

INGLES MARKETS INC  
Form 10-Q/A  
February 10, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q/A**

Amendment No. 1

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

For the quarterly period ended June 26, 2004

.. **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 0-14706.

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**INGLES MARKETS, INCORPORATED**

(Exact name of registrant as specified in its charter)

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<b>North Carolina</b> (State or other jurisdiction of incorporation or organization)	<b>56-0846267</b> (I.R.S. Employer Identification No.)
<b>P.O. Box 6676, Asheville NC</b> (Address of principal executive offices)	<b>28816</b> (Zip Code)

**(828) 669-2941**

**Registrant's telephone number, including area code**

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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 .

As of July 27, 2004, the Registrant had 11,604,095 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 12,369,166 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

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**EXPLANATORY NOTE**

Ingles Markets, Incorporated ( Ingles or the Company ) is filing this Quarterly Report on Form 10-Q/A (the Form 10-Q/A ) for the quarter ended June 26, 2004 to reflect the restatement of its consolidated financial statements, the notes thereto, and related disclosures.

During preparation for its annual audit and annual report on Form 10-K for fiscal 2004 and as a result of a previously announced internal investigation initiated after an informal Securities and Exchange Commission inquiry, the Company determined that certain vendor allowances and certain other revenue and expense items had been accounted for incorrectly. In addition, the Company identified accounting errors related to certain lease transactions. Ingles is filing this Form 10-Q/A for purposes of restating its consolidated financial statements for the periods ended June 26, 2004 and June 28, 2003 in order to correct these errors. The adjustments made to Ingles financial statements are further described in Note B to the consolidated financial statements.

This Form 10-Q/A has not been updated except as required to reflect the effects of the restatement. This amendment and restatement includes changes to Part I, Items 1, 2 and 4 and Part II, Item 6. Except as identified in the prior sentence, no other item included in the original Form 10-Q has been amended, and such items shall remain in effect as of the filing date of the original Form 10-Q. Additionally, this Form 10-Q/A does not purport to provide an update or discussion of any other developments at the Company subsequent to its original filing.

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## Part I. FINANCIAL INFORMATION

**Item 1. FINANCIAL STATEMENTS****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	JUNE 26, 2004 (RESTATED)	SEPTEMBER 27, 2003 (RESTATED)
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 51,454,581	\$ 80,879,318
Receivables	33,963,621	34,220,658
Inventories	191,806,551	193,402,781
Other Current Assets	8,179,426	11,768,169
Total Current Assets	285,404,179	320,270,926
Property and Equipment Net	750,656,525	739,023,467
Other Assets	14,553,825	16,155,680
Total Assets	<b>\$ 1,050,614,529</b>	<b>\$ 1,075,450,073</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Short-term loans and current portion of long-term debt	\$ 28,557,374	\$ 38,032,125
Accounts payable, accrued expenses and current portion of other long-term liabilities	142,134,150	149,627,349
Total Current Liabilities	170,691,524	187,659,474
Deferred Income Taxes	38,111,578	39,663,578
Long-Term Debt	582,187,075	602,932,198
Other Long-Term Liabilities	6,458,344	8,599,709
Total Liabilities	797,448,521	838,854,959
Stockholders Equity		
Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued		
Common stocks:		
Class A, \$0.05 par value; 150,000,000 shares authorized; 11,602,818 shares issued and outstanding June 26, 2004; 10,635,419 shares issued and outstanding September 27, 2003	580,140	531,770
Class B, \$0.05 par value; 100,000,000 shares authorized; 12,369,391 shares issued and outstanding June 26, 2004; 12,391,216 shares issued and outstanding September 27, 2003	618,470	619,561
Paid-in capital in excess of par value	112,001,668	102,465,443

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Retained earnings	<b>139,965,730</b>	132,978,340
Total Stockholders' Equity	<b>253,166,008</b>	236,595,114
Total Liabilities and Stockholders' Equity	<b>\$ 1,050,614,529</b>	\$ 1,075,450,073

See notes to unaudited interim financial statements.

**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	<b>THREE MONTHS ENDED</b>	
	<b>JUNE 26,</b>	<b>JUNE 28,</b>
	<b>2004 (RESTATED)</b>	<b>2003 (RESTATED)</b>
Net sales	<b>\$ 537,447,444</b>	\$ 503,630,936
Cost of goods sold	<b>396,406,337</b>	372,485,283
Gross profit	<b>141,041,107</b>	131,145,653
Operating and administrative expenses	<b>117,663,575</b>	116,611,085
Rental income, net	<b>2,181,604</b>	2,035,833
Income from operations	<b>25,559,136</b>	16,570,401
Other income, net	<b>1,004,266</b>	1,528,007
Interest expense	<b>13,037,225</b>	12,838,129
Income before income taxes	<b>13,526,177</b>	5,260,279
Income taxes:		
Current	<b>8,510,000</b>	1,007,000
Deferred	<b>(3,273,000)</b>	874,000
	<b>5,237,000</b>	1,881,000
Net income	<b>\$ 8,289,177</b>	\$ 3,379,279
Per share amounts:		
Basic earnings per common share	<b>\$ 0.35</b>	\$ 0.15
Diluted earnings per common share	<b>\$ 0.35</b>	\$ 0.15
Cash dividends per common share:		
Class A Common Stock	<b>\$ 0.165</b>	\$ 0.165
Class B Common Stock	<b>\$ 0.150</b>	\$ 0.150

See notes to unaudited interim financial statements.

**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	<b>NINE MONTHS ENDED</b>	
	<b>JUNE 26,</b>	<b>JUNE 28,</b>
	<b>2004 (RESTATED)</b>	<b>2003 (RESTATED)</b>
Net sales	<b>\$ 1,592,546,027</b>	\$ 1,488,130,084
Cost of goods sold	<b>1,180,988,051</b>	1,098,732,951
Gross profit	<b>411,557,976</b>	389,397,133
Operating and administrative expenses	<b>354,232,269</b>	347,961,933
Rental income, net	<b>5,419,195</b>	6,548,093
Income from operations	<b>62,744,902</b>	47,983,293
Other income, net	<b>6,525,132</b>	3,343,692
Interest expense	<b>40,619,183</b>	38,066,394
Income before income taxes	<b>28,650,851</b>	13,260,591
Income taxes:		
Current	<b>11,554,000</b>	7,109,000
Deferred	<b>(841,000)</b>	(2,326,000)
	<b>10,713,000</b>	4,783,000
Net income	<b>\$ 17,937,851</b>	\$ 8,477,591
Per share amounts		
Basic earnings per common share	<b>\$ 0.77</b>	\$ 0.37
Diluted earnings per common share	<b>\$ 0.77</b>	\$ 0.37
Cash dividends per common share:		
Class A Common Stock	<b>\$ 0.495</b>	\$ 0.495
Class B Common Stock	<b>\$ 0.450</b>	\$ 0.450

See notes to unaudited interim financial statements.



**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)**

NINE MONTHS ENDED JUNE 26, 2004 AND JUNE 28, 2003

	CLASS A		CLASS B		PAID-IN CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS (RESTATED)	TOTAL (RESTATED)
	COMMON STOCK		COMMON STOCK				
	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, September 28, 2002 (as previously reported)	10,189,807	\$ 509,490	12,597,932	\$ 629,897	\$ 100,148,857	\$ 137,270,604	\$ 238,558,848
Restatement adjustments						(6,992,000)	(6,992,000)
Balance, September 28, 2002 (as restated)	10,189,807	509,490	12,597,932	629,897	100,148,857	130,278,604	231,566,848
Net income						8,477,591	8,477,591
Cash dividends						(10,726,938)	(10,726,938)
Exercise of stock options	104,225	5,211			1,015,679		1,020,890
Common stock conversions	206,716	10,336	(206,716)	(10,336)			
Balance, June 28, 2003	10,500,748	\$ 525,037	12,391,216	\$ 619,561	\$ 101,164,536	\$ 128,029,257	\$ 230,338,391
Balance, September 27, 2003 (as previously reported)	10,635,419	\$ 531,770	12,391,216	\$ 619,561	\$ 102,465,443	\$ 139,946,340	\$ 243,563,114
Restatement adjustments						(6,968,000)	(6,968,000)
Balance, September 27, 2003 (as restated)	10,635,419	531,770	12,391,216	619,561	102,465,443	132,978,340	236,595,114
Net income						17,937,851	17,937,851
Cash dividends						(10,950,461)	