

TRANSDERM LABORATORIES CORP  
Form 10QSB  
July 18, 2007

U.S. 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

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 000-27642

TRANSDERM LABORATORIES CORPORATION

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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-3518345  
(I.R.S. Employer Identification  
No.)

101 Sinking Springs Lane, Emigsville, PA 17318  
(Address of principal executive offices)

(717) 764-1191  
(Issuer's telephone number)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At July 6, 2007, there were 40,000,000 shares of common stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes  No



**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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TRANSDERM LABORATORIES CORPORATION  
CONSOLIDATED BALANCE SHEET (Unaudited)

MARCH 31, 2007

(In thousands, except per share amounts)

ASSETS

CURRENT ASSETS

Cash	\$	1,952
Accounts receivable		781
Inventories		826
Other current assets		17
<b>Total Current Assets</b>		<b>3,576</b>

PROPERTY, PLANT AND EQUIPMENT, net 1,448

MORTGAGE ESCROW DEPOSIT 203

**TOTAL ASSETS** **\$ 5,227**

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES

Accounts payable	\$	186
Royalties payable		7,584
Other liabilities		736
Current portion of long-term debt		40
Subordinated promissory note		7,000
Redeemable preferred stock		8,500
Preferred stock dividends payable		5,788
<b>Total Current Liabilities</b>		<b>29,834</b>

LONG-TERM LIABILITIES

Long-term payable - Health-Chem	9,625
Mortgage payable	1,309
Payable to affiliate	666
Note payable	167
<b>Total Long-Term Liabilities</b>	<b>11,767</b>

COMMITMENTS

PREFERRED STOCK 0

STOCKHOLDERS' DEFICIENCY

Common stock, par value \$.001 per share; 60,000,000 shares authorized; 40,000,000 shares issued and outstanding	40
Accumulated deficit	<36,414>
<b>Total Stockholders' Deficiency</b>	<b>&lt;36,374&gt;</b>

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$	5,227
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See Notes to Consolidated Financial Statements.

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TRANSDERM LABORATORIES CORPORATION  
 CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2007	2006
<b>REVENUE:</b>		
Net sales	\$ 1,149	\$ 1,619
Cost of goods sold - royalties	263	298
Cost of goods sold - other	931	914
Total cost of goods sold	1,194	1,212
Gross <loss> profit	<45>	407
<b>OPERATING EXPENSES:</b>		
Selling, general and administrative	449	468
Research and development	118	120
Interest, net	277	258
Total operating expenses	844	846
<b>LOSS FROM OPERATIONS</b>	<b>&lt;889&gt;</b>	<b>&lt;439&gt;</b>
Product development income	268	5
Other income <expense> - net	0	0
<b>LOSS FROM OPERATIONS BEFORE TAXES AND MINORITY INTEREST</b>	<b>&lt;621&gt;</b>	<b>&lt;434&gt;</b>
Minority interest	0	0
Income tax expense	0	0
<b>NET LOSS</b>	<b>&lt;621&gt;</b>	<b>&lt;434&gt;</b>
<b>PREFERRED DIVIDENDS</b>	<b>149</b>	<b>149</b>
<b>NET LOSS APPLICABLE TO COMMON STOCKHOLDERS</b>	<b>\$ &lt;770&gt;</b>	<b>\$ &lt;583&gt;</b>
<b>NET LOSS PER COMMON SHARE (BASIC &amp; DILUTED)</b>	<b>\$ &lt;.02&gt;</b>	<b>\$ &lt;.01&gt;</b>
Average number of common shares outstanding: (in thousands)		
Basic	40,000	40,000
Diluted	40,000	40,000

See Notes to Consolidated Financial Statements.

TRANSDERM LABORATORIES CORPORATION  
 CONSOLIDATED CASH FLOW STATEMENTS (Unaudited)  
 (In thousands)

	Three Months Ended March 31,	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss applicable to common stockholders	\$ <770>	\$ <583>
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	80	78