

DATA SYSTEMS & SOFTWARE INC
Form 10-Q
August 11, 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 **June 30, 2006**

Commission file number: **0-19771**

DATA SYSTEMS & SOFTWARE INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2786081
(I.R.S. Employer
Identification No.)

200 Route 17, Mahwah, New Jersey
(Address of principal executive offices)

07430
(Zip Code)

(201) 529-2026
(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. Large accelerated filer Accelerated filer Non-accelerated filer

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.

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Class	Outstanding at August 10, 2006
Common Stock, \$0.01 par value per share	9,362,024 shares

DATA SYSTEMS & SOFTWARE INC.
Quarterly Report on Form 10-Q
for the Quarterly Period Ended June 30, 2006

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Certain statements contained in this report are forward-looking in nature. These statements are generally identified by the inclusion of phrases such as "we expect", "we anticipate", "we believe", "we estimate" and other phrases of similar meaning. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect our business and operations. Many of these factors are described in our most recent Annual Report on Form 10-K as

filed with Securities and Exchange Commission.

DATA SYSTEMS & SOFTWARE INC. AND SUBSIDIARIES**Consolidated Balance Sheets**

(in thousands, except share and per share data)

ASSETS	As of December 31, 2005	As of June 30, 2006
Current assets:		
Cash and cash equivalents	\$ 913	\$ 170
Restricted cash	247	--
Restricted cash (under agreement with a related party)	300	--
Accounts receivable, net	4,096	1,272
Unbilled work-in-process	348	400
Inventory	25	--
Other current assets	709	653
Total current assets	6,638	2,495
Property and equipment, net	500	428
Other assets	334	324
Funds in respect of employee termination benefits	1,441	1,426
Restricted cash - non-current (under agreement with a related party)	1,050	--
Goodwill	129	128
Other intangible assets, net	81	65
Total assets	\$ 10,173	\$ 4,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term bank credit	\$ 130	\$ 152
Current maturities of long-term debt	160	100
Trade accounts payable	1,950	316
Accrued payroll, payroll taxes and social benefits	740	426
Other current liabilities	2,200	1,697
Total current liabilities	5,180	2,691
Long-term liabilities:		
Investment in Comverge, net	1,824	1,824
Long-term debt	75	--
Liability for employee termination benefits	2,264	2,239
Other liabilities	10	52
Total long-term liabilities	4,173	4,115
Shareholders' equity:		
Common stock - \$0.01 par value per share:		
Authorized - 20,000,000 shares; Issued - 8,939,395 shares at December 31, 2005 and June 30, 2006	88	89
Additional paid-in capital	40,011	40,756
Warrants	183	183
Deferred stock-based compensation	(36)	--
Accumulated deficit	(35,608)	(39,370)
Treasury stock, at cost - 820,704 and 777,371 shares for December 31, 2005 and June 30, 2006, respectively	(3,791)	(3,592)
Accumulated other comprehensive loss	(27)	(6)
Total shareholders' equity	820	(1,940)
Total liabilities and shareholders' equity	\$ 10,173	\$ 4,866

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

DATA SYSTEMS & SOFTWARE INC. AND SUBSIDIARIES

Consolidated Statements of Operations (unaudited)

(in thousands, except per share data)

	Six months ended		Three months ended	
	June 30,		June 30,	
	2005	2006	2005	2006
Sales:				
Projects	\$ 1,657	\$ 1,521	\$ 814	\$ 791
Services and other	551	442	235	199
Total sales	2,208	1,963	1,049	990
Cost of sales:				
Projects	1,127			