

CONAGRA FOODS INC /DE/
Form 10-Q/A
April 29, 2005

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 August 29, 2004

OR

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

For the transition period from _____ to _____

Commission File Number 1-7275

CONAGRA FOODS, INC.

(Exact name of registrant, as specified in charter)

Delaware		47-0248710
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
One ConAgra Drive, Omaha, Nebraska		68102-5001
(Address of Principal Executive Offices)		(Zip Code)

(402) 595-4000

(Registrant's telephone number, including area code)

Commission File Number 1-7275

Edgar Filing: CONAGRA FOODS INC /DE/ - Form 10-Q/A

(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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares outstanding of issuer's common stock, as of September 24, 2004, was 514,294,524.

EXPLANATORY NOTE

This Amendment No. 1 to this Quarterly Report on Form 10-Q/A (Form 10-Q/A) is being filed in order to correct the previously issued historical consolidated financial statements of ConAgra Foods, Inc. (the company) as of August 29, 2004, May 30, 2004 and August 24, 2003 and for the quarterly periods ended August 29, 2004 and August 24, 2003, initially filed with the Securities and Exchange Commission (the SEC) on October 7, 2004, for errors in previously reported amounts related to income tax matters. The company is filing contemporaneously with this Form 10-Q/A its restated Form 10-K/A for fiscal 2004 and Form 10-Q/A for the second quarter of fiscal 2005. The correction of the errors results in an aggregate net increase in income tax expense of approximately \$105 million (including approximately \$2 million reflected in results from discontinued operations) for fiscal years 2004, 2003, and 2002 and the first two quarters of fiscal 2005 and an aggregate net decrease in income tax expense of approximately \$46 million for years prior to fiscal 2002. The company estimates additional federal and state cash payments in the range of \$70 million to \$90 million will be made in the near term in connection with these matters. The restatement adjustments result in a \$46 million reduction of ending stockholders' equity as of August 29, 2004.

During fiscal 2005, the company has systematically conducted reviews of financial controls as a part of its Sarbanes-Oxley 404 pre-certification process and in connection with pending tax audits, as well as part of operational improvement efforts by new financial management. During the third quarter of fiscal 2005, those reviews resulted in the discovery of errors relating to accounting for income taxes, as described below:

The company made errors in its fiscal 1997 tax return in the calculation of tax basis upon the formation of a pork subsidiary. Additional less significant tax basis calculation errors also occurred. Upon the sale of the beef and pork businesses in fiscal 2003, as a result of the basis calculation errors, the company incorrectly calculated a capital loss and recognized a deferred tax asset with an offsetting valuation allowance. The company incorrectly recognized an income tax benefit when it applied the erroneous capital loss carryforward against capital gain transactions in fiscal 2004.

The company made historical errors in accounting for income taxes for foreign operations, which resulted in errors in the amount of foreign tax credit benefits recorded and the calculation of tax expense on foreign source income and gains for tax purposes on foreign dispositions. The company also incorrectly calculated the amount of deferred tax assets and related valuation allowance for the foreign tax credit carryforwards available in fiscal 2003, 2004 and 2005.

The Internal Revenue Service issued a report of its preliminary findings for its audit of the company's fiscal 2000-2002 tax returns subsequent to the end of the third quarter of fiscal 2005. In connection with this audit, the company had incorrectly recorded adjustments to the financial statements for the impact of computational errors made by the company related to its fiscal 2000-2002 tax returns.

The company also made errors in 1) recording deferred taxes resulting in net overstatement of income tax expense in years prior to fiscal 2002; 2) the calculation of fiscal 2003 and fiscal 2004 tax expense which resulted in the company recognizing tax expense or benefits related to certain transactions in the incorrect periods; and 3) calculating the reserve for state tax contingencies, principally related to years prior to fiscal 2003.

The reviews of tax matters also resulted in the correction of the gain recognized on the sale of the company's minority investment in Swift Foods, which is included in selling, general and administrative expenses in the second quarter of fiscal 2005.

The principal financial statement impact of such errors noted above is summarized as follows:

For periods prior to fiscal 2002, increased retained earnings by \$45.8 million.

For fiscal 2002, increased income tax expense \$11.3 million; decreased net income \$11.3 million; decreased diluted earnings per share \$0.02.

For fiscal 2003, increased income tax expense \$11.0 million; decreased net income \$11.0 million; decreased diluted earnings per share \$0.02.

For fiscal 2004, decreased selling, general and administrative expenses \$1.4 million; increased income tax expense \$72.3 million; increased income from discontinued operations \$2.4 million; decreased net income \$68.5 million; decreased diluted earnings per share \$0.13.

For the first half of fiscal 2005, decreased selling, general and administrative expenses \$10.1 million; increased income tax expense \$9.0 million; decreased income from discontinued operations \$4.1 million; decreased net income \$3.0 million; decreased diluted earnings per share \$0.01.

The company has also changed the presentation of cash flows from discontinued operations to separately present cash flows from discontinued operations for operating, investing and financing activities for all periods presented.

The company has changed its presentation of equity method investment earnings to present such amounts below income tax expense for all periods presented. Certain other reclassifications have been made to amounts previously reported in the company's Form 10-Q for the quarterly period ended August 29, 2004 to conform with amounts reported in the company's Form 10-Q for the thirty-nine weeks ended February 27, 2005.

See Note 12 to the condensed consolidated financial statements for further information.

Edgar Filing: CONAGRA FOODS INC /DE/ - Form 10-Q/A

This Form 10-Q/A amends and restates only Items 1, 2, and 4 of Part I and Item 6 of Part II of the original filing to reflect the effects of this restatement of the company's financial statements for the periods presented. The remaining Items contained within this Amendment No. 1 on Form 10-Q/A consist of all other Items originally contained on Form 10-Q for the quarterly period ended August 29, 2004. These remaining Items are not amended hereby. Except for the forgoing amended information, this Form 10-Q/A continues to describe conditions as of the date of the original filing, and the company has not updated the disclosures contained herein to reflect events that occurred at a later date.

Accordingly, this Form 10-Q/A should be read in conjunction with company filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-Q, including any amendments of those filings.

Part I Financial Information**Item 1. Condensed Consolidated Financial Statements****ConAgra Foods, Inc. and Subsidiaries****Condensed Consolidated Statements of Earnings**

(in millions except per share amounts)

(unaudited)

	Thirteen weeks ended	
	August 29, 2004	August 24, 2003
	(As Restated, see Note 12)	
Net sales	\$ 3,495.6	\$ 3,229.4
Costs and expenses:		
Cost of goods sold	2,810.9	2,545.2
Selling, general and administrative expenses	411.0	462.6
Interest expense, net	73.4	65.4
Income from continuing operations before income taxes, equity method investment earnings and cumulative effect of change in accounting	200.3	156.2
Income tax expense	81.4	37.1
Equity method investment earnings	14.1	11.2
Income from continuing operations before cumulative effect of change in accounting	133.0	130.3
Income from discontinued operations, net of tax	1.7	39.3
Cumulative effect of change in accounting, net of tax		(11.7)
Net income	\$ 134.7	\$ 157.9
Earnings per share basic		
Income from continuing operations before cumulative effect of change in accounting	\$ 0.26	\$ 0.25
Income from discontinued operations		0.07
Cumulative effect of change in accounting		(0.02)
Net income	\$ 0.26	\$ 0.30
Earnings per share diluted		
Income from continuing operations before cumulative effect of change in accounting	\$ 0.26	\$ 0.25
Income from discontinued operations		0.07
Cumulative effect of change in accounting		(0.02)
Net income	\$ 0.26	\$ 0.30

See notes to the condensed consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(in millions)

(unaudited)

	Thirteen weeks ended	
	August 29, 2004	August 24, 2003
	(As Restated, see Note 12)	
Net income	\$ 134.7	\$ 157.9
Other comprehensive income (loss):		
Net derivative adjustment, net of tax	(24.4)	16.5
Unrealized gain on available-for-sale securities, net of tax	0.2	
Currency translation adjustment	9.4	18.5
Comprehensive income	\$ 119.9	\$ 192.9

See notes to the condensed consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(dollars in millions)

(unaudited)

	August 29, 2004	May 30, 2004 (As Restated, see Note 12)	August 24, 2003
ASSETS			
Current assets			
Cash and cash equivalents	\$ 369.8	\$ 608.6	\$ 722.0
Divestiture proceeds receivable		60.3	
Receivables, less allowance for doubtful accounts of \$28.5, \$26.5 and \$32.3	1,349.7	1,324.1	807.5
Inventories	2,640.3	2,580.9	2,542.6
Prepaid expenses and other current assets	372.6	439.8	574.5
Current assets of discontinued operations	175.4	135.6	1,976.7
Total current assets	4,907.8	5,149.3	6,623.3
Property, plant and equipment			
Property, plant and equipment	5,745.1	5,632.7	5,112.2
Less accumulated depreciation	(2,838.9)	(2,752.7)	(2,462.3)
Property, plant and equipment, net	2,906.2	2,880.0	2,649.9
Goodwill			
Goodwill	3,799.2	3,796.6	3,800.2
Brands, trademarks and other intangibles, net	826.4	826.9	823.5
Other assets	1,564.9	1,559.4	1,126.8
Noncurrent assets of discontinued operations	9.4	10.0	552.7
	\$ 14,013.9	\$ 14,222.2	\$ 15,576.4
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities			
Notes payable	\$ 22.4	\$ 30.6	\$ 134.1
Current installments of long-term debt	366.9	382.4	520.4
Accounts payable	873.5	940.8	849.1
Advances on sales	103.0	178.4	113.0
Other accrued liabilities	1,426.4	1,351.8	1,580.8
Current liabilities of discontinued operations	164.9	120.5	1,192.8
Total current liabilities	2,957.1	3,004.5	4,390.2
Senior long-term debt, excluding current installments			
Senior long-term debt, excluding current installments	4,887.1	4,878.4	4,525.9
Subordinated debt	400.3	402.3	758.4
Preferred securities of subsidiary company			175.0
Other noncurrent liabilities	1,154.8	1,143.1	980.2
Noncurrent liabilities of discontinued operations			17.2
Total liabilities	9,399.3	9,428.3	10,846.9
Commitments and contingencies (Note 9)			
Common stockholders equity			
Common stock of \$5 par value, authorized 1,200,000,000 shares; issued 565,886,206, 565,842,299 and 565,710,565	2,829.4	2,829.2	2,828.6
Additional paid-in capital	754.5	755.7	732.5
Retained earnings	2,351.6	2,349.2	2,130.6
Accumulated other comprehensive income (loss)	5.1	19.9	(124.4)

Edgar Filing: CONAGRA FOODS INC /DE/ - Form 10-Q/A

Less treasury stock, at cost, common shares 51,599,271, 44,647,495 and 29,053,423	(1,311.1)	(1,123.8)	(691.0)
	4,629.5	4,830.2	4,876.3
Less unearned restricted stock and value of 373,601, 1,062,793 and 6,389,565 common shares held in Employee Equity Fund	(14.9)	(36.3)	(146.8)
Total common stockholders' equity	4,614.6	4,793.9	4,729.5
	\$ 14,013.9	\$ 14,222.2	\$ 15,576.4

See notes to the condensed consolidated financial statements.

ConAgra Foods, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in millions)

(unaudited)

	Thirteen weeks ended	
	August 29, 2004	August 24, 2003
	(As Restated, see Note 12)	
Cash flows from operating activities:		
Net income	\$ 134.7	\$ 157.9
Income from discontinued operations	1.7	39.3
Income from continuing operations	133.0	118.6
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	88.9	85.1
Loss on sale of fixed assets		7.8
Changes in amounts sold under the accounts receivable securitization, net		(50.0)
Cumulative effect of changes in accounting		11.7
Undistributed earnings of affiliates	(11.1)	(12.0)
Other items (includes pension and other postretirement benefits)	5.4	45.7
Change in operating assets and liabilities before effects of business acquisitions and dispositions:		
Accounts receivable	(28.0)	15.0
Inventory	(59.4)	(147.5)
Prepaid expenses and other current assets	27.4	18.2
Accounts payable and advances on sales	(116.0)	39.9
Other accrued liabilities	114.2	131.0
Net cash flows from operating activities continuing operations	154.4	263.5
Net cash flows from operating activities discontinued operations	1.5	(219.5)
Net cash flows from operating activities	155.9	44.0
Cash flows from investing activities:		
Additions to property, plant and equipment	(105.2)	(70.6)
Sale of businesses and property, plant and equipment	8.3	52.0
Notes receivable and other items	1.7	15.8
Net cash flows from investing activities continuing operations	(95.2)	(2.8)
Net cash flows from investing activities discontinued operations	29.8	(17.9)
Net cash flows from investing activities	(65.4)	(20.7)
Cash flows from financing activities:		
Net short-term borrowings	(8.2)	132.5