</b>	<b>\$ 4,982,250</b>	<b>\$ 5,264,209</b>	<b>-5.4%</b>

Net sales for the six month period ended December 31, 2011 increased by \$1,255,279 (12.7%) from the same period of fiscal 2011. However, for the second quarter of fiscal 2012, net sales decreased by \$302,836 (5.8%) from the same period of fiscal 2011. Although incoming orders have been trending higher, certain shipments have been scheduled for the second half of the fiscal year thereby affecting comparison with the second quarter of fiscal 2011. During the first six months of fiscal 2012, equipment and parts shipments increased by 14.8% and 10.1% respectively. However, during the three month period ended December 31, 2011, equipment sales decreased by 8.5% although spare parts sales increased 8.7%. Foreign sales increased by 30.4% and 116.9% for the six and three month periods of fiscal 2012, respectively, compared to the same periods of fiscal 2011. Revenues and development fees, franchise and license fees, commissions and other income, decreased by \$83,417 (36.9%) for the six month period ended December 31, 2011, but increased by \$20,877 (43.0%) for the second quarter of fiscal 2012 compared to the same periods of fiscal 2011. The decrease for the six month period was primarily due to the absence in fiscal 2012 of a substantial commission that was paid to the Company in the first quarter of fiscal 2011 on a sale by another distributor for an installation made in the Company's territory.

*Operating Expenses.*

	Six months ended December 31,		Three months ended December 31,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
<i>As a percentage of sales:</i>				
Cost of sales	76.6%	77.1%	76.3%	77.7%
<i>As a percentage of revenue:</i>				
Selling, general and administrative expenses	20.9%	21.3%	24.3%	20.6%
<b>Total expenses</b>	<b>96.5%</b>	<b>96.7%</b>	<b>99.5%</b>	<b>97.6%</b>

Costs of sales, expressed as a percentage of sales, decreased to 76.6% and 76.3% in the first six and three month periods of fiscal 2012, respectively, from 77.1% and 77.7% for the six and three months ended December 31, 2010, respectively. These variations are attributable to product mix.

Selling, general and administrative expenses increased by \$198,163 (9.2%) and \$127,219 (11.8%) for the six and three month periods of fiscal 2012, respectively, from the same periods in fiscal 2011. The increase for both periods was mainly due to higher payroll expenses and sales commissions associated with an increase in staff and the Company's expanded activities in Mexico. The variation, as a percentage of revenues in both periods, was primarily due to the level of sales for the period which affects how fixed and semi-variable expenses are absorbed.

## [Table of Contents](#)

Interest income decreased by \$4,782 (39.6%) and \$2,362 (40.9%) for the six and three month periods of fiscal 2012, respectively, from the same periods of fiscal 2011, due to lower interest rates.

The Company's effective tax rate increased to 38.3% for the first six month period of fiscal 2012 from 38.2% for the same period of fiscal 2011. For the three month period, the effective tax rate increased to 43.6% from 38.4% for the three month period ended December 31, 2010, when compared to the same period of fiscal 2011. The variation reflects changes in permanent and temporary adjustments to taxable income.

### **Inflation**

Inflation has not had a significant effect on the Company's operations during any of the reported periods.

### **Transactions with Related Parties**

The Company leases warehouse and office space under an operating lease from the Sheila Steiner Revocable Trust. The trustees of this trust are Sheila Steiner, her husband, William K. Steiner, and her son, Michael S. Steiner. Sheila Steiner, William K. Steiner, who is Chairman of the Board of Directors and a director of the Company, and Michael S. Steiner, who is President and a director of the Company, are trustees of another trust which is a principal shareholder of the Company. Michael Steiner, individually, is also a principal shareholder of the Company.

The lease was for an original three year term which commenced on November 1, 2005, with two three-year renewal options in favor of the Company. The Company has exercised the second renewal option, extending the lease until October 31, 2014. The lease provides for annual rent increases commencing November 1, 2006 of 3% over the rent in the prior year. The Company bears the cost of real estate taxes, utilities, maintenance, non-structural repairs and insurance. The Company believes that the terms of the lease are comparable to terms that would be obtained from an unaffiliated third party for similar property in a similar locale. Rental expense under this lease was approximately \$59,500 and \$57,500 in the first six months of fiscal 2012 and 2011, respectively.

### **Critical Accounting Policies**

The accounting policies that the Company has identified as critical to its business operations and to an understanding of the Company's results of operations remain unchanged from those described in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011. The Company makes estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and liabilities, and the reported amounts of revenues and expenses during the reported period. Therefore, there can be no assurance that the actual results will not differ from those estimates.

### **Recently Adopted Accounting Guidance**

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). ASU 2010-06 amends ASC 820 and clarifies and provides additional disclosure requirements on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons for and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). ASU 2010-06 became effective for the Company beginning July 1, 2010, except for the gross presentation of the Level 3 roll forward, which is required for annual reporting periods beginning for the Company on July 1, 2011 and for interim reporting periods thereafter. Early application was permitted and comparative disclosures were not required in the period of initial adoption. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

## [Table of Contents](#)

In July 2010, the FASB issued ASU 2010-20, “Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Loss” (“ASU 2010-20”). ASU 2010-20 amends ASC Topic 310, “Receivables” to enhance disclosures about the credit quality of financing receivables and the allowance for credit losses by requiring an entity to provide a greater level of disaggregated information and to disclose credit quality indicators, past due information, and modifications of its financing receivables. ASU 2010-20 is effective for interim or annual fiscal years for the Company beginning January 1, 2011. The Company’s adoption of ASU 2010-20 did not have a material impact on its consolidated financial statements

In April 2011, the FASB issued ASU 2011-02, “Receivables (Topic 310): A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring” (“ASU 2011-02”). ASU 2011-02 provides additional guidance clarifying when the restructuring of a receivable should be considered a troubled debt restructuring. The additional guidance provided by ASU 2011-02 is for determining whether a creditor has granted a concession and whether the debtor is experiencing financial difficulty. ASU 2011-02 also ends the deferral of activity-based disclosures related to troubled debt restructurings. The Company adopted ASU 2011-02 in the third quarter of 2011. The adoption of ASU 2011-02 did not impact the Company’s consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU 2011-04”). ASU 2011-04 amends ASC 820, providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The Company’s adoption of ASU 2011-04 is not expected to have a material effect on the Company’s consolidated financial statements.

### **Forward Looking Statements**

Certain statements in this Report are “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Report, words such as “may,” “should,” “seek,” “believe,” “expect,” “anticipate,” “estimate,” “project,” “intend,” “strategy” and similar expressions are intended to identify forward looking statements regarding events, conditions and financial trends that may affect the Company’s future plans, operations, business strategies, operating results and financial position. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause actual results, trends, performance or achievements of the Company, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include, among others: general economic and business conditions in the United States and other countries in which the Company’s customers and suppliers are located; industry conditions and trends; technology changes; competition and other factors which may affect prices which the Company may charge for its products and its profit margins; the availability and cost of the inventory purchased by the Company; the relative value of the United States dollar to currencies in the countries in which the Company’s customers, suppliers and competitors are located; changes in, or the failure to comply with, government regulation, principally environmental regulations; the Company’s ability to implement changes in its business strategies and development plans; and the availability, terms and deployment of debt and equity capital if needed for expansion. These and certain other factors are discussed in this Report and from time to time in other Company reports filed with the Securities and Exchange Commission. The Company does not assume an obligation to update the factors discussed in this Report or such other reports.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risks**

All of the Company's export sales require the customer to make payment in United States dollars. Accordingly, foreign sales may be affected by the strength of the United States dollar relative to the currencies of the countries in which their customers and competitors are located, as well as the strength of the economies of the countries in which the Company's customers are located. The Company has, at times in the past, paid certain suppliers in Euros. The Company's bank revolving credit facility contains a \$250,000 foreign exchange subfacility for this purpose. The Company had no foreign exchange contracts outstanding at December 31, 2011 or June 30, 2011.

The Company's cash and cash equivalents are maintained in interest-bearing bank accounts, including a money market account, and a tax-free municipal fund, each of which bear interest at prevailing interest rates.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, management of the Company, with the participation of the Company's principal executive officer and the Company's principal financial officer, evaluated the effectiveness of the Company's "disclosure controls and procedures." As defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), "disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Based on that evaluation, the Company's principal executive officer and principal officer concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's periodic filings under the Exchange Act is accumulated and communicated to the Company's management, including those officers, to allow timely decisions regarding required disclosure. It should be noted that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

#### **Changes in Internal Controls**

During the period covered by this Report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



**PART II. OTHER INFORMATION**

**Item 6. Exhibits**

(a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
*31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934.
*31.02	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934.
*32.01	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.02	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed with this Report.

XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 10, 2012

EnviroStar, Inc.

By: /s/ Venerando J. Indelicato,  
Venerando J. Indelicato,  
Treasurer and Chief Financial Officer

**Exhibit Index**

<u>Exhibit Number</u>	<u>Description</u>
*31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934.
*31.02	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934.
*32.01	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.02	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed with this Report. .

XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael S. Steiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 of EnviroStar, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
-

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2012

/s/Michael S. Steiner

Michael S. Steiner  
President and Principal  
Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Venerando J. Indelicato, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 of EnviroStar, Inc.;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
-

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2012

/s/ Venerando J. Indelicato

Venerando J. Indelicato  
Treasurer and Principal  
Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of EnviroStar, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Steiner, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 10, 2012

/s/ Michael S. Steiner

Michael S. Steiner  
Principal Executive Officer

---



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of EnviroStar, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Venerando J. Indelicato, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 10, 2012

/s/ Venerando J. Indelicato

Venerando J. Indelicato  
Principal Financial Officer

---