

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

ALEC BRADLEY CIGAR CORP/FL
Form 10QSB
August 19, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2004.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____.

Commission file number: 0-32137

ALEC BRADLEY CIGAR CORPORATION

(Exact name of registrant as specified in its charter)

FLORIDA

65-0701352

State or other jurisdiction of
incorporation or organization

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

3400 S.W. 26th Terrace, Suite A-1, Dania, Florida

33313

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (954) 321-5991

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 report(s), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 12, 2004, there were 4,499,777 shares of Common Stock, par value \$.0001 per share, outstanding.

I N D E X

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

Part I. Financial Information.

Item 1. Financial Statements (Unaudited).

Condensed Balance Sheets

Condensed Statements of Operations

Condensed Statements of Cash Flows

Notes to the Condensed Financial Statements

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

Item 3. Controls and Procedures.

Part II. Other Information.

Item 1: Legal Proceedings

Item 2: Changes in Securities and Use of Proceeds

Item 3: Defaults upon Senior Securities

Item 4: Submission of Matters to a vote of Securities Holders

Item 5: Other Information

Item 6: Exhibits and Reports on Form 8-K

Signatures

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

2

PART I: FINANCIAL INFORMATION

 ITEM 1. Financial Statements (Unaudited)

ALEC BRADLEY CIGAR CORP.
 CONDENSED BALANCE SHEETS

	June 30, 2004
	----- (Unaudited)
ASSETS -----	
Current Assets:	
Cash and cash equivalents	\$ 37,1
Accounts receivable	234,4
Inventory	327,8
Prepaid expenses	14,1

Total Current Assets	613,6
Furniture and Equipment, net	4,3
Trademarks and Other Assets, net	1,8

Total Assets	\$ 619,8 =====
LIABILITIES AND SHAREHOLDERS' EQUITY -----	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 250,3
Accrued income taxes payable	8,7
Revolving line of credit	100,0

Total Current Liabilities	359,0

Shareholders' Equity:	
Common stock, \$0.0001 par value, 30,000,000 shares authorized, 4,499,777 shares issued and outstanding	4
Additional paid-in capital	73,5
Retained earnings	186,8

Total Shareholders' Equity	260,8

Total Liabilities and Shareholders' Equity	\$ 619,8 =====

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

The accompanying notes are an integral part of these financial statements.

3

ALEC BRADLEY CIGAR CORP.
CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2004	2003	Six 2
	(Unaudited)	(Unaudited)	(Una
NET SALES	\$ 626,619	\$ 511,022	\$ 1,
Cost of goods sold	396,475	297,076	
GROSS PROFIT	230,144	213,946	
Operating Expenses			
Selling expenses	92,969	87,782	
General and administrative expenses	110,145	96,682	
Total operating expenses	203,114	184,464	
INCOME BEFORE PROVISION FOR INCOME TAXES	27,030	29,482	
Provision for income taxes	6,123	9,000	
Net Income	\$ 20,907	\$ 20,482	\$
Earnings per share - basic and diluted	\$ 0.005	\$ 0.004	\$
Weighted average number of common shares outstanding - basic and diluted	4,499,777	4,631,645	4,

The accompanying notes are an integral part of these financial statements.

4

ALEC BRADLEY CIGAR CORP.
STATEMENTS OF CASH FLOWS

	Six Months Ended 2004
	----- (Unaudited)
Cash Flows From Operating Activities:	
Net Income	\$ 30,069
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,056
Changes in current assets and liabilities:	
Accounts receivable	(89,477)
Inventory	179
Prepaid expenses	54,848
Accounts payable and accrued expenses	(141,576)
Accrued income taxes payable	(22,826)

Net Cash Provided by (Used in) Operating Activities	(165,727)

Cash Flows from Investing Activities:	
Purchase of equipment	(5,454)

Net Cash Used in Investing Activities	(5,454)

Cash Flows from Financing Activities:	
Proceeds from long term debt financing	100,000

Net cash provided by Financing Activities	100,000

Net Decrease in Cash and Cash Equivalents	(71,181)

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

Cash and Cash Equivalents - Beginning of Period	\$	108,361

Cash and Cash Equivalents - End of Period	\$	37,180
		=====

The accompanying notes are an integral part of these financial statements.

5

Alec Bradley Cigar Corporation
Notes to Financial Statements (Unaudited)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Alec Bradley Cigar Corporation (the "Company"), a Florida corporation, was organized in July 1996. The Company imports and distributes cigars domestically, with offices located in Plantation, Florida.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting where revenues are recognized upon shipment of merchandise to the customer and expenses are recognized in the period in which they are incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Earnings per Common Share - Basic and diluted earnings per common share are based on the weighted average number of shares outstanding of 4,499,777 and 4,764,970 for the six months ended June 30, 2004 and 2003, respectively. There are no common stock equivalents or other dilutive items in the aforementioned periods presented.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interim Financial Statements - The interim financial statements presented herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The interim

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

financial statements should be read in conjunction with the Company's annual financial statements, notes and accounting policies included in the Company's annual report on Form 10-KSB for the year ended December 31, 2003 as filed with the SEC. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of financial position as of June 30, 2004 and the related operating results and cash flows for the interim period presented have been made. The results of operations, for the period presented are not necessarily indicative of the results to be expected for the year.

NOTE 2 - COMMITMENTS AND CONTINGENCIES

Credit Facility - In March 2004, the Company established a revolving credit facility with a financial institution in the amount of \$100,000. The credit facility bears interest on funds outstanding at an annual rate of 2.0% above Prime, as defined, not to exceed 7.5%. The credit facility matures and is due and payable in full in March 2005.

6

Lease - In March 2004, the Company agreed to occupy new office and warehouse facilities under the terms of a three year non-cancelable operating lease agreement. Future minimum payments under this non-cancelable lease are as follows as of June 30, 2004:

Year	Amount
2004	\$ 18,000
2005	\$ 36,000
2006	\$ 36,000
2007	\$ 9,000
Total minimum lease payments	\$ 99,000

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Alec Bradley Cigar Corporation (the "Company") was organized under the laws of the State of Florida on July 15, 1996. The Company is an importer and distributor of cigars. The Company primarily sells to two types of customers:

1. Distributors, including but not limited to wine and liquor wholesalers; and
2. Retailers, including but not limited to tobacco shops, convenience stores, bars, restaurants and country clubs.

Management's discussion and analysis contains various forward-looking statements. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or use of negative or other variations or comparable terminology.

The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in the forward-looking statements, that these forward-looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

The following discussion should be read in conjunction with the information contained in the financial information and the notes thereto appearing elsewhere in this report.

Results of Operations

Six months ending June 30, 2004 Compared to June 30, 2003

Revenues

Revenues for the six months ended June 30, 2004 were \$1,001,700; an increase of \$23,600, or 2.4%, from \$978,100 for the six-month period ended June

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

30, 2003. This was attributable to the continuing success of cigars lines introduced during 2001 (Havana Sun Grown Cigars) and late 2000 (Occidental Cigars) and aggressive marketing by the Company during the first six months of 2004. The Company's gross profit decreased for 2004 as compared to 2003 to \$395,300 from \$427,400, a decrease of \$32,100, or 7.5%. The decrease in gross profit dollars was directly attributable to the aggressive sales effort in the second quarter. In addition, first quarter sales during 2004 were detrimentally effected by harsh weather conditions.

Selling Expenses

Selling expenses for the six-month period ended June 30, 2004 were \$146,900, an increase of \$800, or 0.5%, from \$146,100 in the six months ended June 30, 2003. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 14.7% of revenues in the six-month period ended June 30, 2004, compared to 14.9% in six months ended June 30, 2003.

8

General and administrative expenses

General and administrative expenses for 2004 were \$212,200, an increase of \$29,500, or 16.1%, from \$182,700 in 2003. General and administrative expenses primarily include salaries, supplies, and general operating expenses. The increase in general and administrative expenses is attributable to an increase in payroll (\$4,000), rent (\$8,700) and insurance and other office expenses (\$16,800). General and administrative expenses represented 21.2% of revenues in 2004, compared to 18.7% in 2003. Rent, insurance and other office expense reflect the Company's opening and operating of its new facilities. These facilities provide the Company with approximately 2,000 square feet of additional warehouse space and 2,000 square feet of additional administrative space.

Three Months ending June 30, 2004 Compared to Three Months ending June 30, 2003

Revenues

Revenues for the three months ended June 30, 2004 were \$626,600, an increase of \$115,600, or 22.6% from \$511,000 for the three months ended June 30, 2003. This was attributable to the continuing success of cigars lines introduced during 2001 (Havana Sun Grown Cigars) and late 2000 (Occidental Cigars) and overall continued growth of the Company. The Company's gross profit increased for the three months ended June 30, 2004 as compared to the three months ended June 30, 2003 from approximately \$213,900 to approximately \$230,100, an increase of \$16,200, or 7.6%. Gross profit, as a percentage of sales were 36.7% and 41.9% respectively for the three-month periods ending June 30, 2004 and 2003. The decrease in gross profit dollars was directly attributable to the more aggressive sales promotions utilized by the company to increase in sales.

Selling Expenses

Selling expenses for the three months ended June 30, 2004 were \$93,000, an increase of \$5,200, or 5.9%, from \$87,800 for the three months ended June 30, 2003. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 14.8% of revenues for the three months ended June 30, 2004, as compared to 17.2% for the three months ended June 30, 2003. The decrease was primarily attributable to management's focus on cost management during the quarter.

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

General and administrative expenses

General and administrative expenses for the three months ended June 30, 2004 were \$110,100, an increase of \$13,400, or 13.9%, from \$96,700 for the three months ended June 30, 2003. General and administrative expenses primarily include salaries, supplies, and general operating expenses. General and administrative expenses represented 17.6% of revenues for the three months ended June 30, 2004, compared to 18.9% for the three months ended June 30, 2003.

Liquidity and Capital Resources

As of June 30, 2004, the Company had accumulated earnings of \$186,851. For the six months ended June 30, 2004, the Company utilized cash from operations to increase accounts receivables and reduce accounts payable of \$165,727. This was primarily funded from the income from operations, the Company's credit facility, plus the effect of net of non-cash items (depreciation expense). The Company's cash balance as of June 30, 2004 decreased by \$71,181 from \$108,361 as of December 31, 2003 to \$37,180.

9

As of June 30 2004, the Company's accounts receivable was \$234,423. As of June 30, 2004, the Company's working capital was \$254,621.

The Company has negotiated with its major suppliers to obtain extended credit terms for new products being developed through these suppliers. In addition, the Company has established a line of credit with a local bank to provide for additional cash flow needs.

Management believes that the cash generated from the Company's operations and new credit terms and credit facility(s) will be adequate to support its short-term cash requirements for capital expenditures and maintenance of working capital.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

10

PART II: OTHER INFORMATION

ITEM 1: Legal Proceedings

None.

ITEM 2: Changes in Securities and Use of Proceeds

None.

ITEM 3: Defaults upon Senior Securities

None.

ITEM 4: Submission of Matters to a vote of Securities Holders

None.

ITEM 5: Other Information

None.

ITEM 6: Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-B

16.1 Letter from Former Independent Accountant (previously filed on Form 8-K dated March 27, 2003)

31.1 302 Certification (CEO)

31.2 302 Certification (Principal Financial Officer)

32.1 906 Certification (CEO)

32.2 906 Certification (Principal Financial Officer)

(b) Reports on Form 8-K

None.

11

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.

ALEC BRADLEY CIGAR CORPORATION

By: /s/ Alan Rubin

Alan Rubin, Principal Executive Officer
and Principal Financial Officer

DATED: August 18, 2004

