

PGMI, INC.
Form 10QSB
May 22, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 March 31, 2006

OR

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

For the transition period from _____ to _____

Commission file number 000-32195

PGMI, INC.

(Exact name of Registrant as specified in its charter)

Utah

(State or other jurisdiction of
incorporation or organization)

87-0319410

(I.R.S. Employer
Identification No.)

5912 Bolsa Avenue, Suite 108, Huntington Beach, California

(Address of principal executive offices)

92649

(Zip Code)

(714) 895-7772

(Registrant's telephone number, including area code)

HAPS USA, INC.

(Former name, former address and former fiscal year if changed since last reported)

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 reports); and (2) has been subject

Edgar Filing: PGMI, INC. - Form 10QSB

to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Number of Shares Outstanding
Common Stock, no par value	20,600,646 shares of common stock as May 22, 2006

Transitional Small Business Disclosure Format (Check one):

Yes No .

PGMI, INC.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements:</u> <u>Consolidated Balance Sheet at March 31, 2006 (unaudited)</u> <u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended March 31, 2006 and 2005 (unaudited)</u> <u>Consolidated Statements of Cash Flows for the nine months ended March 31, 2006 and 2005 (unaudited)</u> <u>Notes to Consolidated Financial Statements</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis or Plan of Operations</u>
<u>Item 3.</u>	<u>Controls and Procedures</u>

PART II - OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>
<u>Item 2.</u>	<u>Changes in Securities and Small Business Issuer Purchases of Equity Securities</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>
<u>Item 5.</u>	<u>Other Information</u>
<u>Item 6.</u>	<u>Exhibits</u>

SIGNATURES

The terms we, us, our, the Company, and PGMI, as used in this Report on Form 10-QSB refers to PGMI, Inc., a Utah Corporation, and its wholly-owned subsidiary, Marugin International, Inc., a corporation formed under the laws of Japan.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PGMI, INC. AND SUBSIDIARIES

(FORMERLY HAPS USA, INC.)

Index to Consolidated Financial Statements:

Consolidated Balance Sheet as of March 31, 2006 (Unaudited)

Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended March 31, 2006 and 2005 (Unaudited)

Consolidated Statement of Shareholders' Equity for the nine months ended March 31, 2006 (Unaudited)

Consolidated Statements of Cash Flows for the nine months ended March 31, 2006 and 2005 (Unaudited)

Notes to Consolidated Financial Statements (Unaudited)

PGMI, INC. AND SUBSIDIARIES**(FORMERLY HAPS USA, INC.)****CONSOLIDATED BALANCE SHEET**

	March 31, 2006
	(Unaudited)
ASSETS (Note 5)	
Current assets:	
Cash	\$ 12,138,789
Time deposits	1,719,836
Inventories	634,229
Cash surrender value of life insurance	618,046
Deferred income taxes	130,751
Prepaid expenses and other (Note 4)	567,232
Total current assets	15,808,883
Property and equipment, net (Note 3)	40,074,817
Deferred income taxes	1,472,625
Deposits and other assets (Note 4)	2,754,425
Total assets	\$ 60,110,750
LIABILITIES AND SHAREHOLDERS EQUITY	
Current liabilities:	
Accounts payable	\$ 1,567,548
Accrued liabilities (Note 4)	636,140
Current portion of long-term debt (Note 5)	7,761,935
Current portion of capital lease obligations	1,703,512
Current portion of loan payable to shareholders	91,845
Total current liabilities	11,760,980
Long-term debt, net of current portion (Note 5)	35,168,203
Capital lease obligations, net of current portion	3,551,152
Non-current accrued liabilities (Note 4)	1,575,465
Loan payable to shareholders, net of current portion	596,990
Total liabilities	52,652,790
Commitments and contingencies (Note 6)	
Shareholders' Equity (Note 7):	
Preferred stock, no par value, 150,000,000 shares authorized:	
Class A convertible preferred stock, 6,000,000 shares designated, 5,040,053 shares issued and outstanding	2,333,683
Class B convertible preferred stock, 5,000,000 shares designated, no shares issued and outstanding	
Class C convertible preferred stock, 1,200,000 shares designated, no shares issued and outstanding	
Class E convertible preferred stock, 116,595,760 shares designated, 97,059,998 shares issued and outstanding	2,115,915
Common stock, no par value, 750,000,000 shares authorized, 20,560,646 shares issued and outstanding	105,892
Restricted retained earnings	106,966
Unrestricted retained earnings	2,658,794
Accumulated other comprehensive income	136,710
Total shareholders' equity	7,457,960
Total liabilities and shareholders' equity	\$ 60,110,750

See accompanying notes to these consolidated financial statements

PGMI, INC. AND SUBSIDIARIES

(FORMERLY HAPS USA, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended		For the Nine Months Ended	
	March 31, 2006 (unaudited)	March 31, 2005 (unaudited)	March 31, 2006 (unaudited)	March 31, 2005 (unaudited)
REVENUES:				
Gaming (Note 8)	\$ 6,536,236	\$ 6,548,366	\$ 17,337,892	\$ 15,959,243
Food, beverage and other	483,450	326,714	1,320,141	1,250,500
Total revenues	7,019,686	6,875,080	18,658,033	17,209,743
COST OF REVENUES:				
Salaries and wages	1,057,961	1,129,803	3,481,814	3,578,319
Depreciation	2,721,808	2,967,045	6,428,673	6,176,661
Facilities and other	1,297,080	1,595,183	3,855,530	