

SPESCOM SOFTWARE INC
Form 424B3
February 28, 2007

Filed pursuant to Rules 424(b)(3) and 424(c)
Registration No. 333-133105

Prospectus Supplement

to

Prospectus Dated February 28, 2007

Spescom Software Inc.

This is a supplement to Spescom Software Inc.'s prospectus dated February 28, 2007, which we refer to as the prospectus. The prospectus relates to the offer and sale by the selling shareholders named therein of up to 43,336,338 shares of our common stock, including 33,793,103 common shares issuable upon the conversion of shares of our Series I Convertible Preferred Stock and 6,726,852 common shares issuable upon the exercise of certain warrants.

You should read this prospectus supplement in conjunction with the prospectus, which is required to be delivered with this prospectus supplement. This prospectus supplement is qualified by reference to the prospectus, except to the extent the information in this prospectus supplement updates or supersedes the information contained in the prospectus.

Investing in our shares involves a high degree of risk. See Risk Factors beginning on page 5 of the prospectus to read about the risks you should consider before buying our shares.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus supplement is February 28, 2007.

QUARTERLY REPORT ON FORM 10-Q

On February 14, 2007, we filed with the Securities and Exchange Commission our Quarterly Report on Form 10-Q for the quarter ended December 31, 2006, which is reproduced below as part of this prospectus supplement.

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 December 31, 2006.

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 0-15935

SPESCOM SOFTWARE INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA

(State or other jurisdiction of
incorporation or organization)

95-3634089

(I.R.S. Employer
Identification No.)

10052 MESA RIDGE COURT, SUITE 100, SAN DIEGO, CA 92121

(Address of principal executive offices and zip code)

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(858) 625-3000

(Registrants 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

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

YES NO

Number of shares of Common Stock outstanding at February 14, 2007: 37,144,494

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**SPESCOM SOFTWARE INC.
CONSOLIDATED BALANCE SHEETS**

	December 31, 2006 (Unaudited)	September 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,304,000	\$ 95,000
Receivables, net	964,000	854,000
Other current assets	154,000	190,000
Total current assets	2,422,000	1,139,000
Property and equipment, net	119,000	131,000
Computer software, net	399,000	425,000
Other assets	31,000	28,000
Total assets	\$ 2,971,000	\$ 1,723,000
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 347,000	\$ 792,000
Payable to Spescom Ltd.	190,000	550,000
Notes and accrued interest payable to Spescom Ltd.	683,000	
Preferred stock dividend payable to Spescom Ltd.	971,000	887,000
Accrued liabilities	1,239,000	1,446,000
Lease obligations - current portion	40,000	44,000
Deferred revenue	5,054,000	2,752,000
Series I redeemable preferred stock, par value \$0.01 per share, 2,450 shares authorized; 2,450 shares issued and outstanding at December 31, 2006 and September 30, 2006	2,450,000	2,450,000
Total current liabilities	10,974,000	8,921,000
Notes and accrued interest payable to Spescom Ltd.		664,000
Lease obligations	10,000	16,000
Total liabilities	10,984,000	9,601,000
Shareholders' deficit:		
Convertible preferred stock, 243,239 remaining shares authorized Series F - par value \$1.00 per share; 5,291 shares authorized, issued and outstanding at December 31, 2006 and September 30, 2006	6,790,000	6,790,000
Common stock, no par value, 100,000,000 shares authorized; 37,144,494 shares issued and outstanding at December 31, 2006 and September 30, 2006	76,556,000	76,581,000
Common stock warrants	1,505,000	1,505,000
Accumulated other comprehensive loss	(500,000)	(441,000)
Accumulated deficit	(92,364,000)	(92,313,000)
Total shareholders' deficit	(8,013,000)	(7,878,000)
Total liabilities and shareholders' deficit	\$ 2,971,000	\$ 1,723,000

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

SPESCOM SOFTWARE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended December 31,	
	2006	2005
Revenues:		
Licenses	\$ 390,000	\$ 564,000
Services and other	1,337,000	1,268,000
Total revenues	1,727,000	1,832,000
Cost of revenues:		
Licenses	38,000	122,000
Services and other	591,000	540,000
Total cost of revenues	629,000	662,000
Gross profit	1,098,000	1,170,000
Operating expenses:		
Research and development	258,000	203,000
Marketing and sales	460,000	653,000
General and administrative	368,000	441,000
	1,086,000	1,297,000
Income (loss) from operations	12,000	(127,000)
Interest expense	(63,000)	(52,000)
Net loss	(51,000)	(179,000)
Deemed preferred dividend		(500,000)
Net loss available after deemed preferred dividend	(51,000)	(679,000)