

PRECISION OPTICS CORPORATION INC
Form 10QSB
November 12, 2004

FORM 10-QSB

**U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

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

For the quarterly period ended September 30, 2004

Commission file number 001-10647

PRECISION OPTICS CORPORATION, INC.

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

Massachusetts
(State or other jurisdiction of incorporation or
organization)

04-2795294
(I.R.S. Employer Identification No.)

22 East Broadway, Gardner, Massachusetts 01440-3338
(Address of principal executive offices) (Zip Code)

(978) 630-1800

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 (X) No ()

The number of shares outstanding of issuer's common stock, par value \$.01 per share, at October 31, 2004 was 7,008,212 shares.

Transitional Small Business Disclosure Format (check one):

Yes () No (X)

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIESINDEX

	Page
PART	
I. FINANCIAL INFORMATION:	
Item	
1 Consolidated Financial Statements (Unaudited)	
Consolidated Balance Sheets - September 30, 2004 and June 30, 2004	3
Consolidated Statements of Operations - Three Months Ended September 30, 2004 and September 30, 2003	4
Consolidated Statements of Cash Flows -Three Months Ended September 30, 2004 and September 30, 2003	5
Notes to Consolidated Financial Statements	6-8
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations	9-15
Item 3 Controls and Procedures	16
PART	
II. OTHER INFORMATION	17
Items	
1-5 Not Applicable	
Item	
6 Exhibits and Reports on Form 8-K	

(a) Exhibits

(b) Reports on Form 8-K

Item 1

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
ASSETS

	September 30,	June 30,
	2004	2004
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,733,474	\$ 343,260
Accounts Receivable, Net	106,124	80,195
Inventories, Net	816,462	917,998
Prepaid Expenses and Other Current Assets	125,268	80,646
Deferred Financing Costs	-	171,885
Total Current Assets	5,781,328	1,593,984
PROPERTY AND EQUIPMENT	4,201,147	4,199,835
Less: Accumulated Depreciation	(3,958,986)	(3,920,593)
Net Property and Equipment	242,161	279,242
OTHER ASSETS	218,541	224,088
TOTAL ASSETS	\$ 6,242,030	\$ 2,097,314
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 267,194	235,050
Accrued Employee Compensation	218,452	230,110
Accrued Professional Services	56,850	75,439
Accrued Warranty Expense	50,000	50,000
Other Accrued Liabilities	37	2,743
Total Current Liabilities	592,533	593,342
STOCKHOLDERS' EQUITY		
Common Stock, \$.01 par value-		
Authorized -- 20,000,000 shares		
Issued and Outstanding - 7,008,212 shares		
at September 30, 2004 and 1,752,053 shares		
at June 30, 2004	70,082	17,521
Additional Paid-in Capital	32,796,597	27,770,175
Accumulated Deficit	(27,217,182)	(26,283,724)
Total Stockholders' Equity	5,649,497	1,503,972
TOTAL LIABILITIES AND		
STOCKHOLDERS' EQUITY	\$ 6,242,030	\$ 2,097,314

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003
(UNAUDITED)

	Three Months Ended September 30,	
	2004	2003
REVENUES	\$ 263,810	\$ 638,806
COST OF GOODS SOLD	356,015	586,263
Gross Profit (Loss)	(92,205)	52,543
RESEARCH and DEVELOPMENT EXPENSES	356,406	267,070
SELLING, GENERAL and ADMINISTRATIVE EXPENSES	497,439	429,330
Total Operating Expenses	853,845	696,400
Operating Loss	(946,050)	(643,857)
INTEREST INCOME	12,592	7,454
INTEREST EXPENSE	--	(46)
Net Loss	\$ (933,458)	\$ (636,449)
Basic and Diluted Loss Per Share	\$ (0.16)	\$ (0.36)
Weighted Average Common Shares Outstanding	5,979,832	1,752,053

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2004 AND 2003
(UNAUDITED)

	Three Months Ended September 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (933,458)	\$ (636,449)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities -		
Depreciation and Amortization	49,665	49,927
Provision for Inventory Write-Down	57,300	62,900
Changes in Operating Assets and Liabilities-		
Accounts Receivable, Net	(25,929)	(181,036)
Inventories	44,236	(63,595)
Prepaid Expenses	(44,622)	(156,756)
Accounts Payable	131,269	225,919
Other Accrued Expenses	(32,953)	(10,571)
Net Cash Used In Operating Activities	(754,492)	(709,661)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(1,312)	(25,383)
Increase in Other Assets	(5,724)	(15,648)
Net Cash Used In Investing Activities	(7,036)	(41,031)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Capital Lease Obligation	-	(3,353)
Gross Proceeds from Rights Offering		