

CENTRAL GARDEN & PET COMPANY
Form 10-Q/A
December 10, 2002
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended December 29, 2001

OR

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

For the transition period from _____ to _____

Commission File Number: 0-20242

CENTRAL GARDEN & PET COMPANY

Delaware
(State or other jurisdiction of
incorporation or organization)

68-0275553
(I.R.S. Employer
Identification No.)

3697 Mt. Diablo Blvd., Suite 310, Lafayette, California 94549
(Address of principle executive offices)

(925) 283-4573
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. "

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock Outstanding as of January 31, 2002	16,817,323
Class B Stock Outstanding as of January 31, 2002	1,655,462

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Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995.

This quarterly report contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in these forward-looking statements due to the factors listed below, under Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Factors Relating to Forward-Looking Statements in our Annual Report on Form 10-K/A for the fiscal year ended September 29, 2001, and from time to time in our filings with the Securities and Exchange Commission. These risks and uncertainties include the final resolution of all pending litigation between the Company and The Scotts Company; the success of and the costs associated with the realignment of the Company's lawn and garden distribution operations; any liabilities to which the Company may become subject as a result of the August 2, 2000 fire at its Phoenix distribution center; and the impact of any other outstanding or potential litigation.

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INTRODUCTORY NOTE

This amendment on Form 10-Q/A is being filed to give effect to the restatement of our condensed consolidated financial statements discussed in Note 7 to the condensed consolidated financial statements, and to give effect to the results of the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective September 30, 2001 as discussed in Note 6 to the condensed consolidated financial statements. This amendment incorporates certain revisions to historical financial data and related descriptions but is not intended to update other information presented in this quarterly report as originally filed, except where specifically noted.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except shares)
(unaudited)

	September 29, 2001	December 29, 2001 As Restated (See Note 7)
ASSETS		
Current assets:		
Cash & cash equivalents	\$ 8,292	\$ 5,692
Accounts receivable (less allowance for doubtful accounts of \$14,464 and \$11,274)	141,791	135,348
Inventories	217,902	231,583
Prepaid expenses and other assets	35,776	32,937
	<u>403,761</u>	<u>405,560</u>
Total current assets	403,761	405,560
Land, buildings, improvements and equipment net	108,798	106,395
Goodwill	371,987	225,239
Deferred income taxes and other assets	32,080	50,856
	<u>916,626</u>	<u>788,050</u>
Total	\$ 916,626	\$ 788,050
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Notes payable	\$ 119,423	\$ 120,170
Accounts payable	127,884	134,092
Accrued expenses	38,412	32,478
Current portion of long-term debt	7,052	7,006
	<u>292,771</u>	<u>293,746</u>
Total current liabilities	292,771	293,746
Long-term debt	151,623	151,592
Deferred income taxes and other long-term obligations	16,917	1,143
Shareholders' equity:		
Class B stock, \$.01 par value: 1,655,462 shares outstanding at September 29, 2001 and December 29, 2001	16	16
Common stock, \$.01 par value: 30,532,473 and 30,532,873 issued and 16,790,223 and 16,790,623 outstanding at September 29, 2001 and December 29, 2001	305	305
Additional paid-in capital	526,410	526,410
Retained earnings (deficit)	73,411	(40,335)
Treasury stock	(144,827)	(144,827)
	<u>455,315</u>	<u>341,569</u>
Total shareholders' equity	455,315	341,569
Total	\$ 916,626	\$ 788,050

See notes to condensed consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	December 30, 2000	December 29, 2001
	As Restated (See Note 7)	
Net sales	\$ 212,058	\$ 210,659
Cost of goods sold and occupancy	153,339	149,157
Gross profit	58,719	61,502
Selling, general and administrative expenses	60,919	59,621
Income (loss) from operations	(2,200)	1,881
Interest expense	(5,970)	(3,938)
Interest income	49	27
Other income (expense)	92	(528)
Loss before income taxes and cumulative effect of accounting change	(8,029)	(2,558)
Income taxes	(3,616)	(1,049)
Loss before cumulative effect of accounting change	(4,413)	(1,509)
Cumulative effect of accounting change, net of tax (Note 6)		(112,237)
Net loss	\$ (4,413)	\$ (113,746)
Basic and diluted loss per common share:		
Before cumulative effect of accounting change	\$ (0.24)	\$ (0.08)
Cumulative effect of accounting change		(6.09)
Basic and diluted loss per common share	\$ (0.24)	\$ (6.17)
Basic and diluted weighted average shares used in the computation of loss per share	18,334	18,446

See notes to condensed consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	December 30, 2000	December 29, 2001
	As Restated (See Note 7)	
Cash flows from operating activities:		
Net loss	\$ (4,413)	\$ (113,746)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,057	4,284
Cumulative effect of accounting change		146,748
Deferred income taxes		(34,511)
Change in assets and liabilities:		
Receivables	15,607	6,443
Inventories	(33,298)	(13,681)
Prepaid expenses and other assets	(3,873)	2,972
Accounts payable	20,936	6,208
Accrued expenses	(9,502)	(5,934)
Other long-term obligations	(4,328)	(133)
Net cash used in operating activities	(11,814)	(1,350)
Cash flows from investing activities:		
Additions to land, buildings, improvements and equipment	(3,909)	(1,920)
Payments to acquire companies, net of cash acquired	(18,277)	0
Net cash used in investing activities	(22,186)	(1,920)
Cash flows from financing activities:		
Borrowings under lines of credit, net	32,548	747
Repayments of long-term debt	(402)	(77)
Proceeds from issuance of common stock net	19	0
Net cash provided by financing activities	32,165	670
Net decrease in cash and cash equivalents	(1,835)	(2,600)
Cash and cash equivalents at beginning of period	5,685	8,292
Cash and cash equivalents at end of period	\$ 3,850	\$ 5,692
Supplemental information:		
Cash paid for interest	\$ 2,589	\$ 2,335
Cash paid for taxes	\$ 211	\$ 48

See notes to condensed consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended December 29, 2001
(unaudited)

1. Basis of Presentation

The condensed consolidated balance sheet as of December 29, 2001, the condensed consolidated statements of operations for the three months ended December 30, 2000 and December 29, 2001 and the condensed consolidated statements of cash flows for the three months ended December 30, 2000 and December 29, 2001 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods mentioned above, have been made.

Due to the seasonal nature of the Company's business, the results of operations for the three months ended December 29, 2001 are not indicative of the operating results that may be expected for the year ending September 28, 2002. It is suggested that these interim financial statements be read in conjunction with the annual audited financial statements, accounting policies and financial notes thereto, included in the Company's 2001 Annual Report on Form 10-K/A which has previously been filed with the Securities and Exchange Commission.

2. New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method be used for all business combinations initiated after June 30, 2001. SFAS No. 142 changes the accounting for goodwill and intangible assets with indefinite lives from an amortization method to an impairment approach. Other intangible assets will continue to be amortized over their estimated useful lives. Amortization of goodwill, including goodwill recorded in prior business combinations, will cease prospectively upon the adoption of the standard, which the Company adopted for the fiscal year beginning September 30, 2001. See Note 6 for further discussion of the effect of the adoption of SFAS No. 142.

The following financial information is presented as if SFAS No. 142 was adopted at the beginning of the quarter ended December 30, 2000:

	Three Months Ended December 30, 2000
	(in thousands, except per share amounts)
Reported loss before cumulative effect of accounting change	\$ (4,413)
Goodwill amortization, net of tax	1,310
Adjusted loss before cumulative effect of accounting change	\$ (3,103)
Basic and diluted loss per share:	
Reported loss	\$ (0.24)