FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

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FILER

PHOENIX GOLD INTERNATIONAL INC

CIK:**943032**| IRS No.: **931066325** | State of Incorp.:**OR** | Fiscal Year End: **0924**
Type: **10QSB/A** | Act: **34** | File No.: **000-25866** | Film No.: **96687662**
SIC: **3651** Household audio & video equipment

Mailing Address
9300 N DECATUR STREET
PORTLAND OR 97203

Business Address
9300 NORTH DECATUR ST
PORTLAND OR 97203
5032882008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A
Amendment No. 1

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1996

[ ] 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. 0-25866

PHOENIX GOLD INTERNATIONAL, INC.
(Exact name of small business issuer as specified in its charter)

Oregon	93-1066325
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

9300 North Decatur Street Portland, Oregon	97203
(Address of principal executive offices)	(Zip code)

(503) 288-2008
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 [ ]

As of April 30, 1996, there were issued and outstanding 3,446,920 shares of the Company's Common Stock.

Transitional Small Business Disclosure Format (check one): YES [ ] NO [X]

PHOENIX GOLD INTERNATIONAL, INC.
Form 10-QSB/A for the Quarter Ended March 31, 1996

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

PHOENIX GOLD INTERNATIONAL, INC.
BALANCE SHEETS

ASSETS

	March 31, 1996	September 30, 1995
	(Unaudited) (As restated, see Note 5)	(Audited)
Current assets:		
Cash and cash equivalents	$ 2,251	$ 2,101,563
Accounts receivable, net	6,054,216	3,825,473
Inventories	9,025,626	4,482,442
Prepaid expenses	586,697	328,047
Deferred taxes	53,614	53,614
Total current assets	15,722,404	10,791,139
Property and equipment, net	3,910,704	3,363,600
Goodwill, net	316,481	201,396
Other assets	381,997	153,114
Total assets	$ 20,331,586	$ 14,509,249

LIABILITIES & SHAREHOLDERS' EQUITY

Accounts payable	4,371,373	1,322,083
Notes payable	3,218,105	-
Accrued expenses	589,857	533,989
Current portion of long-term debt and capital lease obligations	119,200	113,800
Total current liabilities	8,298,535	1,969,872
Long-term obligations, net of current portion	225,215	286,189
Deferred taxes	65,096	240,000
Shareholders' equity:		
Preferred Stock; 5,000,000 shares authorized; none outstanding	-	-
Common stock, no par value; 20,000,000 shares authorized; 3,445,000 and 3,446,414 shares outstanding at March 31, 1996 and September 30, 1995, respectively	7,441,973	7,432,987
Retained earnings	4,300,767	4,580,201
Total shareholders' equity	11,742,740	12,013,188

Total liabilities and shareholders' equity	$ 20,331,586	$ 14,509,249

See Notes to Financial Statements

PHOENIX GOLD INTERNATIONAL, INC.
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1996	1995	1996	1995
	(As restated, see Note 5)		(As restated, see Note 5)	
Net sales	$ 6,759,015	$ 4,430,177	$11,886,804	$ 8,385,382
Cost of sales	5,042,899	2,740,713	8,676,468	5,399,873
Gross profit	1,716,116	1,689,464	3,210,336	2,985,509
Operating expenses:				
Selling	787,603	568,319	1,328,478	990,327
General and administrative	660,557	394,954	2,315,585	776,588
Total operating expenses	1,448,160	963,273	3,644,063	1,766,915
Income (loss) from operations	267,956	726,191	(433,727)	1,218,594
Other income (expense):				
Interest expense	(29,755)	(124,905)	(40,116)	(216,134)
Other income, net	-	(4,653)	19,495	(4,653)
Total other expense	(29,755)	(129,558)	(20,621)	(220,787)
Earnings (loss) before taxes	238,201	596,633	(454,348)	997,807
Income tax expense (benefit)	91,461	251,415	(174,914)	403,415

Net earnings (loss)	$ 146,740	$ 345,218	$ (279,434)	$ 594,392
Net earnings (loss) per share	$ 0.04	$ 0.15	$ (0.08)	$ 0.26
Shares used in per share calculation	3,651,255	2,270,207	3,445,707	2,270,207

See Notes to Financial Statements

PHOENIX GOLD INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31, 1996	1995
Cash flows from operating activities:		
Net earnings (loss)	$ (279,434)	$ 594,392
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	406,467	265,752
Deferred taxes	(174,904)	(26,882)
In-process research and development expenses	1,120,500	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,228,743)	(397,638)
Inventories	(3,763,082)	(1,261,060)
Prepaid expenses	(258,650)	(275,677)
Other assets	(143,531)	-
Accounts payable	3,049,290	398,815
Accrued expenses	55,857	24,434
Net cash used in operating activities	(2,216,230)	(677,864)

Cash flows from investing activities:		
Capital expenditures, net	(902,997)	(1,151,925)
Acquisition of Carver Professional Sound division	(1,792,616)	-
Net cash used in investing activities	(2,695,613)	(1,151,925)
Cash flows from financing activities:		
Proceeds from long-term obligations	-	2,092,563
Repayment of long-term obligations	(55,574)	(732,474)
Notes payable, net	2,868,105	432,558
Proceeds from notes payable to shareholders	-	22,865
Net cash provided by financing activities	2,812,531	1,815,512
Decrease in cash	(2,099,312)	(14,277)
Cash and cash equivalents, beginning of period	2,101,563	18,038
Cash and cash equivalents, end of period	$ 2,251	$ 3,761
Supplemental disclosures:		
Cash paid during the period for interest	$ 55,594	$ 208,678
Cash paid during the period for income taxes	$ 101,800	$ 428,000
Note payable incurred via acquisition of Carver Professional Sound division	$ 350,000	$ -

See Notes to Financial Statements

PHOENIX GOLD INTERNATIONAL, INC.
Notes to Financial Statements
(Unaudited)

(1) Unaudited financial statements

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted from these unaudited financial statements. These unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-KSB for the fiscal year ended September 24, 1995 filed with the Securities and Exchange Commission. The results of operations for the three and six-month periods ended March 31, 1996 are not necessarily indicative of the operating results for the full year. In the opinion of management, all adjustments have been made to present fairly the Company's financial position at March 31, 1996 and the results of its operations and its cash flows for the three and six-month periods ended March 31, 1996 and 1995.

(2) Reporting periods

The Company's fiscal year is the 52-week or 53-week period ending the last Sunday in September. Fiscal 1995 was a 52-week year and fiscal 1996 is a 53-week year. For presentation convenience, the Company has indicated in these financial statements that its fiscal year ends on September 30. The first quarter of fiscal 1995 was a 13-week period and the same quarter in fiscal 1996 was a 14-week period. The remaining quarters in fiscal years 1995 and 1996 are 13-week quarters.

(3) Inventories

Inventories are stated at the lower of average cost or market and consist of the following:

	March 31, 1996	September 30, 1995
Raw materials	$ 4,316,973	$ 1,161,666
Work-in-process	534,047	346,055
Finished goods	4,009,033	2,874,923
Supplies	165,573	99,798
Total inventories, net	$ 9,025,626	$ 4,482,442

PHOENIX GOLD INTERNATIONAL, INC.
Notes to Financial Statements
(Unaudited)

(4) Property and equipment

Property and equipment consist of the following:

	March 31, 1996	September 30, 1995
Machinery, equipment, and vehicles	$ 3,429,680	$ 3,020,056
Leasehold improvements	1,348,580	1,324,350
Construction in process	524,459	55,315
	5,302,719	4,399,721
Less accumulated depreciation and amortization	(1,392,015)	(1,036,121)
Total inventories, net	$ 3,910,704	$ 3,363,600

5) Restatement

Subsequent to the issuance of the financial statements for the six months ended March 31, 1996, and based upon a subsequent independent valuation related to the Company's acquisition of the professional sound division of Carver Corporation, management determined that the allocation of the purchase price among the acquired assets should be revised. Accordingly, these unaudited financial statements have been restated to reflect a one-time charge related to in-process research and development costs associated with that purchase and an increase in the acquired costs and related cost of sales of certain finished goods purchased from Carver Corporation in that transaction. The effects of the restatement are as follows:

As of March 31, 1996:

	As Previously Reported	As Restated
Current assets	$15,666,044	$15,722,404
Noncurrent assets	6,028,176	4,609,182
Current liabilites	8,364,874	8,298,535
Total liabilities	9,112,527	8,588,846
Retained earnings	5,139,720	4,300,767

For the three months ended March 31, 1996:

	As Previously Reported	As Restated

Net income	$ 201,975	$ 146,740
Net income per share	$ 0.06	$ 0.04
Shares used in per share calculation	3,651,255	3,651,255

For the six months ended March 31, 1996:

	As Previously Reported	As Restated
Net income (loss)	$ 559,519	$ (279,434)
Net income (loss) per share	$ 0.15	$ (0.08)
Shares used in per share calculation	3,633,851	3,445,707*

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* Share equivalents are anti-dilutive and excluded from calculation.

PART I. FINANCIAL INFORMATION

Item 2: Management's Discussion and Analysis or Plan of Operation

PHOENIX GOLD INTERNATIONAL, INC.
Management's Discussion and Analysis
of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Net sales increased $2.33 million, or 52.6%, to $6.76 million for the three months ended March 31, 1996, compared to $4.43 million for the three months ended March 31, 1995. Sales of electronics products in the quarter ended March 31, 1996 increased 75.8% from the quarter ended March 31, 1995, principally due to the commencement in December 1995 of sales of the Company's new professional sound products. Sales of speakers and accessories increased 51.8% and 28.7%, respectively, in the second quarter of fiscal 1996 compared to the comparable fiscal 1995 quarter. Net sales increased $3.50 million, or 41.8%, to $11.89 million for the six months ended March 31, 1996, compared to $8.39 million for the six months ended March 31, 1995. Sales of electronics products, speakers and accessories increased 68.2%, 27.6% and 17.0%, respectively, in the first six months of fiscal 1996 compared to the comparable fiscal 1995 period.

International sales increased 44.6% to $2.63 million for the three months ended March 31, 1996, from $1.82 million in the comparable 1995 period. International sales increased 53.5% to $4.98 million for the six months ended March 31, 1996, from $3.24 million in the comparable 1995 period. The increase in international sales for the six months ended March 31, 1996 resulted primarily from several significant orders of electronics from a European distributor in anticipation of

European regulatory changes effective as of December 31, 1995. The Company does not expect these orders to be repeated in future periods. International sales represented 39.0% and 41.1% of net sales for the three months ended March 31, 1996 and 1995, respectively. International sales represented 41.9% and 38.7% of net sales for the six months ended March 31, 1996 and 1995, respectively.

Gross profit decreased to 25.4% of net sales for the three months ended March 31, 1996 from 38.1% in the comparable fiscal 1995 period. Gross profit decreased to 27.0% of net sales for the six months ended March 31, 1996 from 35.6% in the comparable fiscal 1995 period. The decrease in gross profit for the three and six months ended March 31, 1996 was primarily due to changes in the product sales mix, which included sales of lower margin professional sound products acquired from Carver Corporation in November 1995, and start-up costs associated with manufacturing new products.

The Company introduced a record 19 new electronics and speakers products in January 1996. Initial shipments of many of these products were delayed until late March 1996 as the Company responded to customer comments by making several engineering design changes to the products. The introduction of new products effectively shortened the life cycle and decreased sales of several of the Company's key existing products during the earlier part of the second quarter of fiscal 1996. The shortfall in car audio electronics sales in the quarter was generally offset by sales of professional sound products that carry much lower gross margins than car audio electronics products. Additionally, the Company also experienced significant production and engineering related start-up costs for the new professional sound and car audio electronics products.

Operating expenses consist of selling, general and administrative expenses. Total operating expenses increased $485,000, or 50.3%, to $1.45 million for the three months ended March 31, 1996 compared to $963,000 for the three months ended March 31, 1995. Operating expenses were 21.4% and 21.7% of net sales in the respective three-month periods. Operating expenses increased $1.88 million or 106.2%, to $3.64 million for the six months ended March 31, 1996 compared to $1.77 million for the six months ended March 31, 1995. Operating expenses were 30.7% and 21.1% of net sales in the respective six-month periods.

Selling expenses increased $219,000, or 38.6%, to $788,000 for the three months ended March 31, 1996 compared to $568,000 for the comparable fiscal 1995 period. Selling expenses were 11.7% and 12.8% of net sales in the respective three-month periods. Selling expenses increased $338,000, or 34.1%, to $1.33 million for the six months ended March 31, 1996 compared to $990,000 for the comparable fiscal 1995 period. Selling expenses were 11.2% and 11.8% of net sales in the respective six-month periods. The increased selling expenses in dollar amount for the three and six months ended March 31, 1996 were principally due to increased trade show, advertising and related expenses to support sales of existing and newly introduced products, and increased personnel and related costs.

General and administrative expenses increased $266,000, or 67.2%, to $661,000 for the three months ended March 31, 1996, compared to $395,000 for the comparable fiscal 1995 period due principally to increased on-going research and development costs, higher legal, accounting and investor relations expenses and additional personnel and related costs. General and administrative expenses were 9.8% and 8.9% of net sales in the respective three-month periods. General and administrative expenses increased $1.54 million to $2.32 million for the six months ended March 31, 1996 compared to $777,000 for the comparable fiscal 1995 period due principally to a one-time charge of $1.12 million related to in-process research and development costs associated with the purchase of the Carver professional sound division, increased on-going research and development costs, higher legal, accounting and investor relations expenses and additional personnel and related costs. General and administrative expenses were 19.5% and 9.3% of net sales in the respective six-month periods.

Other expenses, net of other income, decreased $100,000, or 77.0%, to $30,000 for the three months ended March 31, 1996 compared to $130,000 for the comparable fiscal 1995 period. Other expenses, net of other income, decreased $200,000, or 90.7% to $21,000 for the six months ended March 31, 1996 compared to $221,000 for the comparable fiscal 1995 period. The changes were due to reduced interest expense on borrowings and interest income from investment of initial public offering proceeds during the three and six-month periods in fiscal 1996.

Net earnings were $147,000, or $.04 per share, for the three months ended March 31, 1996 compared to $345,000, or $.15 per share, for the comparable prior period in fiscal 1995. Net earnings were 2.2% and 7.8% of net sales in the respective three-month periods. Net loss was $279,000, or $.08 per share, for the six months ended March 31, 1996 compared to net earnings of $594,000, or $.26 per share, for the comparable fiscal 1995 period. The net loss for the six months ended March 31, 1996 resulted primarily from the one-time charge associated with the Carver acquisition discussed above. The weighted average number of shares increased in the three and six-month periods in fiscal 1996 due to the initial public offering of the Company's Common Stock in May 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary needs for funds are for working capital and, to a lesser extent, for capital expenditures. The Company financed its operations during the six months ended March 31, 1996 principally from proceeds from short-term borrowings. The Company has a $4.0 million revolving bank operating line of credit expiring on December 31, 1996. There was $2.87 million outstanding on the line at March 31, 1996, and the Company was eligible to borrow an additional $1.13 million under such line on that date. Interest on borrowings is equal to the bank's prime lending rate (8.25% at March 31, 1996). Borrowings under the line of credit are secured by substantially all of the Company's assets. Net cash used in operating activities was $2.20 million for the six months ended March 31, 1996. Cash and cash equivalents decreased $2.10 million and working capital decreased $1.40 million during the six months ended March 31, 1996, primarily due to the acquisition of the Carver Professional Sound division in November 1995.

Accounts receivable increased $2.23 million during the six months ended March 31, 1996, principally due to increased sales volume during March 1996.

Inventories increased $4.54 million, or 101.4%, to $9.03 million during the six months ended March 31, 1996. This increase is due primarily to the acquisition of raw material components necessary for the manufacture of the Company's new professional sound products, its newly introduced car audio electronics and Cyclone speaker products. A significant quantity of these raw materials was purchased from Carver Corporation and its outside vendors in order to support production of professional sound products while the Company establishes alternative sources for all parts, many of which have long lead-times for procurement. Increases in inventory were funded primarily by increases in accounts payable of $3.05 million and in notes payable.

Prepaid expenses increased $259,000 during the six months ended March 31, 1996, primarily due to trade show and insurance costs incurred in the beginning of the Company's fiscal year that will be amortized over the remainder of the fiscal year.

Effective November 20, 1995, the Company acquired substantially all of the assets of the Professional Sound division of Carver Corporation. The assets acquired included finished goods and other intangible property, including the license of the name "Carver Professional" for five years. The purchase price for the assets was $2.14 million, of which the Company paid $1.79 million in cash and issued a $350,000 note payable due on November 20, 1996. The Company accounted for the acquisition under the purchase method of accounting and recorded in-process research and development expenses of $1.12 million, finished goods of $780,000, other intangibles of $110,000 and goodwill of $132,000. Other intangibles are included in "Other Assets" on the Company's balance sheet as of March 31, 1996 and consist of patents and trademarks, a covenant not to compete and intellectual property. Other intangibles and goodwill are being amortized using the straight-line method over a period of five years.

Net deferred tax liabilities decreased $175,000 in the six months ended March 31, 1996, principally due to certain differences in book and tax accounting treatments arising from the acquisition of the Carver professional sound division in November 1995.

In January 1996 the Company amended its lease for its facility to extend its option to purchase the facility until June 30, 1999 and to lease on a triple-net basis approximately 34,000 square feet of additional space in an adjacent building. Annual lease payments for the additional space are approximately $134,000. The Company has the option at any time prior to June 30, 1999 to purchase the additional space for $1.27 million, subject to increases based upon changes in the Consumer Price Index.

The Company made capital expenditures of $903,000 during the six months ended March 31, 1996. These expenditures related primarily to the continued automation of certain manufacturing operations, tooling costs associated with the manufacturing of new speaker products and the upgrade and expansion of the Company's existing computer system. Management anticipates that capital expenditures for the remainder of fiscal 1996 will be approximately $200,000. These anticipated expenditures will be financed from proceeds of long-term debt and cash provided by operations.

FORWARD-LOOKING STATEMENTS

This Report contains "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995, including, without limitation, statements as to expectations, beliefs and future financial performance, that are based on current expectations and are subject to certain risks, trends and uncertainties that could cause actual results to vary from those projected, which variances may have a material adverse effect on the Company. Among the factors that could cause actual results to differ materially are the following: business conditions and growth in the car audio, professional sound and custom audio/video and home theater markets and the general economy; competitive factors such as rival products and price pressures; the failure of new products to compete successfully in existing or new markets; the failure to achieve timely improvement in the manufacturing ramp with respect to new products; changes in product mix; availability and price of components, subassemblies and products supplied by third party vendors; and cost and yield issues associated with production at the Company's factory.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings	NONE
Item 2. Changes in Securities	NONE
Item 3. Defaults Upon Senior Securities	NONE

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

The Company held its annual meeting of shareholders on February 12, 1996. Voting common shareholders took the following actions at the meeting:

1. The shareholders voted to elect the following nominees to the Company's Board of Directors:

	Votes For	Votes Withheld

Keith A. Peterson	3,256,419	1,250
Timothy G. Johnson	3,256,419	1,250
Frank G. Magdlen	3,256,419	1,250
Matthew W. Chapman	3,256,419	1,250

2. The shareholders voted to ratify management's selection of auditors for fiscal 1996 by the affirmative vote of 3,242,024 shares, with 14,645 shares voting against the proposal and 0 shares abstaining.

Item 5. Other Information NONE

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits
(27) Financial Data Schedule

B. Reports on Form 8-K
NONE

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized.

PHOENIX GOLD INTERNATIONAL, INC.

/s/ David D. Bills

David D. Bills
Vice President - Finance
(Principal Financial and Accounting Officer)

Dated: December 30, 1996

FORM 10-QSB

PHOENIX GOLD INTERNATIONAL, INC.

Exhibit Index

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(27)   Financial Data Schedule   17

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