

PHOTONIC PRODUCTS GROUP INC
Form 10-Q
August 13, 2010

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 JUNE 30, 2010

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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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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 August 13, 2010:
11,556,729 shares

PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES

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PHOTONIC PRODUCTS GROUP, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,463,112	\$ 4,069,310
Accounts receivable (net of allowance for doubtful accounts of \$15,000 in 2010 and 2009)	1,338,065	1,927,672
Inventories, net	2,129,564	2,265,973
Other current assets	168,964	164,081
Total current assets	8,099,705	8,427,036
Plant and equipment:		
Plant and equipment, at cost	14,666,997	14,604,728
Less: Accumulated depreciation and amortization	(12,444,850)	(12,016,247)
Total plant and equipment	2,222,147	2,588,481
Precious Metals	157,443	157,443
Deferred Income Taxes	408,000	408,000
Goodwill	311,572	311,572
Intangible Assets, net	633,734	673,016
Other Assets	48,284	45,192
Total Assets	\$ 11,880,885	\$ 12,610,740
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of other long term notes	\$ 9,000	\$ 9,000
Accounts payable and accrued liabilities	1,815,561	1,632,650
Customer advances	118,953	346,429
Related party convertible notes payable due within one year	2,500,000	—
Total current liabilities	4,443,514	1,988,079
Related Party Convertible Notes Payable	—	2,500,000
Other Long Term Notes, net of current portion	340,436	344,946
Total liabilities	4,783,950	4,833,025
Commitments		
Shareholders' Equity:		
Common stock: \$.01 par value; 60,000,000 authorized shares; 11,561,329 shares issued at June 30, 2010 and 11,443,347 issued at December 31, 2009	115,613	114,433
Capital in excess of par value	17,315,278	17,073,871
Accumulated deficit	(10,319,006)	(9,395,639)
	7,111,885	7,792,665
Less - Common stock in treasury, at cost (4,600 shares)	(14,950)	(14,950)
Total shareholders' equity	7,096,935	7,777,715

Total Liabilities and Shareholders' Equity	\$ 11,880,885	\$ 12,610,740
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See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Total revenue	\$ 2,164,491	2,620,437	\$ 4,972,537	\$ 5,435,534
Cost and expenses:				
Cost of goods sold	1,908,779	2,201,339	4,176,330	4,634,749
Selling, general and administrative expenses	869,695	879,852	1,649,690	1,786,931
	2,778,474	3,081,191	5,826,020	6,421,680
(Loss) from operations	(613,983)	(460,754)	(853,483)	(986,146)
Other expense:				
Interest expense—net	(34,915)	(32,244)	(69,884)	(64,632)
Gain on sale of precious metals	—	—	—	7,371
	(34,915)	(32,244)	(69,884)	(57,261)
Net (loss) before income taxes	(648,898)	(492,998)	(923,367)	(1,043,407)
Income tax benefit	—	156,000	—	392,000
Net (loss)	\$ (648,898)	\$ (336,998)	\$ (923,367)	\$ (651,407)
Net (loss) per common share— basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.08)	\$ (0.06)
Weighted average shares outstanding—basic and diluted	11,556,729	11,333,477	11,494,929	11,286,263

See Notes to Condensed Consolidated Financial Statements (Unaudited)

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

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net (loss)	\$ (923,367)	\$ (651,407)
Adjustments to reconcile net (loss) to cash provided by operating activities:		
Depreciation and amortization	470,281	504,694
401K common stock contribution	154,535	179,068
Gain on sale of precious metals	—	(7,371)
Deferred income taxes	—	(392,000)