

PORTA SYSTEMS CORP
Form 10-Q
August 11, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

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 1-8191

PORTA SYSTEMS CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-2203988
(I.R.S. Employer
Identification No.)

6851 Jericho Turnpike, Suite 170, Syosset, New York
(Address of principal executive offices)

11791
(Zip Code)

516-364-9300
(Company'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.

Yes No

Indicate by a check mark whether the registrant is an accelerated filer (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 (par value \$0.01) 10,053,637 shares as of August 5, 2005

PART I.- FINANCIAL INFORMATION

Item 1- Financial Statements

PORTA SYSTEMS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except shares and par value)

<u>Assets</u>	June 30, 2005 (Unaudited)	December 31, 2004
Current assets:		
Cash and cash equivalents	\$ 2,760	\$ 2,040
Accounts receivable - trade, less allowance for doubtful accounts of \$256 in 2005 and \$1,045 in 2004	3,262	3,076
Inventories	4,811	4,576
Prepaid expenses and other current assets	626	382
Total current assets	11,459	10,074
Property, plant and equipment, net	1,470	1,334
Goodwill, net	2,961	2,961
Other assets	64	69
Total assets	\$ 15,954	\$ 14,438
<u>Liabilities and Stockholders' Deficit</u>		
Current liabilities:		
Senior debt, including accrued interest	\$ 25,477	\$ 25,674
Subordinated notes	6,144	6,144
6% convertible subordinated debentures	385	385
Accounts payable	4,111	4,728
Accrued expenses and other	2,891	2,760
Other accrued interest payable	4,706	4,533
Total current liabilities	43,714	44,224
Deferred compensation	852	875
Total long-term liabilities	852	875
Total liabilities	44,566	45,099
Stockholders' deficit:		
Preferred stock, no par value; authorized 1,000,000 shares, none issued	—	—
Common stock, par value \$.01; authorized 20,000,000 shares, issued 10,084,577 shares in 2005 and 10,003,224 shares in 2004	101	100
Additional paid-in capital	76,124	76,059
Accumulated deficit	(98,614)	(100,705)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(4,285)	(4,177)
	(26,674)	(28,723)
Treasury stock, at cost, 30,940 shares	(1,938)	(1,938)
Total stockholders' deficit	(28,612)	(30,661)

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Total liabilities and stockholders' deficit	\$	15,954	\$	14,438
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See accompanying notes to unaudited consolidated financial statements.

PORTA SYSTEMS CORP. AND SUBSIDIARIES
 Unaudited Consolidated Statements of Operations and Comprehensive Income
 (In thousands, except per share amounts)

	Six Months Ended	
	June 30, 2005	June 30, 2004
Sales	\$ 16,041	\$ 14,372
Cost of sales	9,655	8,875
Gross profit	6,386	5,497
Selling, general and administrative expenses	2,766	2,642
Research and development expenses	861	1,021
Total expenses	3,627	3,663
Operating income	2,759	1,834
Interest expense, net of interest income	(646)	(660)
Other income, net	1	—
Income before income taxes	2,114	1,174
Income tax expense	(23)	(26)
Net income	\$ 2,091	\$ 1,148
Other comprehensive loss:		
Foreign currency translation adjustments	(108)	(189)
Comprehensive income	\$ 1,983	\$ 959
Per share data:		
Basic per share amounts:		
Net income per share of common stock	\$ 0.21	\$ 0.12
Weighted average shares outstanding	10,005	9,972
Diluted per share amounts:		
Net income per share of common stock	\$ 0.21	\$ 0.12
Weighted average shares outstanding	10,036	