

SPESCOM SOFTWARE INC
Form 10-Q
February 14, 2005

UNITED STATES
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 December 31, 2004.

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.

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(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
(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).

YES NO

Number of shares of Common Stock outstanding at February 14, 2005: 34,212,997

Number of Sequentially Numbered Pages: 25

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SPESCOM SOFTWARE INC.

CONSOLIDATED BALANCE SHEETS

| | December 31, 2004 (Unaudited) | September 30, 2004 |
|---|----------------------------------|--------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 812,000 | \$ 109,000 |
| Receivables, net | 855,000 | 954,000 |
| Other current assets | 179,000 | 209,000 |
| Total current assets | 1,846,000 | 1,272,000 |
| Property and equipment, net | | |
| Computer software, net | 98,000 | 116,000 |
| Other assets | 40,000 | 15,000 |
| Total assets | \$ 2,011,000 | \$ 1,430,000 |
| LIABILITIES AND SHAREHOLDERS DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 415,000 | \$ 440,000 |
| Payable to Spescom Ltd. | 53,000 | 90,000 |
| Preferred stock dividend payable to Spescom Ltd. | 348,000 | 271,000 |
| Accrued liabilities | 997,000 | 1,226,000 |
| Lease obligations - current portion | 17,000 | 19,000 |
| Notes and accrued interest payable to Spescom Ltd. | 574,000 | |
| Deferred revenue | 1,616,000 | 1,919,000 |
| Total current liabilities | 4,020,000 | 3,965,000 |
| Notes and accrued interest payable to Spescom Ltd. | | |
| Lease obligations | 40,000 | 44,000 |
| Total liabilities | 4,060,000 | 4,566,000 |
| Shareholders' deficit: | | |
| Series F Convertible Preferred Stock, \$1,000 stated value, 5,291 shares authorized; 5,291 shares issued and outstanding in 2005 and 2004 | 6,790,000 | 6,790,000 |
| Series G Convertible Preferred Stock, \$1,000 stated value, 2,420 shares authorized; 2,200 shares issued and outstanding in 2005. | 2,200,000 | |
| Common stock, no par value, 40,000,000 shares authorized; 34,176,226 and 34,143,278 issued and outstanding in 2005 and 2004 | 75,372,000 | 74,726,000 |
| Common stock warrants | 1,372,000 | 278,000 |
| Accumulated other comprehensive loss | (436,000) | (387,000) |
| Accumulated deficit | (87,347,000) | (84,543,000) |
| Total shareholders' deficit | (2,049,000) | (3,136,000) |
| Total liabilities and shareholders' deficit | \$ 2,011,000 | \$ 1,430,000 |

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 December 31, | |
|-------------------------------|---|--------------|
| | 2004 | 2003 |
| Revenues: | | |
| Licenses | \$ 268,000 | \$ 1,119,000 |
| Services and other | 1,385,000 | 1,006,000 |
| Total revenues | 1,653,000 | 2,125,000 |
| Cost of revenues: | | |
| Licenses | 44,000 | 101,000 |
| Services and other | 614,000 | 553,000 |
| Total cost of revenues | 658,000 | 654,000 |
| Gross profit | 995,000 | 1,471,000 |
| Operating expenses: | | |
| Research and development | 346,000 | 334,000 |
| Marketing and sales | 824,000 | 605,000 |
| General and administrative | 399,000 | 503,000 |
| | 1,569,000 | 1,442,000 |
| Income (loss) from operations | (574,000) | 29,000 |
| Interest expense | (30,000) | |