

DIGITAL POWER CORP
Form 10-Q
August 12, 2015

UNITED STATES 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, 2015

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 1-12711

DIGITAL POWER CORPORATION

(Exact name of registrant as specified in its charter)

California **94-1721931**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

48430 Lakeview Blvd.

Fremont, CA 94538-3158

(Address of principal executive offices)

(510) 657-2635

(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.

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.

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 12(b)-2 of the Exchange Act). Yes No

At August 10, 2015, the registrant had outstanding 6,775,971 shares of common stock.

DIGITAL POWER CORPORATION

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PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****DIGITAL POWER CORPORATION AND ITS SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands, except share data

	June 30, 2015 Unaudited	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,760	\$ 2,110
Trade receivables	1,047	1,548
Related parties – trade receivables	36	--
Prepaid expenses and other receivables	224	178
Inventories (Note 3)	1,906	1,653
<u>Total current assets</u>	4,973	5,489
PROPERTY AND EQUIPMENT, NET	605	567
INTANGIBLE ASSET, NET	18	66
INVESTMENT IN TELKOOR	102	207
LONG-TERM DEPOSITS	13	13
<u>Total assets</u>	\$ 5,711	\$ 6,342
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,015	\$ 1,061
Related parties - trade payables	--	60
Advances from customers and deferred revenues	240	435
Other current liabilities	326	345
Total current liabilities	1,581	1,901
SHAREHOLDERS' EQUITY:		
Share capital -		
Series A Redeemable, Convertible Preferred shares, no par value - 500,000 shares authorized and 0 shares outstanding at June 30, 2015 and December 31, 2014	-	-
Preferred shares, no par value - 1,500,000 shares authorized and 0 shares outstanding at June 30, 2015 and December 31, 2014	-	-

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Common shares, no par value - 30,000,000 shares authorized; 6,775,971 shares issued and outstanding as of June 30, 2015 and December 31, 2014.	-	-
Additional paid-in capital	14,876	14,739
Accumulated deficit	(10,415)	(9,940)
Accumulated other comprehensive loss	(331)	(358)
<u>Total shareholders' equity</u>	4,130	4,441
<u>Total liabilities and shareholders' equity</u>	\$ 5,711	\$ 6,342

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

DIGITAL POWER CORPORATION AND ITS SUBSIDIARY**CONSOLIDATED STATEMENTS OF OPERATIONS**

U.S. dollars in thousands, except per share data

	Six months ended		Three months ended	
	June 30, 2015 2014		June 30, 2015 2014	
	Unaudited			
Revenues	\$4,047	\$4,679	\$2,151	\$2,642
Cost of revenues	2,533	2,834	1,350	1,559
Gross profit	1,514	1,845	801	1,083
Operating expenses:				
Engineering and product development	460	394	226	211
Selling and marketing	519	642	259	330
General and administrative	901	813	463	391
Total operating expenses	1,880	1,849	948	932
Operating income (loss)	(366)	(4)	(147)	151
Financial expense, net	(3)	(5)	(68)	(2)
Impairment of investment	(106)	-	(56)	-
(Loss) income before income taxes	(475)	(9)	(271)	149
Income taxes	-	-	-	-
Net (loss) income	\$(475)	\$(9)	\$(271)	\$149
Basic net income (loss) per share	\$(0.07)	\$(0.00)	\$(0.04)	\$0.02
Diluted net income (loss) per share	\$(0.07)	\$(0.00)	\$(0.04)	\$0.02

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

DIGITAL POWER CORPORATION AND ITS SUBSIDIARY**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

U.S. dollars in thousands

	Six months ended		Three months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	Unaudited			
Net (loss) income	\$ (475)	\$ (9)	\$ (271)	\$ 149
Other Comprehensive income, net of tax:				
Change in net foreign currency translation adjustment	27	61	138	44
Other comprehensive income	27	61	138	44
Total comprehensive income (loss):	\$ (448)	\$ 52	\$ (133)	\$ 193

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

DIGITAL POWER CORPORATION AND ITS SUBSIDIARY**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

U.S. dollars in thousands, except share data

	Common Shares Number	Additional paid-in capital	Accumulated deficit	Other accumulated comprehensive income (loss)	Total shareholders equity
Balance as of January 1, 2015	6,775,971	\$ 14,739	\$ (9,940)	\$ (358)	\$ 4,441
Stock compensation related to options granted to employees	-	137	-	-	137
Comprehensive loss:					
Net loss	-	-	(475)	-	(475)
Foreign currency translation adjustments	-	-	-	27	27
Balance as of June 30, 2015	6,775,971	\$ 14,876	\$ (10,415)	\$ (331)	\$ 4,130
Balance as of January 1, 2014	6,853,161	\$ 14,582	\$ (9,282)	\$ (253)	\$ 5,047
Stock compensation related to options granted to non- employees	-	(4)	-	-	(4)
Stock compensation related to options granted to employees	-	86	-	-	86
Exercise of employee options	39,749	-	-	-	-
Purchase of treasury stock	(94,400)	(70)	-	-	(70)
Comprehensive loss:					
Net loss	-	-	(9)	-	(9)
Foreign currency translation adjustments	-	-	-	61	61
Balance as of June 30, 2014	6,798,510	\$ 14,594	\$ (9,291)	\$ (192)	\$ 5,111

The accompanying notes are an integral part of the consolidated financial statements

DIGITAL POWER CORPORATION AND ITS SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS****U.S. dollars in thousands**

	Six months ended	
	June 30, 2015	2014
	Unaudited	
<u>Cash flows from operating activities :</u>		
Net loss	\$(475)	\$(9)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	71	69
Amortization of intangible asset	48	52
Stock based compensation related to options granted to employees	137	86
Stock based compensation related to options granted to Telkooor's employees	--	(4)
Impairment of investment in Telkooor	106	--
Write down of inventory	43	--
Decrease in trade receivables, net	500	540
Increase in prepaid expenses and other accounts receivable	(43)	(61)
Decrease (increase) in inventories	(277)	328
Decrease in accounts payable and related parties- trade payables	(146)	(422)
Decrease in deferred revenues and other current liabilities	(214)	(146)
Net cash provided (used by) operating activities	(250)	433
<u>Cash flows from investing activities :</u>		
Purchase of property and equipment	(105)	(54)
Proceeds from sales of property and equipment	--	16
Net cash used in investing activities	(105)	(38)
<u>Cash flows from financing activities :</u>		
Purchase of treasury stock	--	(70)
Net cash used in financing activities	--	--