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ALEC BRADLEY CIGAR CORP/FL
Form 10QSB
November 13, 2003

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 September 30, 2003.

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.)

1750 N. W. 65th Avenue, Plantation, 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 November 11, 2003, there were 4,499,777 shares of Common Stock, par value \$.0001 per share, outstanding.

I N D E X

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	Page

Part I. Financial Information. -----	3
Item 1. Financial Statements (Unaudited).	3
Balance Sheets	3
Statements of Operations	4
Statement of Cash Flows	5
Statement of Stockholders' Equity	6
Notes to Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	8
Item 3. Controls and Procedures.	10
Part II. Other Information. -----	11
ITEM 1: Legal Proceedings	11
ITEM 2: Changes in Securities and Use of Proceeds	11
ITEM 3: Defaults upon Senior Securities	11
ITEM 4: Submission of Matters to a vote of Securities Holders	11
ITEM 5: Other Information	11
ITEM 6: Exhibits and Reports on Form 8-K	11

PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

ALEC BRADLEY CIGAR CORP.
BALANCE SHEETS
AS OF SEPTEMBER 30,
(Unaudited)

	2003

ASSETS	

Current Assets:	
Cash and cash equivalents	\$ 55,618
Accounts receivable	195,857
Inventory	147,308
Prepaid expenses	66,471

Total Current Assets	465,254

Furniture and Equipment - Net	--
Trademarks and Other Assets	2,952

	\$ 468,206
	=====
LIABILITIES AND EQUITY	

Current Liabilities	
Accounts payable	\$ 190,897
Payroll taxes and deductions payable	3,860
Accrued income taxes payable	41,200

Total Current Liabilities	235,957

Equity	
Common Stock	450
Paid in capital	479,095
Accumulated Deficit	(247,296)

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Total Equity	232,249

	\$ 468,206
	=====

The accompanying notes are an integral part of these financial statements

3

ALEC BRADLEY CIGAR CORP. AND CIGAR CONCEPTS, INC
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Mo Septe
	2003	2002	2003
	----	----	----
Sales	\$ 755,852	\$ 559,755	\$ 1,733,980
Cost of Sales	485,043	338,531	1,035,766
	-----	-----	-----
Gross Profit	270,809	221,224	698,214
Operating Expenses			
General and administrative	115,720	123,379	298,376
Selling	116,882	62,244	262,975
	-----	-----	-----
	232,602	185,623	561,351
	-----	-----	-----
Income from Operations Before Income Taxes	38,207	35,601	136,863
Provision for Income Taxes	19,454	8,660	40,754
	-----	-----	-----
Net Income/(Loss)	18,753	26,941	96,109
Accumulated Deficit - Beginning of Period	(266,049)	(364,170)	(343,405)
	-----	-----	-----
Accumulated Deficit - End of Period	\$ (247,296)	\$ (337,229)	\$ (247,296)

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	=====	=====	=====
Basic and diluted earnings per share	\$ 0.00	\$ 0.01	\$ 0.02
	=====	=====	=====
Weighted average number of common shares outstanding	4,499,777	4,899,777	4,675,601
	=====	=====	=====

The accompanying notes are an integral part of these financial statements

4

ALEC BRADLEY CIGAR CORP.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30,
(Unaudited)

	2003	2002
	----	----
Cash Flows From Operating Activities		
Net Income/(Loss)	\$ 96,109	\$ 44,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,307	6,000
Stock issued in exchange for consulting services	--	19,000
Changes in current assets and liabilities:		
Accounts receivable	(92,233)	(79,000)
Inventory	161,142	(17,000)
Prepaid expenses	(46,259)	(26,000)
Accounts payable	(159,472)	111,000
Payroll taxes deductions payable	3,812	(4,000)
Accrued income taxes payable	41,200	6,000
	-----	-----
Net Cash Used in Operating Activities	9,606	59,000
	-----	-----
Cash flows From Investing Activities		
Cash payments for the purchase of property	--	(4,000)
	-----	-----

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Net cash flows From Investing Activities	--	(4,
	-----	-----
Net Decrease in Cash and Cash Equivalents	9,606	55,
Cash and Cash Equivalents - Beginning of Period	46,012	38,
	-----	-----
Cash and Cash Equivalents - Ending of Period	\$ 55,618	\$ 93,
	=====	=====

The accompanying notes are an integral part of these financial statements

5

ALEC BRADLEY CIGAR CORP.
Statement of Stockholders' Equity
For the Period Ended September 30, 2003
(Unaudited)

	Number of shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit
	-----	-----	-----	-----
Balance at December 31, 2000	4,484,777	\$ 448	\$ 459,597	\$ (405,585)
Net (Loss)				24,069
	-----	-----	-----	-----
Balance at December 31, 2001	4,484,777	448	459,597	(381,516)
Issuance of stock in exchange for services	415,000	42	19,458	
Net Income				38,111
	-----	-----	-----	-----
Balance at December 31, 2002	4,899,777	490	479,055	(343,405)
	-----	-----	-----	-----

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Redemption of stock	(400,000)	-40	40
Net Income	-----		
			96,109

Balance at September 30, 2003	4,499,777	\$ 450	\$ 479,095
	=====		\$ (247,296)
	=====		=====

The accompanying notes are an integral part of these financial statements

6

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, 4,899,777 and 4,675,601 and 4,624,630 for the three and nine months ended September 30, 2003 and 2002, 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

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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 accompanying interim unaudited financial information has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. 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, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of September 30, 2003, and the results of its operations and cash flows for the nine and three months ended September 30, 2003 and 2002, have been included. The results of operations of such interim period are not necessarily indicative of the results of the full year.

7

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 wine and liquor wholesalers; and
2. Retailers, that include 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.

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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, 2003 Compared to Nine Months ending September 30, 2002

Revenues

Revenues for the nine months ended September 30, 2003 were approximately \$1,734,000, an increase of \$601,100, or 53.1%, from approximately \$1,132,900 for the nine-month period ended September 30, 2002. 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 nine months of 2003. The Company's gross profit increased for 2003 as compared to 2002 to approximately \$698,200 from approximately \$451,900, an increase of \$246,300, or 55%. 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, 2003 were approximately \$263,000, an increase of \$151,100, or 194.6%, from approximately \$111,900 in the nine months ended September 30, 2002. 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 15.2% of revenues in the nine-month period ended September 30, 2003, compared to 9.9% in nine months ended September 30, 2002.

8

General and administrative expenses

General and administrative expenses for 2003 were approximately \$298,400, an increase of \$14,300, or 5.0%, from approximately \$284,100 in 2002. 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 (approximately \$13,000). General and administrative expenses represented 17.2% of revenues in 2003, compared to 25.1% in 2002.

Three Months ending September 30, 2003 Compared to Three Months ending September 30, 2002

Revenues

Revenues for the three months ended September 30, 2003 were approximately \$755,900, an increase of \$196,100, or 35% from approximately \$559,800 for the three months ended September 30, 2002. This was attributable to the continuing success of cigars lines introduced during 2001 (Havana Sun Grown

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Cigars) and late 2000 (Occidental Cigars). The Company's gross profit increased for the three months ended September 30, 2003 as compared to the three months ended September 30, 2002 from approximately \$221,200 to approximately \$270,800, an increase of \$49,600, or 22.4%. Gross profit, as a percentage of sales were 35.8% and 39.5% respectively for the three-month periods ending September 30, 2003 and 2002. 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, 2003 were approximately \$116,900, an increase of \$54,700, or 87.9%, from approximately \$62,200 for the three months ended September 30, 2002. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 15.5% of revenues for the three months ended September 30, 2003, as compared to 11.1% for the three months ended September 30, 2002. 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, 2003 were approximately \$115,700, a decrease of \$7,700, or 6.2%, from approximately \$123,400 for the three months ended September 30, 2002. General and administrative expenses primarily include salaries, supplies, and general operating expenses. General and administrative expenses represented 15.3% of revenues for the three months ended September 30, 2003, compared to 22.0% for the three months ended September 30, 2002.

Liquidity and Capital Resources

As of September 30, 2003, the Company had an accumulated deficit of \$247,296. For the nine months ended September 30, 2003, the Company provided cash from operations to increase accounts receivables and reduce accounts payable of \$9,606. This was primarily funded from the income from operations, reductions in inventory plus the effect of net of non-cash items (depreciation expense). The Company's cash balance as of September 30, 2003 increased by \$9,606 from \$46,012 as of December 31, 2002 to \$55,618.

9

As of September 30 2003, the Company's accounts receivable was \$195,857. The Company expects sales for the remainder of the year to remain strong. As of September 30, 2003, the Company's working capital was \$229,297.

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

The Company has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer (the "CEO") and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in

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Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Act")) as of the end of the fiscal quarter covered by this report. Based upon that evaluation, the Company's CEO and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (b) such information is accumulated and communicated to the Company's management, including its CEO and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

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

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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: November 11, 2003

