

TECH OPS SEVCON INC
Form 10-Q
August 09, 2006

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 July 1, 2006

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 1-9789

TECH/OPS SEVCON, INC.

(Exact name of registrant as specified in its charter)

Delaware

04-2985631

(State or other jurisdiction of incorporation or organization) *(I.R.S. Employer Identification No.)*

155 Northboro Road, Southborough, Massachusetts, 01772

(Address of principal executive offices and zip code)

(508) 281 5510

(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated Filer Non accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange 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.

Class	Outstanding at August 9, 2006
Common stock, par value \$.10	3,211,051

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ITEM 1. FINANCIAL STATEMENTS**CONSOLIDATED BALANCE SHEETS**

Tech/Ops Sevcon, Inc. and Subsidiaries

(in thousands of dollars except per share data)

	July 1, 2006		September 30, 2005 (derived from audited statements)
	(unaudited)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 330	\$	1,130
Receivables, net of allowances for doubtful accounts of \$ 161 at July 1, 2006 and \$144 at September 30, 2005	6,819		6,193
Inventories	5,523		3,737
Prepaid expenses and other current assets	1,195		915
Total current assets	13,867		11,975
Property, plant and equipment:			
At cost	10,308		9,593
Less: accumulated depreciation and amortization	7,130		6,557
Net property, plant and equipment	3,178		3,036
Goodwill	1,435		1,435
Total assets	\$ 18,480	\$	16,446
LIABILITIES AND STOCKHOLDERS' INVESTMENT			
Current liabilities:			
Due to banks	\$ 426	\$	-
Accounts payable	2,840		2,599
Dividend payable	96		95
Accrued expenses	2,924		2,685
Accrued and deferred taxes on income	427		445
Total current liabilities	6,713		5,824
Deferred taxes on income	35		33
Commitments and contingencies			
Stockholder equity			
Preferred stock, par value \$.10 per share - authorized - 1,000,000 shares; outstanding - none	-		-
Common stock, par value \$.10 per share - authorized - 8,000,000 shares; outstanding 3,211,051 shares at July 1, 2006 and 3,172,051 shares at September 30, 2005	321		317
Premium paid in on common stock	4,269		4,310
Retained earnings	6,975		6,394
Unearned compensation on restricted stock	-		(180)

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Cumulative other comprehensive loss		167		(252)
Total stockholder equity		11,732		10,589
Total liabilities and stockholder equity	\$	18,480	\$	16,446

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

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CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Tech/Ops Sevcon, Inc. and Subsidiaries

	Three months ended		(in thousands except per share data) Nine months ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Net sales	\$ 9,313	\$ 8,453	\$ 25,696	\$ 24,089
Costs and expenses:				
Cost of sales	5,761	5,293	15,780	14,961
Selling, research and administrative	2,968	2,779	8,526	8,442
	8,729	8,072	24,306	23,403
Operating income	584	381	1,390	686
Interest expense	(13)	(13)	(48)	(41)
Interest income	1	1	3	3
Foreign currency gain or (loss)	(8)	(36)	(10)	(20)
Income before income taxes	564	333	1,335	628
Income taxes	(195)	(117)	(464)	(220)
Net income	\$ 369	\$ 216	\$ 871	\$ 408
Basic income per share	\$.12	\$.07	\$.28	\$.13
Fully diluted income per share	\$.12	\$.07	\$.28	\$.13

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Tech/Ops Sevcon, Inc. and Subsidiaries

	Three months ended		(in thousands of dollars) Nine months ended	
	July 1, 2006	July 2, 2005	July 1, 2006	July 2, 2005
Net income	\$ 369	\$ 216	\$ 871	\$ 408
Foreign currency translation adjustment	529	(568)	418	(228)
Changes in fair market value of cash flow hedges	14	(3)	1	(18)
Comprehensive income (loss)	\$ 912	\$ (355)	\$ 1,290	\$ 162

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Tech/Ops Sevcon, Inc. and Subsidiaries

	(in thousands of dollars)	
	Nine months ended	
	July 1, 2006	July 2, 2005
Cash flow from operating activities:		
Net income	\$ 871	\$ 408
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	469	503
Stock-based compensation	143	56
Deferred tax benefit	2	(1)
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Receivables	(626)	(171)
Inventories	(1,786)	371
Prepaid expenses and other current assets	(281)	(270)
Accounts payable	241	(468)
Accrued expenses	239	248
Accrued and deferred taxes on income	(18)	179
Net cash generated from (used by) operating activities	(746)	855
Cash flow used by investing activities:		
Acquisition of property, plant and equipment	(462)	(345)
Net cash used by investing activities	(462)	(345)
Cash flow used by financing activities:		
Dividends paid	(287)	(284)
Exercise of stock options	9	-
Short-term bank borrowings	426	-
Net cash generated from (used by) financing activities	148	(284)
Effect of exchange rate changes on cash	260	(257)
Net decrease in cash	(800)	(31)
Beginning balance - cash and cash equivalents	1,130	905
Ending balance - cash and cash equivalents	\$ 330	\$ 874
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 619	\$ 117
Cash paid for interest	\$ 48	\$ 41
Supplemental disclosure of non-cash financing activity:		
Dividend declared	\$ 96	\$ 95

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

TECH/OPS SEVCON, INC.

Notes to Consolidated Financial Statements - July 1, 2006

(Unaudited)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normally recurring accruals) necessary to present fairly the financial position of Tech/Ops Sevcon as of July 1, 2006 and the results of operations and cash flows for the nine months ended July 1, 2006.

The significant accounting policies followed by Tech/Ops Sevcon are set forth in Note 1 to the financial statements in the 2005 Tech/Ops Sevcon, Inc. Annual Report filed on Form 10-K. Other than as set forth below, there have been no changes since the end of fiscal 2005 to the significant accounting policies followed by Tech/Ops Sevcon.

The results of operations for the nine month periods ended July 1, 2006 and July 2, 2005 are not necessarily indicative of the results to be expected for the full year.