ALEC BRADLEY CIGAR CORP/FL
Form 10QSB
August 15, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2005.

( ) 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 | 33312 |
| (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 [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 1, 2005, there were 4,499,777 shares of Common Stock, par value $.0001 per share, outstanding.

I N D E X

PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

ALEC BRADLEY CIGAR CORP.
CONDENDSED BALANCE SHEETS

| | | June 30, 2005 (Unaudited) |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ | 52,99 |
| Accounts receivable, net | | 267,82 |
| Inventory | | 227,56 |
| Prepaid expenses and other current assets | | 16,26 |
| Total Current Assets | | 564,65 |
| Furniture and equipment, net | | 14,34 |
| Intangible assets | | 6,46 |
| Total Assets | $ | 585,46 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | $ | 240,99 |
| Note payable - related party | | 77,97 |
| Income taxes payable | | 2,73 |
| Total Current Liabilities | | 321,70 |
| Shareholders' Equity: | | |
| Common stock, $0.0001 par value, 30,000,000 shares authorized, 4,499,777 shares issued and outstanding | | 45 |
| Additional paid-in capital | | 73,51 |
| Retained earnings | | 189,80 |
| Total Shareholders' Equity | | 263,76 |
| Total Liabilities and Shareholders' Equity | $ | 585,46 |

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



ALEC BRADLEY CIGAR CORP.
CONDENSED STATEMENTS OF OPERATIONS

| | Three Months Ended June 30, | | Si |
|---|---|---|---|
| | 2005 | 2004 | 2 |
| | (Unaudited) | (Unaudited) | (Unau |
| NET SALES | $ 679,465 | $ 626,619 | $ 1,0 |
| Cost of goods sold | 436,045 | 396,475 | 6 |
| GROSS PROFIT | 243,420 | 230,144 | 4 |
| Operating Expenses | | | |
| Selling expenses | 126,782 | 92,969 | 2 |
| General and administrative expenses | 136,526 | 110,145 | 2 |
| Total operating expenses | 263,308 | 203,114 | 4 |
| INCOME BEFORE PROVISION FOR INCOME TAXES | (19,888) | 27,030 | ( |
| Provision for income taxes | - | 6,123 | |
| Net Income (Loss) | $ (19,888) | $ 20,907 | $ ( |
| Earnings per share - basic and diluted | $ (0.004) | $ 0.005 | $ |
| Weighted average number of common shares outstanding - basic and diluted | 4,499,777 | 4,499,777 | 4,4 |

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



ALEC BRADLEY CIGAR CORP.
STATEMENTS OF CASH FLOWS

| | Six Months Ende 2005 (Unaudited) |
|---|---|
| Cash Flows From Operating Activities: | |
| Net Income | $ (40,665) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 1,494 |
| Allowance for doubtful accounts | 4,297 |
| Changes in current assets and liabilities: | |
| Accounts receivable | (138,088) |
| Inventory | (56,975) |
| Prepaid expenses | 85,060 |
| Accounts payable and accrued expenses | 135,522 |
| Accrued income taxes payable | (8,764) |
| Net Cash Provided by (Used in) Operating Activities | (18,119) |
| Cash Flows from Investing Activities: | |
| Purchase of equipment | - |
| Net Cash Used in Investing Activities | - |
| Cash Flows from Financing Activities: | |
| Proceeds from long term debt financing | - |
| Repayment of shareholder loan | (42,500) |
| Net cash Provided by (Used in) Financing Activities | (42,500) |
| Net Decrease in Cash and Cash Equivalents | (60,619) |

| | |
|---|---|
| Cash and Cash Equivalents - Beginning of Period | $ 113,617 |
| Cash and Cash Equivalents - End of Period | $ 52,998 |

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



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 Dania, 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 for the six months ended June 30, 2005 and 2004, 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 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, 2004 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, 2005 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 - RELATED PARTY TRANSACTION

The Company has negotiated with its major suppliers to obtain extended credit terms for new products being developed through these suppliers. In addition, during the first quarter of 2004 the Company established a line of credit of $100,000 with a local bank to provide for additional cash flow needs. This credit line has been replaced by a credit facility provided by the Company's major stockholder in excess of $150,000. Additionally, the new credit facility interest rate is lower than the bank facility (5.0% vs. prime plus 2% not less than 7.5%).

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NOTE 3 - COMMITMENTS AND CONTINGENCIES

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, 2005:

| | Year | Amount |
|---|---|---|
| | 2005 | $ 18,000 |
| | 2006 | $ 36,000 |
| | 2007 | $ 9,000 |
| Total minimum lease payments | | $ 63,000 |

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

General

Alec Bradley Cigar Corporation (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, 2005 Compared to June 30, 2004

Revenues

Revenues for the six months ended June 30, 2005 were approximately $1,092,000, an increase of $90,300, or 9.0%, from approximately $1,001,700 for the six-month period ended June 30, 2004. 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 2005. The Company's gross profit increased for 2005 as compared to 2004 to approximately $421,300 from approximately $395,300, an increase of $26,000, or 6.6%. The increase in gross profit dollars was directly attributable to the aggressive sales effort in the second quarter to compensate for seasonally slow first quarter sales.

Selling Expenses

Selling expenses for the six-month period ended June 30, 2005 were approximately $208,800, an increase of $61,900, or 42.1%, from approximately $146,900 in the six months ended June 30, 2004. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 19.1% of revenues in the six-month period ended June 30, 2005, compared to 14.7% in six months ended June 30, 2004. The increase in selling expenses was primarily due to more aggressive consumer advertising in the first six months of 2005.

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General and administrative expenses

General and administrative expenses for the six months ended June 30, 2005 were approximately $253,200, an increase of $41,000, or 19.3%, from approximately $212,200 for 2004. 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 travel ($7,000), rent ($6,000) and insurance and other office expenses ($28,000). General and administrative expenses represented 23.2% of revenues in 2005, compared to 21.2% in 2004.

Three Months ending June 30, 2005 Compared to Three Months ending June 30, 2004

Revenues

Revenues for the three months ended June 30, 2005 were approximately $679,500, an increase of $52,900, or 8.4% from approximately $626,600 for the three months ended June 30, 2004. This was attributable to the continuing success of cigars lines introduced during 2001 (Havana Sun Grown Cigars) and late 2000 (Occidental Cigars) and pent up demand from seasonally slow first quarter sales and aggressive advertising programs. The Company's gross profit increased for the three months ended June 30, 2005 as compared to the three months ended June 30, 2004 from approximately $230,100 to approximately $243,400, an increase of $13,300, or 5.8%. Gross profit, as a percentage of sales, were 35.8% and 36.7% respectively for the three-month periods ending June 30, 2005 and 2004. 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, 2005 were approximately $126,800, an increase of $33,800, or 36.3%, from approximately $93,000 for the three months ended June 30, 2004. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 18.7% of revenues for the three months ended June 30, 2005, as compared to 14.8% for the three months ended June 30, 2004. The increase was primarily attributable to the Company's more aggressive promotions and advertising during the three months ended June 30, 2005, which resulted in an increase of approximately $34,000 over advertising and promotional costs for the three months ended June 30, 2004.

General and administrative expenses

General and administrative expenses for the three months ended June 30, 2005 were approximately $136,500, an increase of $26,400, or 24.0%, from approximately $110,100 for the three months ended June 30, 2004. General and administrative expenses primarily include salaries, supplies, and general operating expenses. General and administrative expenses represented 20.1% of revenues for the three months ended June 30, 2005, compared to 17.6% for the three months ended June 30, 2004.

Liquidity and Capital Resources

The Company's cash balance as of June 30, 2005 decreased by $60,619 from $113,617 as of December 31, 2004 to $52,998. As of June 30, 2005, the Company had accumulated earnings of $189,802. For the six months ended June 30, 2005, the Company utilized cash from operations to increase accounts receivables and inventory while reducing accounts payable and prepaid expenses of $18,119.



This was primarily funded from the income from operations, a loan from the Company's president plus the effect of net of non-cash items (depreciation expense).

As of June 30 2005, the Company's accounts receivable was $267,828. The Company's working capital was $242,956 as of June 30, 2005.

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's president loaned the company $150,000 on August 13, 2004, which is being repaid as a term loan over a 20 month period. The loan is being repaid in monthly installments of $5,000 plus interest at 5%.

Management believes that the cash generated from the Company's operations and new credit terms and loans from its president 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

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

Changes in Internal Controls

No change in the Company's internal control over financial reporting occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



## PART II: OTHER INFORMATION

ITEM 1: Legal Proceedings

None.

ITEM 2: Unregistered Sales of Equity 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

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

31.1 302 Certification (CEO)

31.2 302 Certification (Principal Financial Officer)

32.1 906 Certification (CEO)

32.2 906 Certification (Principal Financial Officer)

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 10, 2005