

INGLES MARKETS INC
Form 10-Q/A
November 24, 2003

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No. 3

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

For the quarterly period ended June 28, 2003

☐ **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.

INGLES MARKETS, INCORPORATED

(Exact name of registrant as specified in its charter)

North Carolina

56-0846267

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

P.O. Box 6676, Asheville NC

28816

(Address of principal executive offices)

(Zip Code)

(828) 669-2941

Registrant's telephone number, including area code

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 August 1, 2003, the Registrant had 10,500,748 shares of Class A Common Stock, \$.05 par value per share, outstanding and 12,391,216 shares of Class B Common Stock, \$.05 par value per share, outstanding.

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INGLES MARKETS, INCORPORATED

INTRODUCTORY NOTE

Form 10-Q/A for the Three and Nine Months Ended June 28, 2003

This Amendment on Form 10-Q/A is being filed to restate certain amounts (see Note J, Critical Accounting Policies, and Managements Discussion and Analysis) and to revise disclosure and presentation of the Company's Consolidated Financial Statements for the three and nine-month periods ended June 28, 2003.

In light of recent interpretations of EITF 02-16, we reviewed our method of recognizing slotting fees and other vendor allowances in accordance with EITF 02-16. This review led us to revise our methodology for recognizing this consideration. Since we had previously filed the March 2003 and June 2003 Form 10-Q's, the option of recording the impact of EITF No. 02-16 as a cumulative effect of an accounting change was not available.

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Part I. Financial Information

Item 1. Financial Statements

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 28, 2003 (Unaudited) (Restated)*	September 28, 2002 (Note)
Current Assets:		
Cash	\$ 71,370,360	\$ 46,900,305
Receivables	31,297,637	34,822,934
Inventories	197,473,852	190,399,350
Other	5,831,855	5,706,754
	<hr/>	<hr/>
Total Current Assets	305,973,704	277,829,343
Property and Equipment Net	743,345,269	723,219,548
Other Assets	14,608,461	13,342,315
	<hr/>	<hr/>
Total Assets	\$ 1,063,927,434	\$ 1,014,391,206
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Note: The balance sheet at September 28, 2002 has been derived from the audited financial statements at that date.

* Certain amounts have been restated in conjunction with the change in interpretation of EITF 02-16. See Note J for further details.

See notes to unaudited interim financial statements.

Table of Contents**INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (CONCLUDED)****LIABILITIES AND STOCKHOLDERS EQUITY**

	June 28, 2003 (Unaudited) (Restated)*	September 28, 2002 (Note)
Current Liabilities:		
Short-term loans and current portion of long-term debt	\$ 40,875,212	\$ 47,307,046
Accounts payable, accrued expenses and current portion of other long-term liabilities	132,368,459	139,123,085
Total Current Liabilities	173,243,671	186,430,131
Deferred Income Taxes	34,414,578	36,914,578
Long-Term Debt	616,661,926	549,324,487
Other Long-Term Liabilities	2,188,868	3,163,162
Total Liabilities	826,509,043	775,832,358
Stockholders' Equity		
Preferred stock, \$.05 par value; 10,000,000 shares authorized; no shares issued		
Common stocks:		
Class A, \$.05 par value; 150,000,000 shares authorized; 10,500,748 shares issued and outstanding June 28, 2003; 10,189,807 shares issued and outstanding September 28, 2002	525,037	509,490
Class B, \$.05 par value; 100,000,000 shares authorized; 12,391,216 shares issued and outstanding June 28, 2003; 12,597,932 shares issued and outstanding September 28, 2002	619,561	629,897
Paid-in capital in excess of par value	101,164,536	100,148,857
Retained earnings	135,109,257	137,270,604
Total Stockholders' Equity	237,418,391	238,558,848
Total Liabilities and Stockholders' Equity	\$ 1,063,927,434	\$ 1,014,391,206

Note: The balance sheet at September 28, 2002 has been derived from the audited financial statements at that date.

* Certain amounts have been restated in conjunction with the change in interpretation of EITF 02-16. See Note J for further details.

See notes to unaudited interim financial statements.

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INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED	
	June 28, 2003	June 29, 2002 (Restated)*
Net sales	\$ 503,630,936	\$ 482,952,623
Cost of goods sold	372,659,527	353,780,308
Gross profit	130,971,409	129,172,315
Operating and administrative expenses	116,198,937	112,475,854
Rental income, net	2,029,832	2,342,073
Income from operations	16,802,304	19,038,534
Other income, net	1,606,103	386,695
Income before interest and income taxes	18,408,407	19,425,229
Interest expense	12,838,129	13,736,893
Income before income taxes	5,570,278	5,688,336
Income taxes:		
Current	1,500,000	620,000
Deferred	500,000	1,500,000
	2,000,000	2,120,000
Net income	\$ 3,570,278	\$ 3,568,336
Per share amounts:		
Basic earnings per common share	\$.16	\$.16
Diluted earnings per common share	\$.16	\$.16
Cash dividends per common share:		
Class A Common Stock	\$.165	\$.165
Class B Common Stock	\$.150	\$.150

* Certain amounts have been reclassified for the provisions of FAS 145. See Note J for further details.

See notes to unaudited interim financial statements.

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

	NINE MONTHS ENDED	
	June 28, 2003 (Restated)*	June 29, 2002 (Restated)**
Net sales	\$ 1,488,130,084	\$ 1,475,552,233
Cost of goods sold	1,099,771,475	1,085,869,119
Gross profit	388,358,609	389,683,114
Operating and administrative expenses	347,358,785	343,338,840
Rental income, net	6,530,093	7,098,511
Income from operations	47,529,917	53,442,785
Other income, net	3,955,068	3,544,124
Income before interest and income taxes	51,484,985	56,986,909
Interest expense	38,081,394	39,456,009
Income before income taxes	13,403,591	17,530,900
Income taxes:		
Current	6,800,000	7,750,000
Deferred	(1,962,000)	(1,200,000)
	4,838,000	6,550,000
Net income	\$ 8,565,591	\$ 10,980,900
Per share amounts		
Basic earnings per common share	\$.37	\$.49
Diluted earnings per common share	\$.37	\$.48
Cash dividends per common share:		
Class A Common Stock	\$.495	\$.495
Class B Common Stock	\$.450	\$.450

* Certain amounts have been restated in conjunction with the change in interpretation of EITF 02-16. See Note J for further details.

** Certain amounts have been reclassified for the provisions of FAS 145. See Note J for further details.

See notes to unaudited interim financial statements.

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INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

NINE MONTHS ENDED JUNE 28, 2003 AND JUNE 29, 2002

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		PAID-IN CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS (Restated)*	TOTAL (Restated)*
	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, September 29, 2001	10,005,107	\$500,255	12,634,432	\$631,722	\$ 98,595,411	\$136,772,824	\$236,500,212
Net income						10,980,900	10,980,900
Cash dividends						(10,664,265)	(10,664,265)
Exercise of stock options	148,200	7,409			1,553,446		1,560,855
Common stock conversions	26,200	1,311	(26,200)	(1,311)			
Balance, June 29, 2002	10,179,507	\$508,975	12,608,232	\$630,411	\$100,148,857	\$137,089,459	\$238,377,702
Balance, September 28, 2002	10,189,807	\$509,490	12,597,932	\$629,897	\$100,148,857	\$137,270,604	\$238,558,848
Net income						8,565,591	8,565,591
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	\$135,109,257	\$237,418,391

* Certain amounts have been restated in conjunction with the change in interpretation of EITF 02-16. See Note J for further details.

See notes to unaudited interim financial statements.

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	NINE MONTHS ENDED	
	June 28, 2003 (Restated)*	June 29, 2002
Cash Flows from Operating Activities:		
Net income	\$ 8,565,591	\$ 10,980,900
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	38,183,369	36,072,091
Amortization of deferred gain on sale/leasebacks	(761,026)	(635,386)
Gains on disposals of property and equipment	(2,181,958)	(1,275,168)
Receipt of advance payments on purchases contracts	530,546	2,756,871
Recognition of advance payments on purchases contracts	(2,562,439)	(2,586,069)
Decrease in deferred income taxes	(1,962,000)	(1,200,000)
Decrease in receivables	3,525,297	1,700,497
(Increase) decrease in inventory	(7,074,502)	810,739
Increase in other assets	(1,796,335)	(324,726)
Decrease in accounts payable and accrued expenses	(5,451,671)	(9,307,227)
Net Cash Provided by Operating Activities	29,014,872	36,992,522
Cash Flows from Investing Activities:		
Proceeds from sales of property and equipment	3,433,386	7,031,083
Capital expenditures	(58,119,635)	(26,227,924)
Net Cash Used by Investing Activities	(54,686,249)	(19,196,841)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt and advances on lines of credit	120,000,000	272,280,684
Debt issuance costs	(1,058,125)	(9,695,258)
Principal payments on long-term debt	(59,094,395)	(216,263,126)
Proceeds from exercise of stock options	1,020,890	1,560,855