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

Amendment No. 2
to
FORM 10-KSB

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended May 31, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ________ to __________

INTELLIGENT LIVING CORP.

FORMERLY ELGRANDE INTERNATIONAL, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**000-25335**	**88-0409024**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Suite 221, 2323 Quebec Street, Vancouver, B.C., Canada	**V5T 4S7**
(Address of principal executive offices)	(Zip Code)

604-876-7494
Issuer's telephone number, including area code

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $.001 par value per share
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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. [X] Yes [ ] No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year. $517,082

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

The aggregate market value of the Common Stock held by non-affiliates (based upon the last reported price on the bid-ask average on the OTC Bulletin Board) on September 13, 2006 was approximately $739,712. As of September 13, 2006, there were 43,512,479 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

AS A PART OF THE REVIEW BY THE SECURITIES AND EXCHANGE COMMISSION OF THE COMPANY'S PAST FILINGS UNDER THE SECURITIES EXCHANGE ACT OF 1934, WE ARE FILING THIS AMENDMENT NO. 2 TO OUR FORM 10-KSB FOR THE YEAR ENDED MAY 31, 2006, WHICH WAS PREVIOUSLY AMENDED BY AMENDMENT NO. 1 THERETO FILED ON APRIL 13, 2007 (THE "AMENDED 2006 FORM 10-KSB"). THIS AMENDMENT NO. 2 INCLUDES THE CONSENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO INCORPORATION BY REFERENCE OF THEIR AUDIT REPORT AND AUDITED FINANCIALS FOR OUR COMPANY INCLUDED IN THE AMENDED 2006 FORM 10-KSB IN SPECIFIED REGISTRATION STATEMENTS ON FORM S-8 FILED BY US. IN ORDER TO PRESERVE THE NATURE AND CHARACTER OF THE DISCLOSURES SET FORTH IN THE AMENDED 2006 FORM 10-KSB AS OF APRIL 13, 2006, THE DATE ON WHICH THE AMENDED 2006 FORM 10-KSB WAS FILED, NO ATTEMPT HAS BEEN MADE IN THIS AMENDMENT NO. 2 TO MODIFY OR UPDATE DISCLOSURES EXCEPT AS DESCRIBED ABOVE.

FORWARD LOOKING STATEMENTS

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based on the Company's current expectations as to future events. In the light of the uncertainties in the potential markets for the Company's planned products, the forward-looking events and circumstances discussed in this document might not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Cautionary Statement Regarding Forward-Looking Statements</u>This annual report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. Some discussions in this report may contain forward-looking statements that involve risk and uncertainty. A number of important factors could cause our actual results to differ materially from those expressed in any forward-looking statements made by us in this report. Forward-looking statements are often identified by words like: "believe", "expect", "estimate", "anticipate", "intend", "project" and similar expressions or words which, by their nature, refer to future events.

In some cases, you can also identify forward-looking statements by terminology such as "may", "will", "should", "plans", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

RESULTS OF OPERATIONS

<u>Comparison of the Years Ended May 31, 2006 and May 31, 2005.</u>

In January 2002 we launched our wholesale operations through the trade name European Sources Direct (ESD). Since then, we have established wholesale sales representation in key U.S. and Canadian regional giftware and home décor wholesale centers. The Company has invested in product inventory to fulfill sales, to stock showrooms established in key market centers in the USA and Canada, and provide a minimum level of safety stock. On May 31, 2006 we had inventory on hand of $213,314.

For the year ended May 31, 2006, we had revenues of $517,082 versus $1,040,306 for the same period ending last year. These revenues are primarily due to the Company's importation and wholesale distribution of glass tableware manufactured in Germany by Walther-Glas. Revenue for the year ending May 31, 2006 has decreased by approximately 50% compared to the same period in the prior year. This substantial decrease in revenues is primarily due to the direct and indirect effects of a prolonged container strike that significantly delayed the receipt of inventory from Europe and adversely affected our ability to fulfill orders to our customers. This strike occurred at the start of the first quarter and continued into the first month of the second quarter. The container strike was a force majeure event. This period covers the majority of the fall and Christmas holiday wholesale giftware and home décor buying season and resulted in the loss of a substantial portion of our expected incoming sales orders and the cancellation of a large portion of our existing pending sales orders. Fulfilling orders during this period also resulted in a substantial reduction of our Walther-Glas inventory and a resulting inventory imbalance which we were able to start correcting in mid second quarter. At the close of the year ending May 2006 the Company had pre-paid inventory orders placed with Walther-Glas in the amount of approximately $42,000. This inventory was pre-sold and committed to orders placed in the third and fourth quarters.

We experienced a significant disruption in the production of our Ginger Kelly product in the Czech Republic. In February 2006 the production furnace used by the master glassblower producing the Ginger Kelly glassware line suffered a terminal failure of the refractory lining. Re-build costs were prohibitive and all production was cancelled. Failure of the production furnace prevented us from fulfilling orders booked during the spring trade shows in January and early February 2006 and has led to the cancellation of pending sales orders.

Gross Profit for the year ending May 31, 2006 was $139,993 versus $370,445 as at May 31, 2005. The current gross profit of 27 percent of revenue is due entirely to the Company's wholesale activity. The net loss for the year ending May 31, 2006 was $1,234,122 versus $936,000 for the prior year. We generated negative cash flow from operating activities for the period from inception (April 8, 1998) through May 31, 2006.

Changes in Financial Condition

A summary of expenses for the year ended May 31, 2006 compared to the same period in 2005 is as follows:

	2006	2005
Consulting	509,437	168,018
Selling expense	101,625	270,410
Legal and other	103,624	103,116
Salaries	229,360	428,976
Depreciation and amortization	10,661	28,962
Office administration and misc	83,821	213,726
Travel and entertainment	18,058	37,309
	1,056,586	1,250,517

Significant changes in the Company's financial condition that warrant discussion include:

Selling expense

Selling expenses were 62% lower in the year ended May 31, 2006 than in the same period ended 2005. Due to established lines, our need for promotional activity was decreased. We limited our trade show attendance to key shows with guaranteed retailer attendance. In addition, certain of our expenses were reclassified from Selling Expenses to Office and Administration in our third quarter to properly reflect only sales generating expenses.

Depreciation and amortization

Our property and equipment were fully amortized at the start of this fiscal year and accordingly, our depreciation expense had been greatly reduced as the year ended.

Office and Administration

Office, administration and miscellaneous costs were lower by 61% in the year ended May 31, 2006 compared to 2005. This reduction is primarily a result of reduced administrative expenses plus re-classification of expenses previously booked to office and administration and re-allocated to other categories.

Travel and Entertainment

In the year ended May 31, 2006 we cut our travel and entertainment costs by close to 52% by being selective in the trade shows we attended. We also limited our representation at these trade shows, further cutting back travel costs.

Management is currently investigating other ways to improve its business administration. This may involve additional investments in information technology to create efficiencies.

LIQUIDITY AND CAPITAL RESOURCES

<u>Trends Likely to Have a Material Impact on Short & Long Term Liquidity</u>

Liquidity

Our business is in transition. Uncertainties in the marketplace that affect sales and product supply of our home décor line of business directly impact liquidity. These uncertainties include, but are not limited to: foreign exchange fluctuations, labor and material shortages, labor disruptions, continued acceptance of the Company’s product within the Company’s market cannot be quantified at this time.

Internal and External Sources of Capital

We have limited assets to sell in order to create short or long term liquidity. Therefore we are dependent on a combination of external sources for funding and the developing trend to increased sales and positive net cash flow to maintain liquidity. Until such time as we have positive cash flow on a monthly basis, the dependence on external capital will remain.

There are no guarantees that we will be able to raise external capital in sufficient amounts or on terms acceptable to us. We have not been able to demonstrate a consistent trend of positive cash flow and profitable quarters, which would a beneficial effect on liquidity.

Investing Activities

Investing activities for the period from inception through May 31, 2006 consisted primarily of the purchase of inventory, property and equipment and soft costs associated with the development of our wholesale activities and supporting infrastructure.

*Financing Activities*Since inception, we financed operations through proceeds from the issuance of equity and debt securities and loans from shareholders and others. To date, we raised approximately $7 million from the sale of common stock and have borrowed approximately $2 million from investors and shareholders. As at May 31, 2006, approximately $923,921 remains as debt. Funds from these sources were used as working capital to fund the on-going development of our wholesale division.

On October 3, 2003, we entered into a merger agreement with Biscayne Bay Trading Corporation (‘Biscayne Bay”), a Florida corporation. Biscayne Bay was created to market and sell leading home décor and office furnishing products throughout the southeast United States. The merger became effective October 30, 2003 after which Biscayne Bay ceased to exist.

We issued 35,000 shares of our common stock in exchange for the outstanding shares of Biscayne Bay which equated the aggregate fair market value of approximately $8,000 of Biscayne Bay at the time of merger. As part of the merger agreement with Biscayne Bay the rights and obligations of Biscayne Bay under a debenture agreement were assigned to us, so that we would receive any subsequent funding under the debenture agreement. Under this Agreement, we have received $697,000 in convertible debenture financing.

The Company executed a securities purchase agreement dated as of December 7, 2005 (the "Purchase Agreement") with certain accredited investors under which we agreed to sell to these investors our convertible Debentures due three years from the final Closing Date under the Purchase Agreement in the aggregate principal amount of up to $600,000 bearing interest at the rate of 6% per annum and convertible into shares of our Common Stock at a conversion price for each share of Common Stock equal to 75% of the lowest closing bid price per share (as reported by Bloomberg, LP) of our Common Stock for the fifteen trading days immediately preceding the date of conversion. At the close of the offering the company the company completed the sale of an aggregate of $555,000 in Debentures under the Purchase Agreement which resulted in net proceeds of $424,850.

The Company secured additional debenture financing from an accreted investor in the amount of $50,000 under terms similar to the December 7, 2005 purchase agreement and a loan of $101,551 from an accreted investor. Loans and repayments to related parties netted to $20,927. The net total of financing activities for the year ended May 31, 2006 was $580,679. Cash at the end of the period was $32,586.

PLAN OF OPERATION

We have specialized in designing, sourcing, importing, marketing and distributing products for the North American giftware, and home décor sectors. The principal country of supply was Germany and the principal currency for pricing inventory purchases was the Euro. We negotiated a currency accommodation with our principal supplier that provided some protection from currency fluctuations and a reduction of exposure to foreign currency fluctuations between the Euro and US dollars.

On June 21, 2006, we were informed verbally by a sales representative of a division of Walther-Glas GmbH & Co. KG that Walther-Glas was terminating their agreement with the Company. The Company plans to phase out of the home décor sector progressively over the period September through December 2006 as inventory is sold, and is considering entering an entirely separate line of business through an acquisition.

Letter of Intent with MCM Integrated Technologies Ltd.

On August 24, 2006, we entered into a preliminary non-binding Letter of Intent (“Letter of Intent”) with MCM Integrated Technologies Ltd. (“MCM”), a Vancouver based company wholly owned by Murat Erbatur, one of our directors, and on December 8, 2006, closed an acquisition of that company. MCM is pursuing four main areas of business: wholesale distribution of home automation equipment and computer peripherals to third party installers, and home automation projects in three main areas: homes [which includes single unit detached homes, single-unit town homes and single unit condominiums], town home projects, and condominium projects.

Our Potential Businesses

With our decision to phase out of the business of designing, sourcing, importing, marketing and distributing products for the North American giftware market, and our ongoing evaluation of the possible negotiation of an agreement to acquire MCM, our Board of Directors has determined that, if we do not proceed to acquire MCM, our business model should be re-evaluated to identify and acquire another business through a business combination. As of this date, we have not entered into any agreements relating to any such acquisitions.

Cash Flow

We realized negative cash flow of $503,633 from operating activities for the twelve months ending May 31, 2006 compared to negative cash flow of $774,621 from operating activities for the year ended May 31, 2005.

Collection of accounts receivable and sale of prepaid inventory is estimated to be sufficient to sustain the current level of operations through to the end of April 2007.

OFF BALANCE-SHEET ARRANGEMENTS

During the year ended May 31, 2006, the Company did not engage in any off-balance sheet arrangements as defined in Item 303(c) of the SEC's Regulation S-B.

ITEM 7. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Elgrande International, Inc. and Subsidiaries
Vancouver, BC Canada

We have audited the accompanying balance sheets of Elgrande International, Inc. as of May 31, 2006 and 2005, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the PCAOB (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, audits of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elgrande International, Inc. as of May 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a working capital deficit, is dependent on financing to continue operations, and has suffered recurring losses to date, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

As discussed in Note 13 to the financial statements, there were errors in reporting the derivative liability, and in amortizing the discount on convertible debentures. The effects the financial statements are described in Note 13. Accordingly, the financial statements have been restated to correct the errors.

/s/Chisholm, Bierwolf & Nilson
Chisholm Bierwolf & Nilson, LLC
Bountiful, Utah
August 4, 2006 except for Notes 2, 10 and 13 dated January 17, 2007

ELGRANDE INTERNATIONAL, INC. CONSOLIDATED BALANCE SHEET		May 31, 2006 restated		31-May-05
ASSETS				
CURRENT ASSETS				
Cash	$	32,586	$	7,918
Accounts Receivable		54,334		163,671
Prepaid expenses		2,296		
Prepaid Inventory		41,186		
Inventory		213,314		256,898
Employee expense advances		2,624		2,884
GST tax refundable		3,806		6,999
TOTAL CURRENT ASSETS		350,146		438,370
PROPERTY & EQUIPMENT, NET				1,950
OTHER ASSETS				
Software net		100,395		46,596
Deposits		32,987		33,062
TOTAL OTHER ASSETS		133,383		79,658
TOTAL ASSETS	**$**	**483,529**	**$**	**519,978**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	$	275,797	$	282,740
Accrued liabilities		304,618		240,759
Accrued interest payable				35,143
Debentures		92,500		35,000
Loans payable		923,921		766,590
Debentures and loans payable related parties		433,775		249,839
TOTALCURRENTLIABILITIES		2,030,611		1,610,071
LONG-TERM LIABILITIES				
Accounts payable		130,478		126,710
COMMITMENTS & CONTINGENCIES		-		-
STOCKHOLDERS' EQUITY (DEFICIT)				
Common stock 500,000,000 shares authorized, $0.001par value; 39,512,479 and 23,439,667 issued and outstanding		39,512		23,439
Additional paid in capital		10,040,964		9,270,157
Accumulated deficit		(11,747,517)		(10,513,395)
Accumulated other comp income/(loss)		(10,520)		2,996
TOTALSTOCKHOLDERS'EQUITY		(1,677,560)		(1,216,803)
TOTALLIABILITIESANDSTOCKHOLDERS'EQUITY	$	**483,529**	**$**	**519,978**

The accompanying notes are an integral part of these financial statements

ELGRANDE INTERNATIONAL, INC. CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS	Year Ended May 31	
	2006 restated	2005
REVENUES		
Product Sales	$ 517,082	$ 1,040,306
COST OF REVENUES	377,089	669,861
GROSS PROFIT (LOSS)	139,993	370,445
EXPENSES		
Consulting fees	509,437	168,018
legal and professional fees	103,624	103,116
Salaries	229,360	428,976
Depreciation and amortization	10,661	28,962
Office and administration	145,557	123,107
Travel and entertainment	18,058	37,309
Selling expenses	101,625	270,410
Rent	115,645	79,969
Miscellaneous	(177,381)	10,650
TOTAL OPERATING EXPENSES	1,056,586	1,250,517
LOSS FROM OPERATIONS	(916,593)	(880,072)
OTHER INCOME (EXPENSE)		
Debt forgiveness	-	29,777
Interest income	126	38
Interest expense	(317,654)	(85,743)
TOTAL OTHER INCOME (EXPENSE)	(317,529)	(55,928)
NET LOSS	$ (1,234,122)	$ (936,000)
OTHER COMPREHENSIVE INCOME		
Foreign currency translation gain/loss	(13,516)	12,244
COMPREHENSIVE LOSS	$ **(1,220,606)**	$ **(923,756)**
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.04)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING BASIC AND DILUTED	31,785,056	17,675,422

The accompanying notes are an integral part of these financial statements

ELGRANDE INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

	Common Stock										
	Number of Shares		Amount		Additional Paid-in Capital		Accumulated Deficit		Other Comprehensive Income(Loss)		Total Stockholders' Deficit
Balance, May 31, 2003	3,540,283	$	3,540	$	6,608,089	$	(8,345,618)	$	(5,995)	$	(1,739,984)
Stock issued for debt and interest at an average of $0.31 per share	4,354,181		4,354		1,366,991		-		-		1,371,345
Stock issued for accrued expenses at an average of $0.16 per share	1,480,489		1,480		239,280		-		-		240,760
Stock issued for conversion of debentures at an average of $.14 per share	308,333		308		42,192		-		-		42,500
Stock issued for services at an average of $0.31 per share	122,184		122		37,210		-		-		37,332
Stock rescinded	(35,000)		(35)		35		-		-		-
Stock issued for cash at $0.08 per share less $233,386 for issuance costs	7,189,089		7,190		537,420		-		-		544,610
Warrants expired			-		-		-		-		-
Options expired	-		-		-		-		-		-
Miscellaneous stock adjustment for reverse split	41		-		-		-		-		
Net loss for the year ended May 31, 2004	-		-		-		(1,231,777)		-		(1,231,777)
Foreign currency translation gain (loss)	-		-		-		-		(3,253)		(3,253)
Balance, May 31, 2004	16,959,600		16,960		8,831,216		(9,577,395)		(9,248)		(738,467)
Stock issued for services at an average of $0.07 per share	136,143		136		9,607		-		-		9,743
Stock issued for compensation at an average of $0.05 per share	138,125		138		6,996		-		-		7,134
Stock issued for debt and interest at an average of $0.07 per share	6,205,799		6,205		422,339		-		-		428,544
Net loss for the year ended May 31, 2005	-		-		-		(936,000)		-		(936,000)
Foreign currency translation gain (loss)	-		-		-		-		12,244		12,244
Balance, May 31, 2005	23,439,667	$	23,440	$	9,270,158	$	(10,513,395)	$	2,996	$	(1,216,802)
Stock issued for compensation at an average of $0.05 per share	2,559,990		2,560		104,960		-		-		107,520
Stock issued for compensation at an average of $0.02 per share	4,000,000		4,000		63,200						67,200
Stock issued for services at an average of $0.04 per share	9,012,822		9,013		173,296		-		-		182,309
Stock issued for debt and interest at an average of $0.01 per share	500,000		500		4,00						5,000
Recording of beneficial conversion feature - restated					424,850						424,850
Net loss for the year ended May 31, 2006 restated	-		-		-		(1,234,122)		-		(1,234,122)
Foreign currency translation gain (loss)	-		-		-		-		(13,516)		(13,516)
Balance, May 31, 2006 restated	39,512,479	$	39,513	$	10,040,964	$	(11,767,183)	$	(10,520)	$	(1,677,561)

The accompanying notes are an integral part of these financial statements

ELGRANDE INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year Ended May 31, 2006 restated	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,234,122)	$ (936,000)
Adjustments to reconcile net loss		
to net cash used by operating activities:		
Amortization of debt discount	92,500	-
Services paid by issuance of common stock	200,881	9,743
Compensation paid by issuance of common stock	107,520	7,134
Stock issued for interest expense	101,600	9,123
Depreciation and amortization	10,661	28,962
Forgiveness of debt	-	(29,777)
Payables rolled up into convertible debt	60,000	
Bad Debt expense	73,039	
Decrease (increase) in:		
Accounts receivable	109,337	34,524
Prepaid expenses	(2,296)	7,845
Prepaid inventory	(41,186)	-
Inventory	43,584	36,816
Other assets	75	26,993
Accrued liabilities	(63,859)	(70,068)
Accounts payable	6,943	46,225
Commitments and contingencies	-	24,596
Increase (decrease) in:		
GST tax refundable	(3,193)	-
Employee advance receivable	(260)	(519)
Accrued interest	35,143	29,782
Net cash used in operating activities	(503,633)	(774,621)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits	-	(1,641)
Software acquisition	(65,893)	(54,740)
Purchase of property and equipment	-	-
Net cash used in investing activities	(65,893)	(56,381)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans, related party	111,927	142,837
Repayment of loans, related party	(91,000)	(137,167)
Proceeds from loans	559,751	752,108
Repayment of loans	-	(18,359)
Issuance of common stock for cash	-	-
Net cash provided by financing activities	580,679	739,419
Net increase (decrease) in cash	11,152	(91,583)
Foreign currency translation gain (loss)	13,516	2,627
Cash, beginning of period	7,918	96,874
Cash, end of period	$ **32,586**	$ **7,918**
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest and income taxes:		
Interest	$ -	$ -
Income taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued liabilities paid with stock	$ 60,000	$ 400,000
Common stock issued for debt and interest	$ 101,600	$ 19,421

The accompanying notes are an integral part of these financial statement

ELGRANDE INTERNATIONAL, INC.
(Formerly known as Elgrande.com, Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2006

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Elgrande International, Inc., (formerly known as Elgrande.com, Inc.) (hereinafter, “the Company”), was incorporated in April 1998 under the laws of the State of Nevada. Through the year ended May 31, 2001, the Company was primarily involved in developing and marketing internet applications, specifically for books, software, audio and video media, and computer games and the on-line sales of media and computer equipment. The Company began operating the Elgrande.com web site on June 2, 1999. This web site sold books, media and computer hardware and software direct to consumers. This web site was subsequently terminated and replaced with the Company’s Shopengine.net web site in November of 2001. The Shopengine.net web site sold handcrafted products from international artists and craftsmen direct to consumers. This web site was terminated in May 2002 as planning began for the Company’s giftware and home décor wholesale operations. We commenced operation of our wholesale business in January 2003.

During the year ended May 31, 2003, the Company changed its focus and now sourcing, manufacturing, importing and distributing European designed giftware and home products. The Company is doing business under the trade name “European Sources Direct”. The Company maintains an office in Vancouver, British Columbia, Canada.

Elgrande International, Inc. formed a subsidiary, Yaletown Marketing Corp., a British Columbia Corporation, to provide management and administrative services for the Company. Yaletown Marketing was incorporated February 23, 1999 in Victoria, British Columbia, Canada. For administrative reasons associated with amendments to the B.C. Incorporations Act Yaletown ceased to operate in May 2006. On March 31, 2006, the Company formed a new wholly owned subsidiary, Cardinal Points Trading Corporation, a British Columbia Corporation, to take up the role of Yaletown Marketing Corp. in continuously providing management and administration services for the Company.

In June 2002, the Company incorporated a German subsidiary, Elgrande Europe AG, to provide an operating presence in Europe. The appropriate utilization of this subsidiary by the Company is still being determined.

The Company’s year-end is May 31.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Elgrande International, Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

<u>Accounting for Stock Options and Warrants Granted to Employees and Nonemployees</u>
In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, "Accounting for Stock Based Compensations." This statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does

not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The Company has not yet determined the impact to its financial statements from the adoption of this statement.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (hereinafter "SFAS No. 148"). SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of the statement are effective for financial statements for fiscal years ending after December 15, 2002. As the Company accounts for stock-based compensation using the method prescribed in SFAS No. 123, the adoption of SFAS No. 148 has no impact on the Company's financial condition or results of operations.

<u>Accounting Method</u>
The Company's financial statements are prepared using the accrual method of accounting.

Advertising and Marketing Expenses

Advertising expenses consist primarily of costs incurred in the design, development, and printing of Company literature and marketing materials. It also includes expenses related to trade shows and display racks supplied to customers. The Company expenses all advertising expenditures as incurred. The Company's advertising expenses were $101,625 and $270,410 for the years ended May 31, 2006 and 2005, respectively.

Bad Debts

The Company estimates bad debts utilizing the allowance method, based upon past experience and current market conditions. At May 31, 2006 and 2005, there was no allowance for doubtful accounts. For the years ended May 31, 2006, the Company record $25,000 as bad debt expense. Re-classification of inter-company accounts from 2004 resulted in a bad debt expense of $48,039 in the current year.

Comprehensive Income

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (hereinafter "SFAS No. 130"). SFAS No. 130 established standards for reporting and displaying comprehensive income, its components and accumulated balances. SFAS No. 130 is effective for periods beginning after December 15, 1997. The Company adopted this accounting standard.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. At May 31, 2006 and 2005, the Company did not have cash equivalents.

Compensated Absences

Employees of the Company are entitled to paid vacation, sick, and personal days off, depending on job classification, length of service, and other factors. The Company accrues vacation expense throughout the year. Accrued compensated absences as of May 31, 2006 and 2005 were approximately $1,432 and $27,177, respectively.

Costs Associated with Exit or Disposal Activities

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (hereinafter "SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 was issued in June 2002 and is effective for activities after December 31, 2002. There has been no impact on the Company's financial position or results of operations from adopting SFAS No. 146.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities".

These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At May 31, 2006, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings per Share

The Company has adopted Statement of Financial Accounting Standards Statement No. 128, "Earnings Per Share". Basic loss per share is computed using the weighted average number of common shares outstanding. Diluted net loss per share is the same as basic net loss per share, as the inclusion of common stock equivalents would be antidilutive. As of May 31, 2006, the Company had convertible debt of $1,516,653, which is included in debentures and related party loans payable and considered to be antidilutive.

Fair Value of Financial Instruments

The carrying amounts for cash, deposits, prepaid expenses, receivables, accounts payable, loans payable, accrued liabilities, and convertible debt approximate their fair value.

Foreign Currency Translation Gains/Losses

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year, except gains or losses relating to long-term debt, which are deferred and amortized over the remaining term of the debt. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

As shown in the accompanying financial statements, at May 31, 2006 the Company has an accumulated deficit of $11,747,517, and current liabilities in excess of current assets by $1,677,560. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Inventory

Inventories, consisting of products available for sale, are recorded using the first-in first-out method and valued at the lower of cost or market value. Inventory at May 31, 2006 and 2005 consists of tableware for resale with a recorded cost of $213,314 and $256,898, respectively.

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151, "Inventory Costs— an amendment of ARB No. 43, Chapter 4". This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and re-handling costs may be so abnormal as to require treatment as current period charges. . . ." This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not believe the adoption of this statement will have any immediate material impact on the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. References herein to the Company include the Company and its subsidiaries, unless the context otherwise requires.

Property and Equipment
Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. See Note 3.

Provision for Taxes
Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (hereinafter "SFAS No. 109"). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if

management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At May 31, 2006, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately $3,200,000 principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at May 31, 2006. The significant components of the deferred tax asset at May 31, 2006 and May 31, 2005 were as follows:

	May 31, 2005	May 31, 2004
Net operating loss carry forward	$ 9,500,000	$ 8,600,000
Deferred tax asset	$ 3,200,000	$ 2,900,000
Deferred tax asset valuation allowance	(3,200,000)	(2,900,000)
Net deferred tax asset	$ -	$ -

At May 31, 2006, the Company has net operating loss carryforwards of approximately $9,500,000, which expire in the years 2019 through 2024. The Company recognized approximately $360,000 of losses from issuance of restricted common stock and stock options for services in fiscal 2006 and 2005, which are not deductible for tax purposes and are not included in the above calculation of deferred tax assets. The change in the allowance account from May 31, 2005 to May 31, 2006 was $300,000.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification principally consists of the reclassification of the fair market value of all outstanding options and warrants as paid-in capital instead of a separate caption on the balance sheets and statements of stockholders equity. The reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented.

Revenue and Cost Recognition

Revenues and costs from direct selling of merchandise are recognized at the time of sale of the Company's products. The Company recognizes revenue for product sales when the products are shipped F.O.B. and title passed to customers. Outbound shipping charges are included in net sales collected by the Company. The Company currently provides no allowance for sales returns based on historical experience.

Cost of sales consists of the purchase price of products sold, inbound and outbound shipping charges and packaging supplies.

In November 2001, the Emerging Issues Task Force reached a consensus on Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer". EITF 01-9 addresses the recognition, measurement and income statement classification for sales incentives offered to customers. Sales incentives include discounts, coupons, free products and generally any other offers that entitle a customer to receive a reduction in the price of a product. Under EITF 01-9, the reduction in the selling price of the product resulting from any sales incentives should be classified as a reduction of revenue. The Company adopted EITF 01-9 in fiscal 2002. The Company does not offer sales incentives to its customers.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153 (hereinafter "SFAS No. 109"). This statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that opinion; however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. During the year ended May 31, 2006, the Company adopted SFAS No. 153. The Company has determined that there was no financial impact from the adoption of this statement.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has determined that there was no financial impact from the adoption of this statement.

Short-term Deposits
The Company's principal product supplier required prepayment for products ordered. The amount of $41,186 represents inventory ordered and prepaid but not received at May 31, 2006.

Use of Estimates
The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives of property and equipment for purposes of computing depreciation are three to seven years. The following is a summary of property, equipment, and accumulated depreciation:

	May 31, 2006	May 31, 2005
Computer hardware	$112,080	$ 109,740
Furniture and fixtures	78,016	78,016
Subtotal	190,096	187,756
Less accumulated depreciation	(190,096)	(185,806)
Property and equipment - net	$ -	$ 1,950

Depreciation expense for the year ended May 31, 2006 and 2005 was $4,290 and $20,819, respectively. The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

NOTE 4 – INTANGIBLE ASSETS

The Company adopted SOP 98-1 as amplified by EITF 00-2, "Accounting for Web Site Development Costs." In accordance with the adoption, the Company capitalized $545,645 in web site development costs, which is the contractual cost of data base software purchased from an independent software supplier. No portion of this software was internally developed and, accordingly, there are no internal costs associated with this software which were charged to research and development. Consistent with SOP 98-1, the costs of this software—which was purchased solely for internal use and will not be marketed externally—have been capitalized. Capitalized costs are amortized on the straight line basis over five years. At May 31, 2006, this software was fully amortized.

At May 31, 2006, the Company has capitalized an additional $118,293 for the development of an ERP system designed to integrate all departments and functions across the Company into a single computer system database, thereby allowing various departments to share information. Amortization expense for the year ended May 31, 2006 was $6,371. The Company amortizes this system using the straight line method over five years.

NOTE 5 – COMMON STOCK AND WARRANTS

During the year ended May 31, 2006, the Company issued 500,000 shares of common stock in payment of interest of $5,000; 9,012,822 shares of common stock for services valued at $182,309 and 6,559,990 shares of common stock for compensation valued at $174,720.

During the year ended May 31, 2005, the Company issued 6,205,799 shares of common stock in payment of debt and interest of $428,544; 136,143 shares of common stock for services valued at $9,743 and 138,125 shares of common stock for compensation valued at $7,134.

During the years ended May 31, 2006 and 2005, all stock issued for other than cash was valued at the fair market value of the stock at the date of grant.

NOTE 6 – COMMON STOCK OPTIONS

Since 1998 the Company has registered 5 stock option plans entitled the Elgrande.com Inc. 1998 Stock Option Plan, Elgrande.com Inc. 1999 Stock Option Plan, Elgrande.com Inc. 2000 Stock Option Plan, the Elgrande.com Inc. 2003 Stock Option Plan , the Elgrande International, Inc. 2005 Stock Option Plan and the Elgrande International, Inc. 2006 Stock Option Plan, hereinafter "the Plans". Their purpose is to advance the business and development of the Company and its shareholders by enabling employees, officers, directors and independent contractors or consultants of the Company the opportunity to acquire a proprietary interest in the Company from the grant of options to such persons under the Plans' terms. The Plans provide that the Company's board of directors may exercise its discretion in awarding options under the Plans. The Board determines the per share option price for the stock subject to each option. All options authorized by each plan must be granted within ten years from the effective date of the Plan.

During the years ended May 31, 2004, 2005, and 2006 the Company did not issue any new common stock options. Additionally, no options were exercised, and 30,000 options that were issued in 2002 vested during 2004.

The fair value of each of the above options granted was estimated on the grant date using the Black-Scholes Option Price Calculation. The following assumptions were made to estimate fair value: the risk-free interest rate is 5%, volatility is 50%, and the expected life of the options is five years.

The following is a summary of the Company's stock option plans:

	Number of Shares		Weighted Average Exercise Price
Options outstanding and exercisable at May 31, 2005	55,000	$	1.00
Options outstanding and exercisable at May 31, 2006	55,000	$	1.00

NOTE 7 – RELATED PARTIES

During the year ended May 31, 2006, one of the Company's officers loaned the Company $111,927 which is uncollateralized, due on demand and bears no interest. The Company repaid $91,000 to its officer in cash during 2006.

During the year ended May 31, 2006, the Company issued a 8% convertible debenture to one of its officers in the amount of $320,000. This debenture is convertible at the fair market value at the date of conversion per share on or before the maturity date of 1 June, 2008. There are no other stated terms of repayment.

During the years ending May 31, 2006 and 2005, the Company paid its officers and directors $19,577 and $9,720, respectively, in consulting fees.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company rents office space in Vancouver, B.C., Canada for $6,741 base rent per month under a lease which is effective until July 30, 2008. The Company can terminate the lease with 6 months notice.

Future minimum lease payments under this operating lease at May 31, 2006 for each of the next three calendar years are:

2006	$80,892
2007	$80,892
2008	$13,482

Commitments

During July 2003, the Company agreed to issue up to $600,000 of common stock to Walther-Glas plus an option to purchase $200,000 of additional common stock shares for inventory of $400,000.

The accrued liability of $400,000 for inventory was converted to common shares in the year ended May 31, 2005.

NOTE 9 – CONCENTRATION OF CREDIT RISK

Cash

The Company maintains cash balances at two banks. Accounts at each institution are insured by the Canadian Depository Insurance up to $60,000 in Canadian funds. At May 31, 2006 and 2005, no account exceeded this limit.

Economic Dependency

During the fiscal year ended May 31, 2006, the Company expanded its product line but each individual product is supplied by its own supplier. The Company currently purchases approximately 80% of its product line from one supplier.

NOTE 10 – NOTES AND DEBENTURES PAYABLE

Short-term Notes

During 2004, the Company issued common stock for $15,495 for outstanding debt, and paid additional debt of $29,956 in cash for outstanding debts of which $14,574 was accrued interest. During 2005, the Company borrowed $7,000 from an outside party, due on demand, no interest. In addition, the Company repaid a loan balance of $18,359 in cash and $19,421 in shares of common stock. In 2006 the Company issued $5,000 in shares of common stock for interest payments.

Debentures

Three 12% convertible debentures were issued to private investors during the year ended May 31, 2004, in the amount of $42,500. These debentures were converted to 308,333 shares of common Stock at May 31, 2004. In addition, the Company issued $60,911 of common stock for outstanding loans.

During the years ended May 31, 2002 and 2001, the Company issued 12%, subordinated convertible debentures for a total of $172,042, of which $32,030 was to related parties. The debentures matured on various dates beginning January 1, 2002 through May 2002 and pay simple interest quarterly. The debentures are convertible to common stock at a conversion price equal to the average closing bid price for the five trading days immediately prior to the conversion date. During the year ended May 31, 2002, all debenture holders signed an agreement to extend the terms of their debentures for one year. During the year ended May 31, 2003, $11,135 was repaid in cash. Subsequent to May 31, 2003, the Company negotiated the extension of all the debentures outstanding. During the year ended May 31, 2004, an additional $158,262 in debentures were issued to a related party, $74,456 of debentures were paid with stock to non-related parties and $12,030 of interest was paid in cash to a related party. During the year ended May 31, 2005, the Company paid $27,500 cash in payment of debentures to related parties. (See Note 7)

During the year ended May 31, 2004, private investors loaned the Company $315,248 which was unsecured with a 12% interest rate of per annum. The Company issued shares of common stock in full payment of $1,135,248.

During the year ended May 31, 2005, a private investor made loans to the Company in the aggregate amount of $745,108. These loans have an interest rate of 8% per annum and are collateralized by all of the Company's inventory and accounts receivable. The underlying note is convertible into 9,000,000 shares of common stock. At May 31, 2005, the Company accrued interest on the principal of $8,560.

During the year ended May 31, 2006 an existing debenture in the amount of $161,000 was amalgamated with short term debt into a new debenture in the amount $320,000 bearing an interest rate of 8%. In addition new debentures totaling $555,000 bearing an interest rate of 6% were issued pursuant to financing activities with net proceeds of $424,850.

The Company also recorded a beneficial conversion feature on the 6% debentures as a discount on the total net debenture value in the amount of $424,850. The fees and disbursements of $130,150 and the net debenture of $424,850 are being amortized over the 36 month term of the debentures. The net debenture balance is summarized as follows:

Debenture face value	$555,000
Fund raising fees and disbursements	($130,150)
Debenture net of fees and disbursements	$424,850
Discount on debentures	($332,350)
Net debenture balance	92,500

NOTE 11 – MERGER AGREEMENT

On October 31, 2003, the Company and Biscayne Bay Trading Corporation ("Biscayne Bay", a Florida corporation, entered into a merger agreement. Biscayne Bay was created to market and sell leading home décor and office furnishing products throughout the southeast United States. The merger become effective October 31, 2003 and Biscayne Bay ceased to exist.

The Company issued 35,000 shares of its common stock in exchange for the outstanding shares of Biscayne Bay which equated to the aggregate fair market value of approximately $8,000 of Biscayne Bay at the time of merger. This investment has bee subsequently impaired and has no value.

Debenture Agreement
As part of the merger agreement with Biscayne Bay, the rights and obligations of Biscayne Bay under a debenture agreement inured to the benefit of and became binding upon the Company, so that any subsequent funding under the debenture agreement would be received by the Company.

Biscayne Bay entered into a debenture agreement with three Colorado accredited investors whereby Biscayne Bay committed to sell $1,000,000 in convertible debentures, together with underlying authorized but unissued shares of common stock of Biscayne Bay into which the Biscayne Bay debenture maybe converted to by those accredited investors.

Subsequent to the merger, the Company deposited 2,000,000 shares of the Company's common stock with an escrow agent as security for its performance under the Biscayne Bay agreement. An additional 6,500,000 shares were placed in escrow during the year ended May 31, 2004. The Company received $544,610 in cash for the issuance of debentures. The debentures were immediately converted to 7,189,089 shares of common stock. These debentures bear an 8% interest rate and are discounted 11.5%. The discount of $80,154 has been recorded as interest expense since the debentures were immediately converted to common stock.

NOTE 12 – DEBT FORGIVENESS

During the years ended May 31, 2005, the Company recorded income of $29,777 from the Company's vendors forgiving old accounts payable. In accordance with Financial Accounting Standards Board No. 145, these gains are included in other income in the Company's statement of

NOTE 13 – RESTATEMENT OF FINANCIAL STATEMENTS FOR THE PERIOD ENDING MAY 31, 2006

The 10KSB annual financial statements for the period ending May 31, 2006 filed on September 14, 2006 recorded a derivative liability on $555,000 in Debentures pursuant to the requirements of Financial Accounting Standard No. 133. In a subsequent re-examination of the terms of the debentures it was concluded that since the debentures contemplate the issuance of restricted securities upon conversion the calculation and statement of derivative liability was inappropriate. The re-evaluation resulted in re-statements of certain line items affecting the balance sheet, income statement and cash flows including: reversal of derivative liability $251,191 and corresponding net gain of derivative instrument $173,659, and additional accruals of interest and amortized debt discount. Reversal of the net gain of derivative instruments resulted in a reduction in other income which reduced revenues and gross profit by $173,659. The value of the debentures net of fees is being depreciated using the straight line method over the three year term. The year end debenture balance is $92,500. The adjustments are summarized in the following table:

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ELGRANDE INTERNATIONAL, INC.		May 31, 2006 filed 14/09/2006		May 31, 2006 restated		Change in Position
CONSOLIDATED BALANCE SHEETS						
Accrued interest payable		8,325		-		(8,325)
Net Debenture Balance		277,500		92,500		(185,000)
Derivative liability		251,191		-		(251,191)
TOTAL CURRENT LIABILITIES		2,475,127		2,030,611		(444,516)
STOCKHOLDERS' EQUITY (DEFICIT)						
Additional paid-in capital		9,616,114		10,040,964		424,850
Accumulated deficit		(11,767,183)		(11,747,517)		19,666
TOTAL STOCKHOLDERS' (DEFICIT)	$	(2,122,076)	$	(1,677,560)	$	444,516
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS						
R E V E N U E S		690,410	$	517,082		(173,659)
GROSS PROFIT (LOSS)		313,652		139,993		(173,659)
E X P E N S E S						-
LOSS FROM OPERATIONS		(742,934)		(916,593)		(173,659)
OTHER INCOME (EXPENSE)						
Interest Expense		(510,979)		(317,654)		193,325
TOTAL OTHER INCOME (EXPENSE)		(510,854)		(317,529)		193,326
NET LOSS		(1,253,788)	$	(1,234,122)		19,666
COMPREHENSIVE LOSS	$	(1,240,272)	$	(1,220,606)	$	19,666
CONSOLIDATED STATEMENT OF CASH FLOWS						
Net gain (loss)	$	(1,253,788)	$	(1,234,122)		19,666
amortization of debt discount		277,500		92,500		(185,000)
Gain (loss) on derivative instruments		(173,659)		-		173,659
Accrued Interest		26,818		35,143		8,325
Net cash used in operating activities		520,283		503,633	$	16,650
Proceeds from Loans	$	576,401	$	559,751	$	(16,650)
Net cash provided by financing activities	$	597,328		580,679	$	(16,650)

ITEM 13 EXHIBITS

The following Exhibits are filed by attachment to this Amended Annual Report on Form 10-KSB:

EXHIBIT NUMBER	DESCRIPTION
Ex 23	Consent of Chisholm Bierwolf &Nilson, LLC
Ex 31	Certification of Michael F. Holloran Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
Ex 32	Certification of Michael F. Holloran Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

In addition to those Exhibits shown above, the Company incorporates the following Exhibits by reference to the filings set forth below:

EXHIBIT NUMBER	DESCRIPTION	
Ex 3.1	Articles of Incorporation	3.1 in Form 10-SB dated Feb 2, 1999
Ex 3.11	By-Laws	3.11 in Form 10-SB dated Feb 2, 1999
Ex 4.2	Form of 12% Convertible debenture	4.2 in Form 10-KSB dated Aug 21, 2001
Ex 4.3	Form of Stock Purchase Warrant	4.3 in Form 10-KSB dated Aug 21, 2001
Ex 4.4	Stock Purchase Agreement, between Company and IFG Private Equity LLC	4.4 in Form SB-2 dated May 17, 2002
Ex 4.5	Commitment Warrant to IFG Private Equity LLC	4.5 in Form SB-2 dated May 17, 2002
Ex 4.6	Registration Rights Agreement, between Company and IFG Private Equity LLC	4.6 in Form SB-2 dated May 17, 2002
Ex 4.7	1998 Directors' & Officers' Stock Option Plan	99.1 in Form S-8 dated Feb 29, 1999
Ex 4.8	1999 Stock Option Plan	99.2 in Form S-8 dated Feb 29, 1999
Ex 4.9	2001 Stock Option Plan	4.7 in Form S-8 filed November 27, 2001
Ex 4.10	2003 Stock Option Plan	4.8 in Form S-8 filed October 25, 2002
Ex 4.11	2005 Stock Option Plan	4.8 in Form S-8 filed July 28, 2005
Ex 10.3	M. Page-Consulting Agreement	10.3 in Form 10-SB dated Feb 2, 1999
Ex 10.4	C. Parfitt-Consulting Agreement	10.4 in Form 10-SB dated Feb 2, 1999
Ex 10.6	Office lease dated Aug 27, 1998	10.6 in Form 10-SB dated Apr 21, 1999
Ex 10.7	Office lease dated Dec 22, 1998	10.7 in Form 10-SB dated Apr 21, 1999
Ex 10.8	Wolnosc International-Consulting Agreement	10.8 in Form 10-SB dated Aug 29, 2000
Ex 10.9	Office lease dated Jan 1, 2000	10.9 in Form 10-SB dated Aug 29, 2000
Ex 10.10	Capital Lease Agreement	10.10 in Form 10-SB dated Aug 29, 2000
Ex 10.11	Michael F. Holloran - Consulting Agreement	10.11 in Form 10-KSB dated Aug 21, 2001
Ex 10.12	Sublease Agreement of Company's offices dated August 7, 2	10.12 in Form 10-QSB dated Oct 15, 2001
Ex 10.13	Addendum to the Sublease dated August 22, 2001	10.13 in Form 10-QSB dated Oct 15, 2001
Ex 10.14	Paul Morford Consulting Agreement	10.14 in Form 10-QSB dated Oct 15, 2001
Ex 10.15	8% Secured Convertible Promissory Note	4.7 in Form 8K dated January 5, 2005
Ex 10.16	Securities Purchase Agreement, dated December 7, 2005, by and among the Company and the holders of the Company's 6% Convertible Debentures, with the form of Debenture attached	10.15 in Form 8-K dated January 13, 2006
Ex 10.17	Registration Rights Agreement, dated December 7, 2005, by and among the Company and the Holders of the 6% Convertible Debentures	10.16 in Form 8-K dated January 13, 2006
Ex 10.18	Walther-Glas Investment Agreement	10.16 Form 10-KSB/A2 dated July 18, 2008
Ex 21	List of Subsidiaries	21 in Form 10-SB dated Aug 29, 2000

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf the undersigned, thereto duly authorized.

Dated: September 11, 2008

INTELLIGENT LIVING CORP.

By: /s/ Michael F. Holloran

Michael F. Holloran,
President, Chief Executive Officer, Principal Financial Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 11, 2008.

SIGNATURE	CAPACITY
/s/ Michael F. Holloran Michael F. Holloran	President, Chief Executive Officer and Director
/s/ Murat Erbatur Murat Erbatur	Director

EXHIBIT 23

Chisholm
Bierwolf
&
Nilson, LLC Certified Public Accountants

Todd D. Chisholm, Audit Partner
Nephi J. Bierwolf, Tax Partner
Troy F. Nilson, Audit Partner

533 West 2600 South, Suite 25 • Bountiful, Utah 84010 • Phone (801) 292-8756 • Fax (801) 292-8809 • www.cbncpa.com

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use of our report dated August 4, 2006 with exceptions to January 17, 2007, with respect to the consolidated financial statements of Intelligent Living Corp. for the fiscal years ended May 31, 2006 and 2005 incorporated by reference in the filings of the Registration Statements on Form S-8 of Intelligent Living Corp. for its 2005 Stock Option Plan and 2006 Stock Option Plan, respectively, filed with the Securities and Exchange Commission on July 28, 2005 and May 3, 2006.

/s/ CHISHOLM, BIERWOLF & NILSON
Chisholm, Bierwolf & Nilson, LLC

August 6, 2008

EXHIBIT 31

CERTIFICATION

I, Michael F. Holloran, certify that:

1. I have reviewed this amended annual report on Form 10-KSB of Intelligent Living Corp., (formerly Elgrande international, Inc.), (the “small business issuer”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the small business issuer’s internal control over financial reporting that occurred during the small business issuer’s most recent fiscal quarter (the small business issuer’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer’s internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

DATED: September 11, 2008 /s/ Michael F. Holloran

Michael F. Holloran,
Chief Executive Officer and
Principal Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the amended Annual Report of Intelligent Living Corp. formerly Elgrande.com, Inc. (the "Company") on Form 10-KSB for the period ended May 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael F. Holloran, Chief Executive Officer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge: (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

DATED: September 11, 2008

s/ Michael F. Holloran

Michael F. Holloran;
Chief Executive Officer and
Principal Financial Officer