

DIGITAL POWER CORP
Form 10-Q
August 13, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2010

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
(State or other jurisdiction of
incorporation or organization)

94-1721931
(I.R.S. Employer Identification Number)

41324 Christy Street
Fremont, CA 94538-3158
(Address of principal executive offices)

(510) 657-2635
(Registrant's telephone number)

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

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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 13, 2010, the registrant had outstanding 6,678,968 shares of common stock.

DIGITAL POWER CORPORATION

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DIGITAL POWER CORPORATION AND SUBSIDIARY
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2010
IN U.S. DOLLARS
UNAUDITED
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Kost Forer Gabbay & Kasierer

3 Aminadav St.
Tel-Aviv 67067, Israel

Tel: 972 (3)6232525

Fax: 972 (3)5622555

www.ey.com/il

The Board of Directors

Digital Power Corporation

Re: Review of unaudited interim consolidated financial statements
for the six-month period ended June 30, 2010

We have reviewed the accompanying interim consolidated balance sheet of Digital Power Corporation ("the Company") and its subsidiary as of June 30, 2010, and the related interim consolidated statements of operations and cash flows for the six-month periods ended June 30, 2010 and 2009, and the interim statement of changes in shareholders' equity for the six-month period ended June 30, 2010. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

Tel-Aviv, Israel
August 13, 2010

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

DIGITAL POWER CORPORATION

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	June 30, 2010 Unaudited	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,397	\$ 2,967
Restricted cash	80	84
Trade receivables (net of allowance for doubtful accounts of \$ 110 and \$ 127 at June 30, 2010 and December 31, 2009, respectively)	1,827	1,522
Prepaid expenses and other receivables	192	243
Inventories (Note 3)	1,739	1,056
Total current assets	6,235	5,872
PROPERTY AND EQUIPMENT, NET	232	231
LONG-TERM DEPOSITS	43	41
Total assets	\$ 6,510	\$ 6,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 991	\$ 891
Related parties - trade payables	763	531
Advances from customers and deferred revenue	597	471
Other current liabilities	549	492
Total current liabilities	2,900	2,385
SHAREHOLDERS' EQUITY:		
Share capital -		
Series A Redeemable, Convertible Preferred shares, no par value - 500,000 shares authorized at June 30, 2010 and December 31, 2009; 0 shares issued and outstanding at June 30, 2010 and December 31, 2009	-	-
Preferred shares, no par value - 1,500,000 shares authorized at June 30, 2010 and December 31, 2009; 0 shares issued and outstanding at June 30, 2010 and December 31, 2009	-	-
Common shares, no par value - 30,000,000 shares authorized at June 30, 2010 and December 31, 2009; 6,678,968 and 6,626,468 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	-	-
Additional paid-in capital	14,132	14,042

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Accumulated deficit	(9,961)	(9,932)
Accumulated other comprehensive loss	(561)	(351)
Total shareholders' equity	3,610	3,759
Total liabilities and shareholders' equity	\$ 6,510	\$ 6,144

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

DIGITAL POWER CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended June 30,		Three months ended June 30,	
	2010	2009	2010	2009
	Unaudited			
Revenues	\$ 4,138	\$ 4,516	\$ 2,171	\$ 2,095
Cost of revenues	2,588	2,875	1,302	1,385
Gross profit	1,550	1,641	869	710
Operating expenses:				
Engineering and product development	268	269	96	133
Selling and marketing	604	584	290	265
General and administrative	730	665	363	331
Total operating expenses	1,602	1,518	749	729
Operating income (loss)	(52)	123	120	(19)
Financial income (expense), net	23	(72)	(17)	(99)
Net income (loss)	\$ (29)	\$ 51	\$ 103	\$ (118)
Basic net income (loss) per share	\$ (0.004)	\$ 0.008	\$ 0.015	\$ (0.018)
Diluted net income (loss) per share	\$ (0.004)	\$ 0.008	\$ 0.015	\$ (0.018)

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

DIGITAL POWER CORPORATION

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 loss	Total comprehensive loss	Total shareholders' equity
Balance as of January 1, 2010	6,626,468	\$ 14,042	\$ (9,932)	\$ (351)		\$ 3,759
Stock compensation related to options granted to Telkoor's employees and other non-employee consultant	-	1	-	-		