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PERSONAL DIAGNOSTICS INC
Form 10-Q
February 11, 2002

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(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, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period fromto.....

Commission file number 0-10128

PERSONAL DIAGNOSTICS, INCORPORATED

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of
incorporation or organization)

22-2325136

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

PO Box 5544, Parsippany, NJ

(Address of principal executive
offices)

07054

(Zip Code)

(201) 952-9000

(Registrant's telephone number, including area
code)

Not applicable

(Former name, former address and former fiscal year,
if changed since last report)

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 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 February 1, 2002 ----- |
| Common Stock, \$.01 par value | 3,740,000 |

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PERSONAL DIAGNOSTICS, INCORPORATED
BALANCE SHEETS

| | December 31, 2001 ----- (UNAUDITED) | September 30, 2001 ----- |
|----------------------|--|--------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and equivalents | \$ 2,197,000 | \$ 3,806,000 |
| Due from brokers | -- | 977,000 |

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| | | |
|----------------------|--------------|--------------|
| Trading securities | 4,340,000 | 1,575,000 |
| Other current assets | 3,000 | 7,000 |
| | ----- | ----- |
| Total Current Assets | 6,540,000 | 6,365,000 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 6,540,000 | \$ 6,365,000 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|--------------|--------------|
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 66,000 | \$ 56,000 |
| Accrued compensation | 44,000 | -- |
| Income taxes payable | 54,000 | 15,000 |
| | ----- | ----- |
| Total Current Liabilities | 164,000 | 71,000 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY: | | |
| Common Stock, \$.01 par value; authorized, 25,000,000 shares; issued 3,740,000 | 37,000 | 37,000 |
| Capital in excess of par value | 11,914,000 | 11,914,000 |
| Accumulated deficit | (5,575,000) | (5,657,000) |
| | ----- | ----- |
| Total Stockholders' Equity | 6,376,000 | 6,294,000 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 6,540,000 | \$ 6,365,000 |
| | ===== | ===== |

See accompanying notes to financial statements.

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PERSONAL DIAGNOSTICS, INCORPORATED
STATEMENTS OF OPERATIONS
(UNAUDITED)

| | | |
|----------------------------|------------------------------------|-----------|
| | Three Months Ended December 31, | |
| | 2001 | 2000 |
| | ----- | ----- |
| INCOME: | | |
| Interest | \$ 38,000 | \$ 70,000 |
| Trading gains | 173,000 | 495,000 |
| | ----- | ----- |
| | 211,000 | 565,000 |
| | ----- | ----- |
| EXPENSES: | | |
| General and administrative | 75,000 | 461,000 |
| | ----- | ----- |

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| | | |
|---|-----------|------------|
| INCOME BEFORE INCOME TAXES | 136,000 | 104,000 |
| PROVISION FOR INCOME TAXES | 54,000 | -- |
| NET INCOME | \$ 82,000 | \$ 104,000 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - | | |
| Basic | 3,740,000 | 3,740,000 |
| Diluted | 3,768,000 | 3,762,000 |
| NET INCOME PER SHARE- | | |
| Basic and Diluted | \$ 0.02 | \$ 0.03 |

See accompanying notes to financial statements.

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PERSONAL DIAGNOSTICS, INCORPORATED
STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Three Months Ended December 31, | |
|---|------------------------------------|------------|
| | 2001 | 2000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 82,000 | \$ 104,000 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Changes in assets and liabilities: | | |
| Due from brokers | 977,000 | -- |
| Trading securities | (2,765,000) | -- |
| Accounts payable and accrued liabilities | 93,000 | 448,000 |
| Other current assets | 4,000 | 1,000 |
| Net cash flows from operating activities | (1,609,000) | 553,000 |
| INCREASE (DECREASE) IN CASH AND EQUIVALENTS | (1,609,000) | 553,000 |
| CASH AND EQUIVALENTS, BEGINNING OF PERIOD | 3,806,000 | 6,082,000 |

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CASH AND EQUIVALENTS, END OF PERIOD

\$ 2,197,000
=====

\$ 6,635,000
=====

See accompanying notes to financial statements.

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PERSONAL DIAGNOSTICS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The balance sheet at the end of the preceding fiscal year has been derived from the audited balance sheet contained in the Company's Form 10-K and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments which include only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-K for the most recent fiscal year.

2. TRADING SECURITIES

For the three months ending December 31, 2001 the Company recognized a gain of \$173,000 on trading and investment activities compared with a gain of \$495,000 in the prior year period. There was a credit to earnings of \$145,000 representing the change in the net unrealized holding gains on trading securities during the quarter ending December 31, 2001 compared to no charge or credit during the comparable year earlier period. The Company intends ultimately to acquire or develop an operating business.

3. STATEMENT OF CASH FLOWS

| | Three Months Ended December 31, | |
|--|------------------------------------|-------|
| | 2001 | 2000 |
| | ---- | ---- |
| Supplemental disclosure of cash flows information- | | |
| Income taxes paid | \$15,000 | \$- |
| | ===== | ===== |

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In October 2000, the Company retired all of its treasury stock, which consisted of 1,124,000 shares that were carried at a cost of \$1,399,000 at September 30, 2000.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At December 31, 2001, the Company had a cash and equivalents balance of \$2,197,000, which represents a \$1,609,000 decrease from the \$3,806,000 balance at September 30, 2001. This \$1,609,000 decrease results entirely from cash flow from operations, which includes net income of \$82,000 offset by changes in operating assets and liabilities of \$1,691,000 consisting primarily of purchases of trading securities for \$2,765,000, receipt of monies due from brokers of \$977,000 and a net increase in accrued liabilities for \$97,000. The Company's working capital position at December 31, 2001 was \$6,376,000 as compared to a September 30, 2001 balance of \$6,294,000.

The Company has considered various business alternatives including the possible acquisition of an existing business, but to date has found possible opportunities unsuitable or excessively priced. During fiscal 2001, the Company actively entertained a proposal to acquire the packaging and material subsidiary of Paper Pak Products, Inc. After considerable evaluation, site visits and financial analysis the Company was not satisfied that there was sufficient organizational cohesion or proprietary product differentiation. Also during the year management evaluated and rejected an opportunity to acquire a major interest in a regional finance company. This business specializes in high yield consumer automobile loans in the Mid-Atlantic region. Management decided there was excessive risk of credit quality deterioration and rejected this opportunity. Finally, the Company considered and rejected a proposal for a reverse merger made by an Australian marketing organization.

The Company is also considering developing a business itself, believing that start up costs may be preferable to the premiums required to purchase a going concern. The Company does not contemplate limiting the scope of its search to any particular industry. Management has invested substantial time evaluating and considering numerous proposals for possible acquisition or combination developed by management or presented by investment professionals, the Company's advisors and others. During the past four years the Company has limited its' activities to relatively small real estate projects and modest trading and investment activities. The Company continues to consider acquisitions, business combinations, or start up proposals, which could be advantageous to shareholders. No assurance can be given that any such project, acquisition or combination will be concluded.

The Company intends to continue its investing and trading activities and as a consequence the future financial results of the Company may be subject

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to substantial fluctuations. Mr. Michael, the President of the Company is a graduate of Harvard Business School (MBA). As part of the Company's investment activities the Company may buy and sell a variety of equity, debt or derivative securities including a market index options and future contracts. Such investments often involve a high degree of risk and must be considered extremely speculative. Futures Contracts are particularly risky since a relatively small amount of capital controls a large nominal market value thus greatly exaggerating the exposure to potential losses. It is the intention of management to acquire or develop an operating business.

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Results of Operations

Three Months Ended December 31, 2001

Net income

Net income consists of interest and trading gains and losses and general and administrative expenses. The Company realized income of \$82,000 in the current three-month period versus income of \$104,000 in the prior year period. Interest income decreased \$32,000 to \$38,000 primarily due to lower interest rates. Trading gains of \$173,000 were achieved in the current quarter as compared to gains of \$495,000 in the prior year period. General and administrative expenses of \$75,000 were \$386,000 lower than the prior year period of \$461,000. The decrease of \$386,000 was due primarily to a lower level of compensation accrued to President John Michael of which a significant portion was related to the increased level of trading profits achieved in the prior year quarter.

During the current quarter the Company recorded an income tax provision of \$54,000 as its' tax loss carryforwards were not available to offset this investment type income. No provision for taxes was required in the prior year's first quarter.

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PART II Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERSONAL DIAGNOSTICS, INCORPORATED

Registrant

Date: February 8, 2002

By: /s/ John H. Michael

John H. Michael, Chairman
(on behalf of the registrant)