

SPESCOM SOFTWARE INC
Form 10-Q
May 15, 2006

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934.**

For the Quarterly Period Ended March 31, 2006.

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 0-15935

SPESCOM SOFTWARE INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction of
incorporation or organization)

95-3634089
(I.R.S. Employer
Identification No.)

10052 MESA RIDGE COURT, SUITE 100, SAN DIEGO, CA 92121

(Address of principal executive offices and zip code)

(858) 625-3000

Edgar Filing: SPESCOM SOFTWARE INC - Form 10-Q

(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 126-2 of the Exchange Act).

YES NO

Number of shares of Common Stock outstanding at May 12, 2006: 37,144,494

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SPESCOM SOFTWARE INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2006 (Unaudited)	September 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 620,000	\$ 285,000
Receivables, net	712,000	613,000
Other current assets	209,000	72,000
Total current assets	1,541,000	970,000
Property and equipment, net	169,000	168,000
Computer software, net	477,000	477,000
Other assets	30,000	30,000
Total assets	\$ 2,217,000	\$ 1,645,000
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 732,000	\$ 374,000
Payable to Spescom Ltd.	186,000	213,000
Preferred stock dividend payable to Spescom Ltd.	735,000	568,000
Accrued liabilities	1,167,000	1,407,000
Lease obligations - current portion	44,000	41,000
Notes and accrued interest payable to Spescom Ltd.	968,000	
Deferred revenue	2,743,000	3,026,000
Series I redeemable preferred stock, par value \$0.01 per share, 2,450 remaining shares authorized; 1,950 shares issued and outstanding at March 31, 2006	2,450,000	
Total current liabilities	9,025,000	5,629,000
Notes and accrued interest payable to Spescom Ltd.		917,000
Lease obligations	35,000	59,000
Total liabilities	9,060,000	6,605,000
Shareholders' deficit:		
Convertible preferred stock, 243,239 remaining shares authorized		
Series F - par value \$1.00 per share; 5,291 shares authorized, issued and outstanding at March 31, 2006 and September 30, 2005	6,790,000	6,790,000
Series G - par value \$0.01 per share; 1,670 remaining shares authorized; 1,450 shares issued and outstanding in issued and outstanding at September 30, 2005		1,450,000
Common stock, no par value, 100,000,000 shares authorized; 37,144,494 and 36,818,528 shares issued and outstanding at March 31, 2006 and September 30, 2005, respectively	76,488,000	75,938,000
Common stock warrants	1,784,000	1,506,000
Accumulated other comprehensive loss	(333,000)	(353,000)
Accumulated deficit	(91,572,000)	(90,291,000)
Total shareholders' deficit	(6,843,000)	(4,960,000)
Total liabilities and shareholders' deficit	\$ 2,217,000	\$ 1,645,000

Edgar Filing: SPESCOM SOFTWARE INC - Form 10-Q

The accompanying notes are an integral part of these consolidated financial statements.

SPESCOM SOFTWARE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended March 31,		For the six months ended March 31,	
	2006	2005	2006	2005
Revenues:				
Licenses	\$ 652,000	\$ 86,000	\$ 1,216,000	\$ 354,000
Services and other	1,408,000	1,587,000	2,676,000	2,972,000
Total revenues	2,060,000	1,673,000	3,892,000	3,326,000
Cost of revenues:				
Licenses	72,000	64,000	194,000	108,000
Services and other	721,000	620,000	1,261,000	1,234,000
Total cost of revenues	793,000	684,000	1,455,000	1,342,000
Gross profit	1,267,000	989,000	2,437,000	1,984,000
Operating expenses:				
Research and development	282,000	174,000	485,000	520,000
Marketing and sales	685,000	914,000	1,338,000	1,738,000
General and administrative	353,000	373,000	794,000	772,000
Total operating expenses	1,320,000	1,461,000	2,617,000	3,030,000
Loss from operations	(53,000)	(472,000)	(180,000)	(1,046,000)
Interest and other income	4,000	2,000	4,000	2,000
Interest and other expense	(53,000)	(38,000)	(105,000)	(68,000)
Net loss	(102,000)	(508,000)	(281,000)	(1,112,000)
Deemed preferred dividend	(500,000)		(1,000,000)	(2,200,000)
Net loss available after deemed preferred dividend	(602,000)	(508,000)	(1,281,000)	(3,312,000)
Cumulative preferred dividends	(98,000)	(86,000)	(186,000)	(169,000)
Net loss available to common shareholders	\$ (700,000)	\$ (594,000)	\$ (1,467,000)	\$ (3,481,000)
Earnings (loss) per share:				
Basic and diluted	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.10)
Weighted average shares outstanding:				
Basic and diluted	36,895,000	34,215,000	36,857,000	34,187,000
Statement of Comprehensive Loss				
Net loss	\$ (102,000)	\$ (508,000)	\$ (281,000)	\$ (1,112,000)
Other Comprehensive income (loss):				
Foreign currency translation adjustment	(14,000)	5,000	20,000	(49,000)
Comprehensive loss	\$ (116,000)	\$ (503,000)	\$ (261,000)	\$ (1,161,000)

The accompanying notes are an integral part of these consolidated financial statements.

SPESCOM SOFTWARE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the six months ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (281,000)	\$ (1,112,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	73,000	38,000
Unpaid interest on notes payable	98,000	66,000
Share-based compensation	92,000	
Compensation for warrants issued to consultants	40,000	
Changes in assets and liabilities:		
Receivables, net	(102,000)	58,000
Other current assets	(136,000)	31,000
Accounts payable	361,000	(1,000)
Payable to Spescom Ltd.	(22,000)	(7,000)
Accrued liabilities	(260,000)	52,000
Deferred revenue	(268,000)	287,000
Net cash used in operating activities	(405,000)	(588,000)
Cash flows from investing activities:		
Purchases of property and equipment	(40,000)	(13,000)
Capitalization of development costs	(35,000)	(209,000)
Purchases of software		(37,000)
Net cash used in investing activities	(75,000)	(259,000)
Cash flows from financing activities:		
Proceeds from exercise of stock options		2,000
Proceeds from exercise of warrants		17,000