

SPESCOM SOFTWARE INC
Form 10-Q
August 12, 2004

**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 June 30, 2004.

**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
(Registrant's 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.

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YES NO

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

YES NO

Number of shares of Common Stock outstanding at August 11, 2004: 34,068,278

Number of Sequentially Numbered Pages: 27

SPESCOM SOFTWARE INC.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****SPESCOM SOFTWARE INC.****CONSOLIDATED BALANCE SHEETS**

| | June 30, 2004 (Unaudited) | September 30, 2003 |
|---|---------------------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,033,000 | \$ 333,000 |
| Receivables, net of allowance for doubtful accounts of \$83,000 and \$78,000 respectively | 342,000 | 423,000 |
| Other current assets | 200,000 | 169,000 |
| Total current assets | 1,575,000 | 925,000 |
| Property and equipment, net | | |
| Property and equipment, net | 119,000 | 213,000 |
| Computer software, net | 22,000 | 63,000 |
| Other assets | 28,000 | 29,000 |
| Total assets | \$ 1,744,000 | \$ 1,230,000 |
| LIABILITIES AND SHAREHOLDERS DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 458,000 | \$ 405,000 |
| Payable to Spescom Ltd. | 49,000 | 46,000 |
| Preferred stock dividend payable to Spescom Ltd. | 202,000 | |
| Accrued liabilities | 1,496,000 | 1,080,000 |
| Note and accrued interest payable to Spescom Ltd. | 505,000 | |
| Lease obligations - current portion | 21,000 | 23,000 |
| Deferred revenue | 2,228,000 | 2,018,000 |
| Fair value of equity instruments redeemable for common stock | | 1,233,000 |
| Total current liabilities | 4,959,000 | 4,805,000 |
| Notes and accrued interest payable to Spescom Ltd. | | |
| Notes and accrued interest payable to Spescom Ltd. | | 504,000 |
| Lease obligations | 48,000 | 62,000 |
| Total liabilities | 5,007,000 | 5,371,000 |
| Shareholders' deficit: | | |
| Convertible preferred stock, \$1,000 stated value per share, 1,000,000 shares authorized; 5,291 shares issued and outstanding in 2004 and 2003 | 6,790,000 | 6,790,000 |
| Common stock, no par value, 100,000,000 shares authorized; 34,068,278 and 33,929,278 issued and outstanding in 2004 and 2003 | 74,764,000 | 73,676,000 |
| Common stock warrants | 278,000 | 278,000 |
| Accumulated other comprehensive loss | (385,000) | (294,000) |
| Accumulated deficit | (84,710,000) | (84,591,000) |
| Total shareholders' deficit | (3,263,000) | (4,141,000) |
| Total liabilities and shareholders' deficit | \$ 1,744,000 | \$ 1,230,000 |

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 June 30, | | For the nine months ended June 30, | |
|--------------------------|--|------------|---------------------------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenues: | | | | |
| Licenses | \$ 1,559,000 | \$ 485,000 | \$ 3,037,000 | \$ 1,773,000 |
| Services and other | 1,341,000 | 1,417,000 | 3,589,000 | 4,233,000 |
| Total revenues | 2,900,000 | 1,902,000 | 6,626,000 | 6,006,000 |
| Cost of revenues: | | | | |
| Licenses | 37,000 | 189,000 | 178,000 | 589,000 |
| Services and other | 586,000 | 655,000 | 1,693,000 | 1,749,000 |
| Total cost of revenues | 623,000 | 844,000 | 1,871,000 | 2,338,000 |
| Gross profit | | | | |