

GRAND TOYS INTERNATIONAL INC
Form 10-Q
May 14, 2004

FORM 10-Q

Securities and Exchange Commission

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended: **March 31, 2004**

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

For the transition period from _____ to _____.

Commission File No. 0-22372.

GRAND TOYS INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada

98-0163743

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization

Identification No.)

1710 Route Transcanadienne, Dorval, Quebec, Canada, H9P 1H7

(Address of principal executive offices)

(514) 685-2180

(Registrant's telephone number, including Area Code)

(Former name, former address and former fiscal year,

if changed since last report)

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 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

X

No _____

Indicate the number of shares outstanding of each of the Issuer's classes of common equity, as of May 14, 2004:
5,355,244

GRAND TOYS INTERNATIONAL, INC.

Index to Quarterly Report on Form 10-Q
 Filed with the Securities and Exchange Commission
Period ended March 31, 2004

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GRAND TOYS INTERNATIONAL, INC.**Part I. Financial Information*****Item 1. Consolidated Financial Statements***

Consolidated Balance Sheets

	March 31, 2004 (Unaudited)	December 31, 2003
Assets		
Current assets:		
Cash	\$ 1,064,628	\$ 1,487,318
Short-term deposit (note 14(c))	500,000	500,000
Accounts receivable (net of allowance for doubtful accounts of \$9,603; 2003 - \$9,712)	1,984,671	1,598,907
Due from Playwell International Limited	1,052,897	804,252
Due from employees	3,127	771
Current portion of loan receivable (note 2)	163,881	161,447
Inventory	1,726,062	1,682,298
Prepaid expenses (note 3)	456,909	367,288
Total current assets	6,952,175	6,602,281
Note receivable (note 9)	183,528	286,896
Loan receivable (note 2)	179,069	220,963
Equipment and leasehold improvements, net (note 4)	211,348	219,988
Other assets (note 5)	11,003	13,331
Total assets	\$ 7,537,123	\$ 7,343,459

GRAND TOYS INTERNATIONAL, INC.

Consolidated Balance Sheets

	March 31, 2004 (Unaudited)	December 31, 2003
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	\$ 1,800,050	\$ 1,579,458
Trade accounts payable	978,945	1,047,390
Other accounts payable and accrued liabilities	207,499	217,567
Accrued compensation	59,417	111,085
Accrued legal expenses	55,163	151,711
Total current liabilities	3,101,074	3,107,211
Minority interest	100	100
Stockholders' equity:		
Capital stock (note 7):		
Voting common stock, \$0.001 par value:		
12,500,000 shares authorized,		
5,355,244 shares issued and outstanding		
	5,355	5,355
Additional paid-in capital	22,750,942	22,750,518
Deficit	(17,731,951)	(17,968,179)
Accumulated other comprehensive income-		
cumulative currency translation adjustment	(588,397)	(551,546)
	4,435,949	4,236,148
Commitments and contingencies (notes 13 and 14)		
Total liabilities and stockholders' equity	\$ 7,537,123	\$ 7,343,459

See accompanying notes to unaudited consolidated financial statements.

GRAND TOYS INTERNATIONAL, INC.

Consolidated Statements of Operations (Unaudited)

	For the three months ended March 31,	
	2004	2003
Net sales	\$ 2,853,615	\$ 2,951,095
Cost of goods sold	1,674,605	1,689,518
Gross profit	1,179,010	1,261,577
Other costs and expenses:		
General and administrative	539,338	572,856
Salaries and fringe benefits	337,889	294,702
Royalties	22,874	69,895
Bad debt expense	12,939	10,601
Depreciation and amortization	13,427	16,419
Interest expense	19,446	20,737
Interest revenue	(14,130)	(14,894)
Foreign exchange loss (gain)	10,999	(59,144)
	942,782	911,172
Earnings before income taxes	236,228	350,405
Income tax expense	-	325
Earnings from continuing operations	236,228	350,080
Gain on sale of discontinued operations	-	103,002
Net earnings applicable to common stockholders	\$ 236,228	\$ 453,082
Earnings per share (note 10):		
Continuing operations:		
Basic	\$ 0.04	\$ 0.13
Diluted	0.04	0.06

Discontinued operations:

Basic	-	0.03
Diluted	-	0.02

Net earnings:

Basic	0.04	0.16
Diluted	\$ 0.04	\$ 0.08

See accompanying notes to unaudited consolidated financial statements.

GRAND TOYS INTERNATIONAL, INC.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Unaudited)

	Capital Stock	Additional Paid in Capital	Deficit	Accumulated other comprehensive income	Total
January 1, 2004	\$ 5,355	\$ 22,750,518	\$ (17,968,179)	\$ (551,546)	4,236,148
Net earnings for the period	-	-	236,228	-	236,228
Foreign currency adjustment	-	-	-	(36,851)	(36,851)
Total comprehensive income					199,377
Compensation expense	-	424	-	-	424