ALEC BRADLEY CIGAR CORP/FL
Form 10QSB
November 01, 2004

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 September 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 [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 1, 2004, 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

	September 30 2004 (Unaudited)
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 45,12
Accounts receivable	262,62
Inventory	314,90
Prepaid expenses	112,68
Total Current Assets	735,33
Furniture and Equipment, net	3,61
Trademarks and Other Assets, net	1,45
Total Assets	$ 740,40
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable and accrued expenses	$ 303,50
Accrued income taxes payable	2,93
Revolving line of credit	2,23
Directors' loans and advances	134,97
Total Current Liabilities	443,64
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	222,79
Total Shareholders' Equity	296,75
Total Liabilities and Shareholders' Equity	$ 740,40

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

ALEC BRADLEY CIGAR CORP.
CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2004	2003	Nine 20
	(Unaudited)	(Unaudited)	(Unau
NET SALES	$ 801,717	$ 755,852	$ 1,8
Cost of goods sold	492,762	485,043	1,0
GROSS PROFIT	308,955	270,809	7
Operating Expenses			
Selling expenses	142,814	116,882	2
General and administrative expenses	112,031	115,720	3
Total operating expenses	254,845	232,602	6
INCOME BEFORE PROVISION FOR INCOME TAXES	54,110	38,207	
Provision for income taxes	18,163	19,454	
Net Income	$ 35,947	$ 18,753	$
Earnings per share - basic and diluted	$ 0.008	$ 0.004	$
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 finacial statements.

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ALEC BRADLEY CIGAR CORP.
STATEMENTS OF CASH FLOWS

		Nine Months Ended 2004
		(Unaudited)
Cash Flows From Operating Activities:		
Net Income	$	66,015
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		4,463
Changes in current assets and liabilities:		
Accounts receivable		(117,674)
Inventory		13,165
Prepaid expenses		(43,679)
Accounts payable and accrued expenses		(88,378)
Payroll tax deduction payable		(28,618)
Accrued income taxes payable		2,239
Net Cash Provided by (Used in) Operating Activities		(192,467)
Cash Flows from Investing Activities:		
Purchase of equipment		(5,740)
Net Cash Used in Investing Activities		(5,740)
Cash Flows from Financing Activities:		
Proceeds from long term debt financing		134,974
Net cash provided by Financing Activities		134,974

Net Decrease in Cash and Cash Equivalents	(63,233)
Cash and Cash Equivalents - Beginning of Period	$ 108,361
Cash and Cash Equivalents - End of Period	$ 45,128

The accompanying notes are an integral part of these finacial 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 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 for the nine months ended September 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 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 September 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 - 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 in excess of $150,000 provided by the Company's majority stockholder and sole officer. 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

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. The balance of the revolving credit as of September 30, 2004 is zero.

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 September 30, 2004:

Year	Amount
2004	$ 9,000
2005	$ 36,000
2006	$ 36,000
2007	$ 9,000
Total minimum lease payments	$ 90,000

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

Nine months ending September 30, 2004 Compared to September 30, 2003

Revenues

Revenues for the nine months ended September 30, 2004 were approximately $1,803,000, an increase of $69,000, or 4.0%, from approximately $1,734,000 for the nine-month period ended September 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 new lines introduced in 2003 (Spirit of Cuba & Special Blends) and aggressive marketing by the Company during the first nine months of 2004. The Company's gross profit increased for 2004 as compared to 2003 to approximately $704,300 from approximately $698,200, an increase of $6,100, or 1.0%. The increase in gross profit dollars was directly attributable to the increase in sales.

Selling Expenses

Selling expenses for the nine-month period ended September 30, 2004 were approximately $289,700, an increase of $26,700, or 10.1%, from approximately $263,000 in the nine months ended September 30, 2003. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. This increase was attributable to the increase in sales commissions paid to outside salespersons and increased trade show expenses. Selling expenses represented 16.1% of revenues in the nine-month

period ended September 30, 2004, compared to 15.1% in nine months ended September 30, 2003.

General and Administrative Expenses

General and administrative expenses for 2004 were approximately $324,200, an increase of $25,800, or 8.6%, from approximately $298,400 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 ($13,000). General and administrative expenses represented 18.0% of revenues in 2004, compared to 17.2% in 2003.

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

Revenues

Revenues for the three months ended September 30, 2004 were approximately $801,700, an increase of $45,800, or 6.1% from approximately $755,900 for the three months ended September 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 new lines introduced in 2003 (Spirit of Cuba & Special Blends). Historically, the three months ending September 30 is the Company's highest sales quarter of the year and the Company's sales for the three months ended September 30, 2004 represent the Company's highest revenue grossing three month period since inception. The Company's gross profit increased for the three months ended September 30, 2004 as compared to the three months ended September 30, 2003 from approximately $270,800 to approximately $309,000, an increase of $38,200, or 14.1%. Gross profit, as a percentage of sales were 38.5% and 35.8% respectively for the three-month periods ending September 30, 2004 and 2003. The increase in gross profit dollars was directly attributable to the increase in sales.

Selling Expenses

Selling expenses for the three months ended September 30, 2004 were approximately $142,800, an increase of $25,900, or 22.2%, from approximately $116,900 for the three months ended September 30, 2003. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 17.8% of revenues for the three months ended September 30, 2004, as compared to 15.5% for the three months ended September 30, 2003. The increase was primarily attributable to the increase in sales commissions paid to outside salespersons and increased trade show expenses.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2004 were approximately $112,000, a decrease of $3,700, or 3.2%, from approximately $115,700 for the three months ended September 30, 2003. General and administrative expenses primarily include salaries, supplies, and general operating expenses. General and administrative expenses represented 13.9% of revenues for the three months ended September 30, 2004, compared to 15.3% for the three months ended September 30, 2003. The decrease is attributable to increasing operating efficiencies.

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Liquidity and Capital Resources

As of September 30, 2004, the Company had accumulated earnings of $222,797. For the nine months ended September 30, 2004, the Company provided cash from operations to increase accounts receivables and reduce accounts payable. This was primarily funded from the income from operations, advances from the majority shareholder plus the effect of net of non-cash items (depreciation expense). The Company's cash balance as of September 30, 2004 was $45,128, a decrease of $63,233 from $108,361 as of December 31, 2003.

As of September 30 2004, the Company's accounts receivable was $262,620. The Company expects sales for the remainder of the year to remain strong. As of September 30, 2004, the Company's working capital was $291,688.

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 at an annual interest rate of prime plus 2% (net less than 7.5%). This credit line has been replaced by a credit facility provided by the Company's majority stockholder and sole officer in excess of $150,000. The new credit facility interest rate is 5% per annum.

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.

PART II: OTHER INFORMATION

ITEM 1: Legal Proceedings

None.

ITEM 2: Changes in Securities and Small Business Issuer Purchases of Equity Securities

None.

ITEM 3: Defaults upon Senior Securities

None.

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

None.

ITEM 5: Other Information

On August 13, 2004, the Company entered into a credit facility with its majority shareholder and sole officer under which the majority shareholder and sole officer has provided the Company with a line of credit in excess of $150,000. This line of credit replaces the Company's prior line of credit of $100,000 with a local South Florida bank. The interest rate of the new credit facility is lower than the prior bank facility. The interest rate of the current facility is 5% per annum while the prior credit facility was at prime + 2% (not less than 7.5%) per annum.

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.

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: November 1, 2004

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