

PRO DEX INC
Form 10QSB
May 15, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2007

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 0-14942

PRO-DEX, INC.

(Exact name of small business issuer as specified in its charter)

Colorado
**(State or Other Jurisdiction of
Incorporation or Organization)**

84-1261240
(IRS Employer Identification No.)

151 E. Columbine Avenue, Santa Ana, California 92707
(Address of Principal Executive Offices)

Issuer's telephone number: 714-241-4411

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 ninety days. Yes No

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 equity as of the latest practicable date: 9,636,550 shares of Common Stock, no par value, as of May 12, 2007.

Transitional Small Business Disclosure Format: Yes No

Item 1. Financial Statements**PRO-DEX, INC. and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	<i>March 31, 2007</i> <i>(unaudited)</i>	<i>June 30, 2006</i> <i>(audited)</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 319,000	\$ 358,000
Accounts receivable, net of allowance for doubtful accounts of \$135,000 at March 31 and \$40,000 at June 30	3,525,000	3,841,000
Inventories, net	4,735,000	3,980,000
Prepaid expenses	311,000	91,000
Income tax receivable	354,000	222,000
Deferred income taxes	958,000	766,000
Total current assets	10,202,000	9,258,000
Property, plant, equipment and leasehold improvements, net	3,732,000	3,726,000
Other assets:		
Goodwill	2,997,000	2,931,000
Intangibles - Patents, net	1,345,000	1,417,000
Deferred income taxes	183,000	378,000
Other	37,000	44,000
Total other assets	4,562,000	4,770,000
Total assets	\$ 18,496,000	\$ 17,754,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Credit Line	\$ 1,200,000	\$ 900,000
Accounts payable	1,178,000	952,000
Accrued expenses	928,000	971,000
Current portion of term note	250,000	250,000
Current portion of real estate loan	28,000	27,000
Current portion of "patent" deferred payable	82,000	71,000
Total current liabilities	3,666,000	3,171,000
Long-term liabilities		
Term note	458,000	646,000
Real estate loan	1,598,000	1,619,000
Patent deferred payable	158,000	245,000
Total long-term liabilities	2,214,000	2,510,000
Total liabilities	5,880,000	5,681,000
Commitments and contingencies		
Shareholders' equity:		
Common shares; no par value; 50,000,000 shares authorized; 9,551,550 shares issued and outstanding December 31, 2006, 9,539,792 shares issued and outstanding June 30, 2006,	16,268,000	16,066,000
Accumulated deficit	(3,652,000)	(3,993,000)
Total shareholders' equity	12,616,000	12,073,000
Total liabilities and shareholders' equity	\$ 18,496,000	\$ 17,754,000

PRO-DEX, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three months ended March 31 (unaudited)

	2007	2006
Net sales	\$ 5,916,000	\$ 4,214,000
Cost of sales	3,760,000	2,759,000
Gross profit	2,156,000	1,455,000
Operating expenses:		
Selling	361,000	317,000
General and administrative	780,000	564,000
Research and development	664,000	566,000
Total operating expenses	1,805,000	1,447,000
Income from operations	351,000	8,000
Other income (expense):		
Other (expense), net	(4,000)	-
Royalty income	5,000	5,000
Interest (expense)	(66,000)	(13,000)
Total	(65,000)	(8,000)
Income before provision for income taxes	286,000	-
(Benefit) provision for income taxes	70,000	(6,000)
Net income	\$ 216,000	\$ 6,000
Net Income per share:		
Basic	\$ 0.02	\$ 0.00
Diluted	\$ 0.02	\$ 0.00
Weighted average shares outstanding - basic	9,556,272	9,523,212
Weighted average shares outstanding - diluted	9,765,033	9,998,691

See notes to unaudited consolidated financial statements.

PRO-DEX, INC. and SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Nine months ended March 31 (unaudited)

	<i>2007</i>	<i>2006</i>
Net sales	\$ 15,780,000	\$ 11,728,000
Cost of sales	10,274,000	6,854,000
Gross profit	5,506,000	4,874,000
Operating expenses:		
Selling	1,039,000	827,000
General and administrative	2,106,000	1,684,000
Research and development	1,890,000	1,451,000
Total operating expenses	5,035,000	3,962,000
Income from operations	471,000	912,000
Other income (expense):		
Other (expense), net	7,000	(7,000)
Royalty income	30,000	42,000
Interest income (expense)	(179,000)	31,000
Total	(142,000)	66,000
Income before provision for income taxes	329,000	978,000
Provision for income taxes	10,000	382,000
Net income	\$ 319,000	\$ 596,000
Net Income per share:		
Basic		