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COGNITRONICS CORP
Form 10-K
March 31, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004,
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 1-8496

COGNITRONICS CORPORATION
(Exact name of registrant as specified in its charter)

NEW YORK 13-1953544
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3 Corporate Drive, Danbury, Connecticut 06810
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (203) 830-3400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----	Shares Outstanding as of March 1, 2005 -----
Common Stock, par value \$0.20 per share	American Stock Exchange	5,733,903

Securities registered pursuant to Section 12(g) of the Act: None

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 and (2) has been subject to such
filing requirements for at least the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained,
to the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of
the registrant computed by reference to the price the stock was last sold
as of June 30, 2004, the last business day of the most recently completed
second fiscal quarter, was \$18,655,000.

Documents incorporated by reference: Portions of the Proxy Statement for
the annual meeting of stockholders to be held on May 12, 2005 are

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incorporated by reference into Part III.

TABLE OF CONTENTS

PART I

Item		Page
1.	Business	3
2.	Properties	4
3.	Legal Proceedings	4
4.	Submission of Matters to a Vote of Security Holders	4
	Executive Officers of the Company	5

PART II

5.	Market for Company's Common Equity and Related Stockholder Matters	6
6.	Selected Financial Data	6
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7
7a.	Market Risk	11
8.	Financial Statements and Supplementary Data	11
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	27
9a.	Controls and Procedures	27

PART III

10.	Directors and Executive Officers of the Company	30
11.	Executive Compensation	30
12.	Security Ownership of Certain Beneficial Owners and Management	30
13.	Certain Relationships and Related Transactions	30
14.	Principal Accountant Fees and Services	30

PART IV

15.	Exhibits, Financial Statements, Schedules and Reports on Form 8-K	30
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PART I

Item 1. Business

(a) Cognitronics Corporation (the "Company") was incorporated in January 1962 under the laws of the State of New York. The Company designs, manufactures and markets voice processing systems.

(b) The Company operates in two segments of the voice processing industry. In the United States, the Company designs, manufactures and sells equipment for use in telephone networks. In Europe, the Company distributes equipment for use on customers' premises. See Note N of the Company's Consolidated Financial Statements appearing in Item 8 of this report for certain financial information about these two business segments.

(c) (i) A description of the fields of voice processing in which the Company operates and its products are as follows:

Domestic Operations. These products are sold directly to telecommunication service providers, switch manufacturers, IP-based communications systems manufacturers, systems integrators, and value added resellers (VAR) who distribute the Company's products.

Network Media Servers and Intelligent Announcers. Network Media Servers, the Cognitronics Exchange (CX) Series, include a total of four (4) models: CX500, CX1000, CX3000 and CX4000. This family of products facilitates the deployment of voice resources in service provider networks, both the traditional circuit-switched networks as well as the next generation of packet-based networks. The CX platforms provide greater capacity and increased functionality with significantly better price performance. Included in the CX Series capabilities are a new set of Media Server Boards, delivering the power of a media server within a single board. The CX supports AIN protocols such as SR-3511, GR-1129CORE and ISDN-PRI. The CX is also designed to interface with softswitches, media gateways and application servers, supporting industry standard protocols such as MGCP, RTP/RTCP, SIP and Voice Mail. Other protocols will be supported as market demand dictates. This family of products accounted for 15% or more of the Company's consolidated revenues in each of the last three years.

Messaging Systems. CX Messaging Systems provide voice mail, unified messaging, and automated attendant functions to target markets. Capabilities include PSTN and IP interfaces, Voice XML scripting language, scalable from a few hundred to more than a million mailboxes, and may be configured for high availability and/or redundant performance.

European Distributorship Operations. Dacon Electronics Plc., based in Hertfordshire, England, distributes call management and voice processing products in Europe.

(ii) Status of publicly announced new products or industry segments requiring material investment. Inapplicable.

(iii) The Company has adequate sources for obtaining raw materials, components and supplies to meet production requirements and did not experience difficulty during 2004 in obtaining such materials, supplies and components.

(iv) The Company relies on technological expertise, responsiveness to users' needs and innovations and believes that these are of greater significance in its industry than patent protection. There can be no assurance that patents owned or controlled by others will not be encountered and asserted against the Company's voice processing products

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or that licenses or other rights under such patents would be available, if needed. The Company has registered trademarks and names which the Company considers important in promoting the business of the Company and its products.

(v) Seasonality. Inapplicable.

(vi) The discussion of liquidity and sources of capital as set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations is included in Item 7 of this Annual Report on Form 10-K and is incorporated herein by reference.

(vii) In 2004, revenues included sales of \$6.8 million to Verizon Communications Inc. The Company's European operations had sales of \$2.9 million to British Telecommunications Plc in 2004. Over the past several years, a major portion of the revenues of the domestic operations has come from one or two large customers, and a significant portion of the revenues of the European operations has come from one customer. Accordingly, the loss of any of these customers could have a material adverse impact on the Company's results of operations.

(viii) The dollar amount of orders believed by the Company to be firm as of December 31, 2004 and 2003, amounted to \$.7 million and \$.2 million, respectively. Substantially all of the orders as of December 31, 2004, can reasonably be expected to be filled during 2005.