

PHOTONIC PRODUCTS GROUP INC
Form 10-Q
May 12, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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 0-11668

PHOTONIC PRODUCTS GROUP, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of incorporation
or organization)

22-2003247
(I.R.S. Employer
Identification Number)

181 Legrand Avenue, Northvale, NJ 07647

(Address of principal executive offices)
(Zip Code)

(201) 767-1910

(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

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

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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 The Registrant is not yet subject to this requirement.

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 definition of "large accelerated filer, accelerated filer and smaller reporting company" in Rule 12b-2 of the exchange Act. (Check one):

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 12b-2 of the Exchange act).

Yes No

Common shares of stock outstanding as of May 10, 2009:

11,297,866 shares

Photonic Products Group, Inc. and Subsidiaries

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PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,941,545	\$ 2,672,087
Certificates of deposit	807,738	800,000
Accounts receivable (net of allowance for doubtful accounts of \$15,000 in 2009 and 2008)	1,796,072	2,810,602
Inventories, net	2,639,186	2,732,336
Other current assets	259,153	188,084
Total current assets	8,443,694	9,203,109
Plant and equipment:		
Plant and equipment, at cost	14,482,251	14,445,027
Less: Accumulated depreciation and amortization	(11,372,620)	(11,139,771)
Total plant and equipment	3,109,631	3,305,256
Precious Metals	157,443	112,851
Deferred Income Taxes	644,000	408,000
Goodwill	1,869,646	1,869,646
Intangible Assets, net	731,939	751,580
Other Assets	47,852	81,707
Total Assets	\$ 15,004,205	\$ 15,732,149
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of notes payable –other	\$ 135,165	\$ 136,892
Accounts payable and accrued liabilities	1,674,821	2,160,665
Customer advances	331,309	456,754
Total current liabilities	2,141,295	2,754,311
Related Party Convertible Notes Payable	2,500,000	2,500,000
Other Long Term Notes	351,467	353,663
Total liabilities	4,992,762	5,607,974
Commitments and Contingencies		
Shareholders' Equity:		
Common stock: \$.01 par value; 60,000,000 authorized shares; 11,302,466 shares issued at March 31, 2009 and 11,230,678 issued at December 31, 2008	113,023	112,306
Capital in excess of par value	16,823,426	16,622,466
Accumulated deficit	(6,910,056)	(6,595,647)
	10,026,393	10,139,125
Less - Common stock in treasury, at cost (4,600 shares respectively)	(14,950)	(14,950)
Total Shareholders' Equity	10,011,443	10,124,175

Total Liabilities and Shareholders' Equity \$ 15,004,205 \$ 15,732,149

See Notes to Consolidated Financial Statements (Unaudited)

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Total Revenue	\$ 2,815,097	\$ 4,164,248
Cost and Expenses:		
Cost of goods sold	2,433,410	2,662,655
Selling, general and administrative expenses	907,079	986,813
	3,340,489	3,649,468
Operating (loss) income	(525,392)	514,780
Other income (expense):		
Interest expense—net	(32,388)	(75,580)
Gain on sale of precious metals	7,371	—
	(25,017)	(75,580)
Net (loss) income before income taxes	(550,409)	439,200
Benefit from income taxes	236,000	52,000
Net (loss) income	\$ (314,409)	\$ 491,200
Net (loss) income per common share — basic	\$ (0.03)	\$ 0.05
Net (loss) income per common share — diluted	\$ (0.03)	\$ 0.03
Weighted average common shares outstanding— basic	11,260,199	10,535,075
Weighted average common shares outstanding— diluted	11,260,199	15,862,817

See Notes to Consolidated Financial Statements (Unaudited)

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March	
	2009	2008
Cash flows from operating activities:		
Net (loss) income	\$ (314,409)	\$ 491,200
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:		
Depreciation and amortization	252,490	270,188
401(K) common stock contribution	179,068	160,181
Gain on sale of precious metals	(7,371)	—
Deferred income taxes	(236,000)	(102,000)
Stock based compensation	23,595	18,573
Changes in operating assets and liabilities:		
Accounts receivable	1,014,530	(184,226)
Inventories, net	93,150	(363,989)
Other current assets	(71,069)	(32,326)
Other assets	33,855	36,721
Accounts payable and accrued liabilities	(485,844)	(217,335)
Customer advances	(125,445)	(300,011)
Total adjustments	670,959	(714,224)
Net cash provided by (used in) operating activities	356,550	(223,024)