

GRAND TOYS INTERNATIONAL INC
Form 10-Q/A
July 02, 2004

FORM 10-Q/A-2

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

This is Amendment No. 2 to the Grand Toys International, Inc. Quarterly Report on Form 10-Q for the period ended March 31, 2004, as originally filed on May 14, 2004. No changes have been made to the Company's balance sheet or cash flow statements as they appeared in our May 14, 2004 Form 10-Q. A change was made to the Company's consolidated statements of operations removing shipping and handling costs charged to customers and cooperative advertising from general and administrative expenses and presenting them as part of net sales. Changes were also made to management's discussion and analysis and results of operations to conform to the changes made to the net sales and general and administrative expenses.

The company has not updated the Form 10-Q to modify disclosures in the Form 10-Q for events occurring subsequent to the original May 14, 2004 filing date. This Amendment No. 2 to Form 10-Q continues to speak as of May 14, 2004.

GRAND TOYS INTERNATIONAL, INC.

Index to Quarterly Report on Form 10 Q/A-2
Filed with the Securities and Exchange Commission
Period ended March 31, 2004

ITEMS IN FORM 10 Q/A-2 **PAGE**

Part I Financial Information

Item 1. Consolidated Financial Statements:

Consolidated Balance Sheets

At March 31, 2004 (unaudited) and December 31, 2003 2-3

Consolidated Statements of Operations (unaudited)

For The Three Month Periods ended March 31, 2004 and 2003 4

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

5

For the Three Month Period ended March 31, 2004

Consolidated Statements of Cash Flows(unaudited)

For The Three Month Periods ended March 31, 2004 and 2003 6

Notes to unaudited Consolidated Financial Statements 7-19

Item 2. Management's Discussion and Analysis 20

Item 3. Quantitative and Qualitative Disclosures About Market
Risk 30

Item 4. Controls and Procedures 31

Part II - Other Information

Item 1. Legal proceedings 31

Item 2. Changes in Securities, Use of Proceeds and Issuer
Purchases of Equity Securities 32

Item 3. Defaults Upon Senior Securities 32

Edgar Filing: GRAND TOYS INTERNATIONAL INC - Form 10-Q/A

Item 4. Submission of Matters to a Vote of Security Holders	32
Item 5. Other Information	32
Item 6. Exhibits and Reports on Form 8-K	33
Signatures	34-35
Certifications	36-39

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	\$ 2,813,698	\$ 2,907,332
Cost of goods sold	1,674,605	1,689,518
Gross profit	1,139,093	1,217,814
Operating costs and expenses:		
General and administrative	499,421	529,093
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
	886,550	920,710
Non-operating expense (income)		
Interest expense	19,446	20,737
Interest revenue	(14,130)	(14,894)
Foreign exchange loss (gain)	10,999	(59,144)
	16,315	(53,301)
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					