

PRO DEX INC  
Form 10QSB  
February 14, 2006

**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 December 31, 2005**

**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 the number by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the

Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock outstanding as of the latest practicable date: 9,524,912 shares of Common Stock, no par value, as of February 7, 2006.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

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

	<i>December 31, 2005</i> <i>(unaudited)</i>	<i>June 30, 2005</i> <i>(audited)</i>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,177,000	\$ 2,584,000
Accounts receivable, net of allowance for doubtful accounts of \$40,000 at December 31 and \$100,000 at June 30	2,643,000	3,521,000
Inventories, net	3,575,000	3,145,000
Prepaid expenses	224,000	66,000
Income tax receivable	-	96,000
Deferred income taxes	525,000	519,000
Total current assets	9,144,000	9,931,000
Equipment and leasehold improvements, net	1,225,000	1,156,000
Other assets:		
Goodwill	1,110,000	1,110,000
Intangibles - Patents, net	1,523,000	-
Deferred income taxes	481,000	541,000
Other	34,000	18,000
Total other assets	3,148,000	1,669,000
Total assets	\$ 13,517,000	\$ 12,756,000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$855,000	\$1,158,000
Accrued expenses	531,000	472,000
Deferred payable (patent)	71,000	-
Income taxes payable	-	13,000
Total current liabilities	1,457,000	1,643,000
Long-term liabilities (patent deferred payable)	245,000	-
Total liabilities	1,702,000	1,643,000
Commitments and contingencies		
Shareholders' equity:		
Common shares; no par value; 50,000,000 shares authorized; 9,504,912 shares issued and outstanding December 31, 9,449,396 shares issued and outstanding June 30.	16,046,000	15,933,000
Accumulated deficit	(4,231,000)	(4,820,000)
Total shareholders' equity	11,815,000	11,113,000
Total liabilities and shareholders' equity	\$ 13,517,000	\$ 12,756,000

*See notes to consolidated financial statements.*

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

	2005	2004
Net sales	\$ 3,750,000	\$ 2,894,000
Cost of sales	2,022,000	1,275,000
Gross profit	1,728,000	1,619,000
Operating expenses:		
Selling	254,000	278,000
General and administrative expenses	534,000	581,000
Research and development costs	444,000	457,000
Total operating expenses	1,232,000	1,316,000
Income from operations	496,000	303,000
Other income (expense):		
Other income, net	-	5,000
Royalty income	26,000	-
Interest income (expense)	21,000	(2,000)
Total	47,000	3,000
Income before provision for income taxes	543,000	306,000
Provision for income taxes	216,000	123,000
Net income	\$ 327,000	\$ 183,000
Net Income per share:		
Basic	\$ 0.03	\$ 0.02
Diluted	\$ 0.03	\$ 0.02
Weighted average shares outstanding - basic	10,053,076	8,993,849
Weighted average shares outstanding - diluted	10,062,315	9,584,276

*See notes to consolidated financial statements.*

**PRO-DEX, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Six months ended December 31 (unaudited)**

	2005	2004
Net sales	\$ 7,514,000	\$ 6,226,000
Cost of sales	4,094,000	2,747,000
Gross profit	3,420,000	3,479,000
Operating expenses:		
Selling	509,000	477,000
General and administrative expenses	1,120,000	1,125,000
Research and development costs	886,000	876,000
Total operating expenses	2,515,000	2,478,000
Income from operations	905,000	1,001,000
Other income (expense):		
Other income (expense), net	(7,000)	45,000
Royalty income	37,000	40,000
Interest income (expense )	43,000	(9,000)
Total	73,000	76,000
Income before provision for income taxes	978,000	1,077,000
Provision for income taxes	389,000	431,000
Net income	\$ 589,000	\$ 646,000
Net Income per share:		
Basic	\$ 0.06	\$ 0.07
Diluted	\$ 0.06	\$ 0.07
Weighted average shares outstanding - basic	9,474,227	8,928,876
Weighted average shares outstanding - diluted	10,045,179	9,508,454

*See notes to consolidated financial statements.*

**PRO-DEX, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Six months ended December 31 (unaudited)**

	<i>2005</i>	<i>2004</i>
Cash Flows from Operating Activities:		
Net Income	\$ 589,000	\$ 646,000
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	189,000	171,000
Loss on disposal	6,000	&