ALEC BRADLEY CIGAR CORP/FL
Form 10QSB
May 16, 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 March 31, 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 May 13, 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

	March 31, 2005 (Unaudited)
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 205,8
Accounts receivable, net	131,4
Inventory	53,1
Prepaid expenses and other current assets	100,6
Total Current Assets	491,1
Furniture and Equipment, net	14,6
Intangible assets	7,1
Total Assets	$ 512,8
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable and accrued expenses	$ 137,4
Note payable - related party	89,3
Income taxes payable	2,4
Total Current Liabilities	229,2
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	209,6
Total Shareholders' Equity	283,6
Total Liabilities and Shareholders' Equity	$ 512,8

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

ALEC BRADLEY CIGAR CORP.
CONDENSED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2005	2004
	(Unaudited)	(Unaudited)
NET SALES	$ 412,565	$ 375,075
Cost of goods sold	234,717	209,918
GROSS PROFIT	177,848	165,157
Operating Expenses		
Selling expenses	81,985	53,936
General and administrative expenses	116,640	102,060
Total operating expenses	198,625	155,996
INCOME BEFORE PROVISION FOR INCOME TAXES	(20,777)	9,161
Provision for income taxes	---	---
Net Income (loss)	$ (20,777)	$ 9,161
Earnings per share - basic and diluted	$ (0.005)	$ 0.002
Weighted average number of common shares outstanding - basic and diluted	4,499,777	4,499,777

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

ALEC BRADLEY CIGAR CORP.
STATEMENTS OF CASH FLOWS

	Three Months End 2005 (Unaudited)
Cash Flows From Operating Activities:	
Net Income (loss)	$ (20,777)
Adjustments to reconcile net income to net cash provided by operating activities:	
Allowance for doubtful accounts	--
Depreciation and amortization	927
Changes in current assets and liabilities:	
Accounts receivable	2,538
Inventory	117,438
Prepaid expenses	718
Accounts payable and accrued expenses	31,994
Accrued income taxes payable	(9,079)
Net Cash Provided by (Used in) Operating Activities	123,759
Cash Flows from Investing Activities:	
Purchase of trademarks and other assets	(360)
Net Cash Used in Investing Activities	(360)
Cash Flows from Financing Activities:	
Proceeds from bank line of credit	--
Proceeds from shareholder loan	(31,121)
Net cash provided by Financing Activities	(31,121)
Net Decrease in Cash and Cash Equivalents	92,278
Cash and Cash Equivalents - Beginning of Period	$ 113,617
Cash and Cash Equivalents - End of Period	$ 205,895

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 three months ended March 31, 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 March 31, 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%).

6

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 March 31, 2005 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 March 31, 2005:

Year	Amount
2005	$ 27,000
2006	$ 36,000
2007	$ 9,000
Total minimum lease payments	$ 72,000

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

Three months ending March 31, 2005 Compared to March 31, 2004

Revenues

Revenues for three months of 2005 were $412,565, an increase of $37,490, or 10.0% from $375,075 for 2004. This was attributable to the milder weather conditions across the country during the first quarter of 2005 as compared to 2004. Due to indoor smoking restrictions throughout the country which requires many cigar smokers to smoke outdoors, cigar smokers are less likely to smoke outdoors (and purchase cigars) when weather conditions are unfavorable. The company's gross profit increased for 2005 as compared to 2004 to $177,848, an increase of $12,691, or 7.6%, from $165,157. Gross profit, as a percentage of sales was 43.1% and 44.0% respectively for the three-month periods ending March 31, 2005 and 2004. The increase in gross profit dollars was directly attributable to the increase in sales (units and dollars).

Selling Expenses

Selling expenses for 2005 were $81,985, an increase of $28,049, or 52%, from $53,936 in 2004. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 19.9% of revenues in 2005, compared to 14.4% in 2004. The increase was primarily attributable to increases in commission expense of $5,996 and advertising of $22,850.

General and Administrative Expenses

General and administrative expenses for 2005 were $116,640, an increase of $14,580, or 14.3%, from $102,060 in 2004. General and administrative expenses primarily include salaries, supplies, and general operating expenses. The increase in general and administrative expenses is primarily attributable to the increases in professional fees of $8,610, rent of $4,612, and travel of $3,434 and partially offset by reductions in payroll and related costs of $3,000. General and administrative expenses represented 28.3% of revenues in 2005, compared to 27.2% in 2004.

Liquidity and Capital Resources

The Company had a net loss of $20,777 for the three months ended March 31, 2005. The loss is primarily attributable to an increase in general and administrative expenses and selling expenses as described above.

The Company's cash balance as of March 31, 2005 increased by $92,278 from December 31, 2004 to $205,895. During the first quarter of 2005 cash provided by operations was approximately $123,800 as compared to ($137,852) during the first quarter of 2004. The increase in net cash primarily resulted from decreases in inventory of $117,438, accounts receivable of $2,538, and increases in accounts payable of $31,994. This was partially offset by decreases in taxes payable of $9,079, and loss from operations plus the effect of non-cash items (depreciation expense).

The Company's working capital was approximately $262,000 at March 31, 2005, compared to approximately $282,200 at December 31, 2004. The decrease in working capital was primarily attributable to the Company's repayment of related party loans, loss of approximately $20,800 less the effect of net of non-cash items (depreciation expense) of $927.

During the fourth quarter of 2004, The Company negotiated a loan with its principal shareholder. Management believes that the cash generated from the Company's operations and the existing credit terms will be adequate to support its cash requirements for capital expenditures and maintenance of working capital for the next 12 months.

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: 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: May 13, 2005