

PERFECTDATA CORP  
Form 10QSB  
August 14, 2003

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

## **FORM 10-QSB**

ý **Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

**For the quarterly period ended June 30, 2003**

o **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 0-12817**

## **PERFECTDATA CORPORATION**

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(Exact Name of Registrant as Specified in Its Charter)

**CALIFORNIA**

(State or Other Jurisdiction of  
Incorporation or Organization)

**95-3087593**

(I.R.S. Employer  
Identification Number)

**110 West Easy Street**

**Simi Valley, California**

(Address of Principal Executive Offices)

**93065-1689**

(Zip Code)

As of July 25, 2003, there were 6,159,530 shares of Common Stock outstanding.

Transitional Small Business Disclosure Format:

Yes  No

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**PERFECTDATA CORPORATION**

## Balance Sheet

(Unaudited)

(Dollars in thousands)

	<b>June 30, 2003</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,113
Accounts receivable, net	118
Inventories	108
Prepaid expenses and other current assets	76
Total current assets	2,415
Property, plant and equipment, at cost, net	1
	\$ 2,416
<b>Liabilities and Shareholders' Equity</b>	
Current liabilities:	
Accounts payable	\$ 185
Accrued compensation	89
Other accrued expenses	71
Total current liabilities	345
Shareholders' equity:	
Preferred Stock. Authorized 2,000,000 shares; none issued	
Common Stock, no par value. Authorized 10,000,000 shares; issued and outstanding 6,159,530 shares	11,206
Accumulated deficit	(9,135)
Net shareholders' equity	2,071
	\$ 2,416

See accompanying notes to financial statements.



**PERFECTDATA CORPORATION**

## Statements of Operations

(Unaudited)

(Amounts in thousands, except per share amounts)

	<b>Three Months Ended June 30,</b>	
	<b>2003</b>	<b>2002</b>
Net sales	\$ 725	\$ 564
Cost of goods sold	470	365
Gross profit	255	199
Selling, general and administrative expenses	354	331
Loss from operations	(99)	(132)
Other income:		
Other, net	5	12
Net loss	(94)	(120)
Net loss per common share - basic and diluted	\$ (.02)	\$ (.02)
Weighted average shares outstanding - basic and diluted	6,159	6,159

See accompanying notes to financial statements.

**PERFECTDATA CORPORATION**

## Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

	<b>Three Month Period Ended June 30,</b>	
	<b>2003</b>	<b>2002</b>
<b>Cash Flows from operating activities:</b>		
Net loss	\$ (94)	\$ (120)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5	5
(Increase) decrease in accounts receivable	40	(10)
Decrease in inventories	80	15
Increase in prepaid expenses and other assets	(14)	(20)
Increase (decrease) in accounts payable	(98)	90
Increase (decrease) in accrued expenses	21	(3)
<b>Net cash used in operating activities</b>	<b>(60)</b>	<b>(43)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(60)</b>	<b>(43)</b>
Cash and cash equivalents at beginning of period	2,173	2,758
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,113</b>	<b>\$ 2,715</b>

See accompanying notes to financial statements.

**PERFECTDATA CORPORATION**

Notes to Financial Statements

1. All adjustments included in the financial statements in this Report are of a normal recurring nature and are necessary to present fairly the Company's financial position as of June 30, 2003 and the results of its operations and cash flows for the three months ended June 30, 2003 and 2002. Results of operations for the interim periods are not necessarily indicative of results of operations for a full year due to external factors that are beyond the control of the Company. This Report should be read in conjunction with the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2003 ( Annual Report 2003 ).

During recent months certain major shareholders of the Company on their own initiative had discussed with Harris A. Shapiro, the Chairman of the Board and Chief Executive Officer of the Company, what actions in their opinion the Board should adopt that would be most beneficial to the shareholders of the Company. Mr. Shapiro pointed out to these shareholders, among other matters, that, especially in view of the contemplated transaction with SuperCom, the major customers of the Company were concerned as to how much longer the Company would continue its current operations, and that the lease for the Company's premises would expire on June 20, raising the question as to whether it was feasible to renew the lease on any long-term basis. He also reported to these shareholders that the Company was in discussions with several possible purchasers. As a result of these discussions, the participants concluded that the Company should seek to sell these operations, whether or not the SuperCom transaction was consummated, or, if a sale to a third party was not feasible, to liquidate the Company's inventory and collect its accounts receivable, while waiting the outcome of the SuperCom transaction. The participants in these discussions concluded that either such action, if successfully implemented, would cut the continuing losses and thereby help preserve the Company's principal asset, its cash and cash equivalents.

On June 22, 2003, the Company's Board of Directors authorized, subject to obtaining shareholders' approval, a sale of its operations or, if a sale is not feasible, a liquidation thereof.

2. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventories are summarized as follows (in thousands):

	<b>June 30, 2003</b>	
	<b>(unaudited)</b>	
Raw materials	\$	25
Work in process		1
Finished products		82
	\$	108



3. Property and Equipment

Property and equipment consist of (in thousands):

	<b>June 30, 2003</b>	
	<b>(unaudited)</b>	
Machinery and equipment	\$	309
Furniture and fixtures		84
Leasehold improvements		155
		548
Less accumulated depreciation and amortization		(547)
	\$	1

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