PARADISE INC
Form 10QSB/A
September 28, 2005

FORM 10 - QSB

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(X) Quarterly report pursuant to section 13 or 15(d) of the Securities Act of 1934.

For the quarterly period ended June 30, 2005

or

( ) Transition report pursuant to section 13 or 15(d) of the Securities Act of 1934.

Commission File No. 0-3026

PARADISE, INC.

INCORPORATED IN FLORIDA
I.R.S. EMPLOYER IDENTIFICATION NO. 59-1007583

1200 DR. MARTIN LUTHER KING, JR. BLVD.,
PLANT CITY, FLORIDA 33563

(813) 752-1155

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 and Exchange Act of 1934 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 ---.

The number of shares outstanding of each of the issuer's classes of common Stock:

Class	Outstanding as of June 30, 2005	2004
Common Stock $0.30 Par Value	519,350 Shares	519,350 Shares

PARADISE, INC. COMMISSION FILE NO. 0-3026

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

PARADISE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	AS OF JUNE 30, 2005	AS OF JUNE 30, 2004
ASSETS		
CURRENT ASSETS:		
Cash and Unrestricted Demand Deposits	$ 26,218	$ 18,592
Accounts and Notes Receivable, Less Allowances of $-0- (2005 and 2004)	1,290,039	1,243,541
Inventories:		
Raw Materials	2,848,917	2,689,997
Work in Process	412,916	551,029
Finished Goods	9,561,342	10,255,014
Deferred Income Tax Asset	277,970	305,983
Income Tax Refund Receivable	365,485	453,470
Prepaid Expenses and Other Current Assets	650,223	791,680
TOTAL CURRENT ASSETS	15,433,110	16,309,306
Property, Plant and Equipment, Less Accumulated Depreciation of $14,295,866 (2005) and $13,555,922 (2004)	5,786,164	5,646,604
Deferred Charges and Other Assets	408,929	655,778
Goodwill	413,280	403,844
Intangible Asset - Net	82,000	123,000
TOTAL ASSETS	$ 22,123,483	$ 23,138,532

	AS OF JUNE 30, 2005	AS OF JUNE 30, 2004
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes and Trade Acceptances Payable	$ 1,828,324	$ 2,673,840
Current Portion of Long-Term Debt	255,459	252,497
Accounts Payable	3,250,546	2,644,741
Accrued Liabilities	833,871	1,132,629
Income Tax Payable		18,271
Total Current Liabilities	6,168,200	6,721,978
LONG-TERM DEBT, NET OF CURRENT PORTION	757,171	1,151,946
DEFERRED INCOME TAX LIABILITY	536,548	494,273
Total Liabilities	7,461,919	8,368,197
STOCKHOLDERS' EQUITY:		
Common Stock: $.30 Par Value, 2,000,000 Shares Authorized, 583,094 Shares Issued, 519,350 Shares Outstanding	174,928	174,928
Capital in Excess of Par Value	1,288,793	1,288,793
Retained Earnings	13,529,101	13,645,492
Unrealized Holding Gain (Loss) on Securities	(54,339)	(61,959)
Treasury Stock, at Cost, 63,744 Shares	(276,919)	(276,919)
Total Stockholders' Equity	14,661,564	14,770,335
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 22,123,483	$ 23,138,532

See Accompanying Notes to these Consolidated Financial Statements (Unaudited).

PARADISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	FOR THE THREE MONTHS ENDED JUNE 30	
	2005	2004
Net Sales	$ 2,652,283	$ 2,077,380
Costs and Expenses:		
Cost of Goods Sold (excluding Depreciation)	1,652,306	933,649
Selling, General and Administrative Expense	973,627	863,895
Depreciation and Amortization	210,718	200,774
Interest Expense	14,913	18,719
Total Costs and Expenses	2,851,564	2,017,037
Income (Loss) from Operations	(199,281)	60,343
Other Income	5,771	1,856
Income (Loss) from Operations Before Provision for Income Taxes	(193,510)	62,199
Provision for Income Taxes	0	0
Net Income (Loss)	$(193,510)	$ 62,199
Net Income (Loss) per Common Share	$(.37)	$ 0.12

See Accompanying Notes to these Consolidated Financial Statements (Unaudited).

PARADISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30	
	2005	2004
Net Sales	$ 5,102,183	$ 3,967,206
Costs and Expenses:		
Cost of Goods Sold (excluding Depreciation)	3,623,576	2,484,865
Selling, General and Administrative Expense	1,755,726	1,640,817
Depreciation and Amortization	428,313	390,741
Interest Expense	28,272	29,596
Total Costs and Expenses	5,835,887	4,546,019
Loss from Operations	(733,704)	(578,813)
Other Income	15,563	4,199
Loss from Operations Before Provision for Income Taxes	(718,141)	(574,614)
Provision for Income Taxes	0	0
Net Loss	$(718,141)	$(574,614)
Net Loss per Common Share	$(1.38)	$(1.11)

See Accompanying Notes to these Consolidated Financial Statements (Unaudited).

PARADISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30, 2005	FOR THE SIX MONTHS ENDED JUNE 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$(718,141)	$(574,614)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization	428,313	390,741
Decrease (Increase) in:		
Accounts Receivable	370,172	531,440
Inventories	(7,319,921)	(6,933,962)
Prepaid Expenses	(197,928)	(353,631)
Other Assets	250,096	(8,812)
Increase (Decrease) in:		
Accounts Payable	3,032,816	2,203,335
Accrued Expense	(301,863)	(363,407)
Net Cash Used in Operating Activities	(4,456,456)	(5,108,910)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(460,590)	(200,693)
Cash Paid for Investment in Subsidiary		(731,481)
Net Cash Used in Investing Activities	(460,590)	(932,174)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Long-Term Debt		800,000
Net Proceeds (Repayments) of Short-Term Debt	1,783,108	2,399,435
Principal Payments of Long-Term Debt	(46,720)	(127,518)
Dividends Paid	(51,935)	(103,870)
Loan Cost Payments		(18,970)
Net Cash Provided by Financing Activities	1,684,453	2,949,077

Net Decrease in Cash	(3,232,593)	(3,092,007)
CASH AT BEGINNING OF PERIOD	3,258,811	3,110,599
CASH AT END OF PERIOD	$ 26,218	$ 18,592
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 28,272	$ 29,596
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Long-Term Debt Assumed or Issued for:		
Covenant Not to Compete	$	$ 123,000

See Accompanying Notes to these Consolidated Financial Statements (Unaudited).

PARADISE, INC. AND SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 Basis of Presentation

The accompanying unaudited consolidated financial statements of Paradise, Inc. (the "Company") have been prepared by the Company in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements.

The information furnished herein reflects all adjustments and accruals that management believes is necessary to fairly state the operating results for the respective periods. The notes to the financial statements should be read in conjunction with the notes to the consolidated financial statements contained in the Company's Form 10-KSB for the year ended December 31, 2004. The Company's management believes that the disclosures are sufficient for interim financial reporting purposes.

Note 2 Net Income (Loss) per Share

Net income (loss) per share, assuming no dilution, are based on the weighted average number of shares outstanding during the period: 519,350 (2005 and 2004).

Note 3 Business Segment Data

The Company's operations are conducted through two business segments. These segments, and the primary operations of each, are as follows:

Business Segment	Operation
Candied Fruit	Production of candied fruit, a basic fruitcake ingredient, sold to manufacturing bakers, institutional users, and retailers for use in home baking. Also, the processing of frozen strawberry products, for sale to commercial and institutional users such as preservers, dairies, drink manufacturers, etc.
Molded Plastics	Production of plastics containers and other molded plastics for sale to various food processors and others.

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net Sales in Each Segment		
Candied Fruit:		
Sales to Unaffiliated Customers	$ 777,345	$ 853,504
Molded Plastics:		
Sales to Unaffiliated Customers	4,324,838	3,113,702
Net Sales	$ 5,102,183	$ 3,967,206

For the six month period ended June 30, 2005 and 2004, sales of frozen strawberry products totaled $108,352 and $240,380, respectively.

The Company does not account for intersegment transfers as if the transfers were to third parties.

The Company does not prepare operating profit or loss information on a segment basis for internal use, until the end of each year. Due to the seasonal nature of the fruit segment management believes that it is not practical to prepare this information for interim reporting purposes. Therefore, reporting is not required by generally accepted accounting principles.

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Identifiable Assets of Each Segment are Listed Below		
Candied Fruit	$ 13,358,955	$ 14,896,498
Molded Plastics	5,716,578	4,739,737
Identifiable Assets	19,075,533	19,636,235
General Corporate Assets	3,047,950	3,502,297
Total Assets	$ 22,123,483	$ 23,138,532

Identifiable assets by segment are those assets that are principally used in the operations of each segment. General corporate assets are principally cash, land and buildings, and investments.

Note 4 Business Combination

On May 13, 2004, the Company acquired 100 percent of the outstanding shares of Mastercraft Products Corporation, for a total cost of $887,081. The results of Mastercraft Products Corporation operations have been included in the consolidated financial statements since April 1, 2004. Mastercraft Products Corporation manufactures and sells custom plastic and related products. The acquisition was made to increase the Company's customer base and add new products to the Company's existing line of plastics goods. The source of funds for the acquisition was a combination of the Company's available cash and loan proceeds of $800,000.

The following (unaudited) pro forma consolidated results of operations have been prepared as if the acquisition of Mastercraft Products Corporation had occurred at January 1, 2004:

	Three Months Ended June 30, 2004
Net Sales	$ 2,077,380
Net Income	62,199
Net Income per Share - Basic	0.12
Net Income per Share - Diluted	0.12

	Six Months Ended June 30, 2004
Net Sales	$ 4,263,784
Net Loss	(557,413)
Net Loss per Share - Basic	(1.07)
Net Loss per Share - Diluted	(1.07)

The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

Item 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations

Overview

The Company's core business, glace' (candied) fruit, which accounted for approximately 70% of total annual net sales during 2004, is highly seasonal. That is because the products are utilized primarily as ingredients for fruitcakes and other winter holiday confections, and nearly 85% of the annual shipments in that segment of business are made during an eight to ten week period, beginning in early September. However, in order to make timely deliveries during this period of peak demand, Paradise, Inc. must manufacture, package and store products throughout the year, building large inventories, and accruing expenses against which there is little offsetting income. The recording of substantial losses is common well into the fourth quarter, even during the most profitable years. Therefore, it is the opinion of management that only a full year's financial reporting will yield a meaningful measure of the Company's performance.

Manufacturing activity varies greatly from quarter to quarter and from year to year, depending on seasonal harvests and availability of raw materials, anticipated orders and other factors. A comparison of the current quarter with that immediately preceding or the similar quarter during the past year yields little useful information, so "Management's Discussion" is confined to data from the current year-to-date as compared to the like period during the preceding year.

The Company's other business segment, Paradise Plastics, Inc., a wholly owned subsidiary of Paradise, Inc., producing custom molding products, does not have the extreme seasonal variations as experienced in the fruit segment. This segment initially developed to provide in-house packaging capabilities for the sale of glace' (candied) fruit products, represented 30% of the Company's total consolidated annual net sales to unaffiliated customers during the past year.

The First Six Months

Paradise Plastics, Inc.'s net sales, to unaffiliated customers, increased 39% for the first six months of 2005 compared to the similar period of 2004. This increase includes $691,048 in net sales from Mastercraft Products Corporation compared to $240,727 recorded in the prior year's six month report. As mentioned in a previous filing, Paradise, Inc. acquired 100% of the outstanding shares of Mastercraft Products Corporation on May 13, 2004. This Central Florida based thermoformer sells plastics products to clients in the food, medical and high-tech industries throughout the Southeastern United States. Growth in this business segment has been related to the consistent ability to provide high-tech engineered plastics products for its customers.

The First Six Months (Continued)

Paradise, Inc.'s fruit segment net sales, which are highly seasonal, decreased by 8.9% for the first six months of 2005 compared to the similar period of 2004. Weather conditions surrounding the spring harvest season for strawberries, delayed and then limited the availability of frozen strawberry products processed on behalf of a Central Florida distributor. However, with less than 5% of anticipated fruit segment net sales recorded to date, no reasonable trend in sales activity can be determined at this time.

Cost of sales, as a percentage of net sales, increased 8.4% compared to the prior year's reporting period. Price increases absorbed from the Company's suppliers of plastics raw materials, caused in part by rising fuel cost has contributed to this increase. In addition, part-time labor expense, which is highest during the glace' fruit production period of May through November, has increase slightly, as the State of Florida increased minimum wage, effective May 2, 2005.

Selling expenses increased 17% for the first six months of 2005 compared to the similar period of 2004 based upon the following events. First, the Company negotiated a settlement with a national food brokerage firm to resolve a dispute regarding certain marketing expenses incurred on behalf of Paradise, Inc. Secondly, due to changes in market conditions and along with competitive price alternatives for the procurement of raw fruit products, Paradise, Inc.terminated its minority interest in the Company's Mexican based supplier of pineapple. Finally, Paradise, Inc. incurred selling expenses with the Company's decision to terminate a joint marketing agreement with a West Coast distributor of frozen strawberry products. Expenses associated with these events totaled $129,636. This amount was charged to operations during the second quarter of 2005. No additional expenses regarding these events are anticipated in the future.

General and administrative expenses increased 2.4% for the first six months of 2005 compared to previous year's reporting period. Despite several administrative employee retirements over the past year, increases in pension plan contributions along with the premiums paid related to the employer's share of health insurance have reduced the savings achieved in this category.

Depreciation and amortization expenses increased 9.6% for the first six months of 2005 compared to the similar period of 2004 as the Company placed more than $425,000 in Plastics thermoforming equipment into operations during the second half of 2004.

Interest expense decreased slightly over the previous year's six month reporting period as improved cash flow from Paradise Plastics, Inc. offset increases in the rate of interest charged by the Company's primary lender on its revolving short-term working capital loan.

Summary

Paradise, Inc.'s consolidated net sales, increased 29% for the first six months of 2005 compared to the similar period of 2004. However, with an 8.4% increase in the cost of sales, combined with a one-time charge of $129,636 to terminate several vendor agreements, Paradise, Inc.'s net operating loss for the first six months of 2005 increased by $143,527 compared to the similar period of 2004.

Finally, with less than 25% of consolidated net sales activity generated to date, management can not make any reasonable forecast as to the Company's year end profit. Only a full year's accounting will yield any meaningful results as to the Company's overall performance and profitability.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have, within 90 days of the filing date of this quarterly report, evaluated the Company's disclosure controls and procedures. Based on their evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the applicable Securities and Exchange Commission rules and forms. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the most recent evaluation of these controls by the Company's Chief Executive Officer and Chief Financial Officer. No significant deficiencies or material weaknesses in the Company's internal controls were identified, therefore, no corrective actions were taken.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - N/A

Item 2. Changes in Securities - N/A

Item 3. Defaults upon Senior Securities - N/A

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of Paradise, Inc. was held on May 26, 2005. The purpose of the meeting was to elect five directors to hold office until the next annual meeting of shareholders and to ratify the reappointment of Bella, Hermida, Gillman, Hancock & Mueller as the Company's independent certified public accountants for 2005.

The following is the results of the election of Directors:

Nominee	Votes For	Votes Withheld
Melvin S. Gordon	440,906	35,152
Randy S. Gordon	440,906	35,152
Tracy W. Schulis	440,906	35,152
Mark H. Gordon	440,906	35,152
Eugene L. Weiner	415,906	60,927

The following is the results of the ratification of Bella, Hermida, Gillman, Hancock & Mueller as the Company's independent accountants for 2005:

For	Against	Abstain
448,803	1,400	25,855

Item 5. Other Information - N/A

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(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, thereunto duly authorized.

PARADISE, INC.
A Florida Corporation

/s/ Melvin S. Gordon Date: August 16, 2005

Melvin S. Gordon
Chief Executive Officer and Chairman

/s/ Jack M. Laskowitz Date: August 16, 2005

Jack M. Laskowitz
Chief Financial Officer and Treasurer