

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**  
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FILER

**SUN CITY INDUSTRIES INC**

CIK: **95302** | IRS No.: **590950777** | State of Incorporation: **DE** | Fiscal Year End: **0131**  
Type: **10-Q** | Act: **34** | File No.: **001-06914** | Film No.: **95546712**  
SIC: **5140** Groceries & related products

Business Address  
5545 NW 35TH AVE  
DRAWER OFFICE BOX 8848  
FORT LAUDERDALE FL 33309  
3057303333

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter April 29, 1995 Commission File no. 1-6914

SUN CITY INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

59-0950777

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

5545 N.W. 35 Ave. Fort Lauderdale, FL

(Address of principal executive offices)

33309

(Zip Code)

Registrant's telephone number, including area code (305) 730-3333

Same Name; Former Address-8600 Doral Blvd., #304, Miami, FL 33166 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 X No

FINANCIAL INFORMATION

The consolidated financial statements included herein have been prepared by the Company, without audit, according to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to represent fairly the financial position and results of operations as of and for the periods indicated. The statements should be read in conjunction with the financial

statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 28, 1995.

The results of operations for the three-month period ended April 29, 1995, are not necessarily indicative of results to be expected for the entire year ending February 03, 1996.

SUN CITY INDUSTRIES, INC. AND SUBSIDIARIES

-----  
 CONSOLIDATED BALANCE SHEETS  
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<TABLE>  
 <CAPTION>

ASSETS	April 29, 1995	January 28, 1995
-----	-----	-----
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and equivalents	\$ 506,560	\$ 453,608
Accounts and trade notes receivable, less allowance for doubtful accounts of \$245,260 and \$178,600 in 1995 and 1994, respectively	6,628,775	6,053,550
Inventories	3,354,680	2,645,785
Notes Receivable - current portion	13,749	13,545
Prepaid expenses	453,016	370,445
Investment in Joint Ventures	816,060	734,000
	-----	-----
TOTAL CURRENT ASSETS	11,772,840	10,270,933
PROPERTY, PLANT AND EQUIPMENT:		
Land and Improvements	153,082	146,404
Buildings and Improvements	1,012,230	999,479
Machinery and equipment	5,835,539	5,722,264
	-----	-----
	7,000,851	6,868,147
Less accumulated depreciation	3,892,309	3,720,607
	-----	-----
	3,108,542	3,147,540
Properties held for sale	399,420	449,500
Long-term notes receivable	118,369	121,822
Excess of purchase price over fair value of net assets acquired	1,675,396	1,240,501
OTHER ASSETS	940,325	1,057,584
	-----	-----
TOTAL	\$18,014,892	\$16,287,880
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----	-----	-----
CURRENT LIABILITIES:		
Accounts payable	\$ 3,643,395	\$ 3,850,901
Accrued expenses	508,311	495,244
Current portion of long term debt	587,869	687,640
Current portion of capital lease	62,805	62,805
Income taxes payable	2,000	8,000
	-----	-----
TOTAL CURRENT LIABILITIES	4,804,380	5,104,590
DEFERRED COMPENSATION PAYABLE	472,760	444,160
LONG-TERM DEBT	9,063,157	7,199,174
CAPITAL LEASE	460,941	476,115
STOCKHOLDERS' EQUITY:		
Common stock, \$.10 par value 3,000,000 shares authorized; 2,276,116 share issued in 1995 and 1994	227,612	227,612
Capital in excess of par value	1,070,286	1,070,286
Retained earnings	4,862,956	4,766,143
	-----	-----
	6,160,854	6,064,041
Less: Treasury stock at cost, 837,164 shares in 1995 and 1994	(2,682,200)	(2,682,200)
Loan Receivable for common stock sold to ESOP	(265,000)	(318,000)

Total Stockholders' Equity	3,213,654	3,063,841
TOTAL	\$18,014,892	\$16,287,880

</TABLE>

SUN CITY INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>  
<CAPTION>

	Three Months Ended	
	April 29, 1995	April 30, 1994
<S>	<C>	<C>
Sales	\$21,819,325	\$19,671,388
Costs and Expenses		
Cost of Sales	20,273,150	18,200,560
Selling, general and administrative expenses	1,196,118	1,254,738
Interest expense	261,656	134,457
Other (income), net	(10,411)	(9,165)
Total Costs and Expenses	21,720,513	19,580,590
Earnings From Operation Before Income Taxes	\$ 98,812	\$ 90,798
Provision For Income Taxes	2,000	4,150
Net Earnings	96,812	86,648
Earnings Per Common and Common Equivalent Share	\$.07	\$.06
Earnings Per Common Share Assuming Full Dilution	\$.07	\$.05

</TABLE>

SUN CITY INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

<TABLE>  
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	Three Months Ended	
	April 29, 1995	April 30, 1994
<S>	<C>	<C>
Cash Flows From Operating Activities:		
Net earnings	\$ 96,812	\$ 86,648

Adjustments To Reconcile Net Earnings To Net Cash (Used In) Or Provided By Operating Activities:		
Depreciation	171,702	121,094
Amortization of excess of purchase price over fair market value of net assets acquired	15,105	6,773
Provision for losses on accounts receivable	66,660	(3,055)
Change in assets and liabilities:		
(Increase) decrease in accounts and trade notes receivable	(641,886)	580,031
(Increase) decrease in inventories	(708,895)	53,044
(Increase) in prepaid expenses	( 82,571)	(31,765)
(Increase) decrease in other assets	(414,801)	(168,704)
(Decrease) increase in accounts payable	(207,506)	(1,440,548)
Increase (Decrease) in accrued expenses	13,067	362,219
(Decrease) increase in income taxes payable	(6,000)	(11,850)
Increase in deferred compensation payable	28,600	28,600
<b>Total Adjustments</b>	<b>(1,766,525)</b>	<b>(504,161)</b>
<b>Net Cash (Used In) Or Provided By Operating Activities</b>	<b>\$ (1,669,713)</b>	<b>\$ (417,513)</b>
Cash Flows From Investing Activities:		
Capital expenditures	(82,622)	(106,322)
<b>Cash (Used In) Or Provided By Investing Activities</b>	<b>(82,622)</b>	<b>(106,322)</b>
Cash Flows From Financing Activities:		
Proceeds from notes payable	1,439,619	732,744
Repayments on notes receivable	3,249	2,993
Principal payments on notes payable	(390,581)	(441,043)
Proceeds from subordinated debtures	700,000	
Proceeds from loan receivable from ESOP	53,000	
<b>Net Cash Provided By Or (Used In) Financing Activities</b>	<b>1,805,287</b>	<b>294,694</b>
<b>Net Increase (Decrease) In Cash and Equivalents</b>	<b>52,952</b>	<b>(229,141)</b>
<b>Cash and Equivalents, Beginning of Year</b>	<b>453,608</b>	<b>531,608</b>
<b>Cash and Equivalents, End of Year</b>	<b>\$ 506,560</b>	<b>\$ 302,467</b>

</TABLE>

#### Management's Discussion and Analysis of Financial

#### Condition and Results of Operations

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the financial statements.

The Company, which began in 1949 as an egg processing and marketing company, is now also a foodservice marketing and distribution company throughout much of the eastern seaboard of the United States with a heavy concentration in Florida. The Company intends to expand its market share through the development of internal sales and the acquisition of related companies in the foodservice distribution business.

The Company began its expansion as a foodservice distributor in 1990 and now

includes four distribution centers in Florida covering the Orlando-Disney World area, most of the West Coast of Florida, the central Florida area and Southeast Florida from Key West to West Palm Beach. In addition, the Company has distribution operations that cover markets in Atlanta, GA, Baltimore, MD, Philadelphia, PA and New Jersey.

The Company's customers include national and regional supermarkets, U.S. military installations, hotels, restaurants, airline caterers, cruise ship lines, schools and state facilities.

The Company's goal is to build a network of foodservice companies throughout the heavily populated eastern seaboard of the United States with a major focus in the State of Florida.

FOR THE QUARTERS ENDED APRIL 28, 1995 AND APRIL 30, 1994

SALES:

During the first quarter, consolidated sales increased \$2,147,937 up 10.9% compared to a year ago.

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First Quarter	Total Sales	Foodservice Division	% of Total	Egg Division	% of Total
1995	\$21,819,325	\$14,454,765	66.2%	\$7,296,010	33.4%
1994	19,671,388	11,781,348	60.0	7,818,256	39.7
Net change	\$ 2,147,937	\$ 2,673,417	6.2%	(522,246)	(6.3%)

</TABLE>

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Division	Amount	Reasons
Sheppard Foodservice	\$ 3,463,379	New division began 2/27/95.
Gulf Coast Foodservice	739,155	Unit Sales up 19.5%.
Certified Food Service, PA.	(1,295,244)	New Jersey Division closed.
Egg Division	(522,246)	Market prices down 7.1%.
All Other	(237,107)	Unit sales down.

</TABLE>

COST OF SALES:

Cost of Sales include product cost, warehousing, distribution and egg processing costs.

During the first quarter, cost of sales rose \$2,072,590 or 11.4%. This increase were generally in line with increases in sales. The rate of change is influenced by the Company's overall customer and product mix, as well as the changes in egg market prices which fluctuate significantly from year to year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses as percentage of sales for 1995 and 1994 were 5.5% and 6.4%, respectively. Changes in the percentage relationship of selling, general and administrative expenses to sales result from an interplay of both direct costs associated with the operation of each division as well as the home office administrative cost. During 1995 these

costs decreased due to marginal selling, general and administrative expenses associated with the new Sheppard subsidiary. Management expects that as the Company's operations become more foodservice oriented, future direct selling, general and administrative expenses as a percentage of sales will reflect the levels typically experienced in the foodservice industry.

INTEREST EXPENSE:

Interest expense increased \$127,199 during the first quarter of 1995. Of this increase \$77,000 results directly from debt associated with the Sheppard and Gulf Coast acquisitions with the balance arising from an effective 35% increase in short term interest rates during the first quarter compared to a year earlier.

INCOME TAXES:

During Fiscal 1994, the Company adopted SFAS 109, Accounting for Income Taxes, effective February 1, 1993. Under SFAS 109, deferred tax liabilities are recognized for future taxable amounts and deferred tax assets are recognized for future deductions and operating loss carry forwards. A valuation allowance is recognized to reduce net deferred tax assets to the amounts that are more likely than not to be realized.

The Company estimates that, after filing its 1995 tax return, it will have tax loss carryforwards of approximately \$1,731,000 expiring in the years 2005 through 2008.

NET EARNINGS:

Net Earnings increased 11.7% from \$86,648 to \$96,812. Earnings per share improved 16.7% to \$.07 versus \$.06 per share reported for the first quarter a year ago.

Improvement in net earnings was due to contributions of newly acquired Sheppard Foodservice, improved earnings of the Gulf Coast Foodservice and a turnaround in earnings of the Certified Food Service, Pa. division compared to the first quarter the year before.

EARNINGS PER COMMON SHARE:

<TABLE>  
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First Quarter Ended April ,	1995	1994
<S>	<C>	<C>
Earnings per common and common equivalent share	\$ .07	\$ .06
Average shares used in the computation	1,438,952	1,506,792

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES:

The Company intends to expand its market share in the foodservice industry through the acquisition of small to mid-sized foodservice companies that have strong management teams, are situated in strategic locations and will enable the Company to expand its product lines. Additionally, the Company expects to increase sales through profitable internal growth.

In order to accomplish this goal, the Company had decided to create a program with its egg division whereby it will continue its status as an egg marketing entity but at the same time will begin to divest itself of its egg production joint ventures and seek alternatives in the operation of its egg processing operations.

During the First Quarter ended April 29, 1995:

Completed the acquisition of Sheppard Foodservice, Inc. for an initial cash payment of \$1,350,000.

Completed its second private placement offering by raising \$700,000 in five year Senior Subordinated Convertible Debentures carrying a fixed 9% rate, convertible at \$5.125 per share.

Expanded its credit facility with its major lender from \$7.0 million to \$7.5 million. The credit facility is primarily for the Company's increasing working capital needs, including that associated with new acquisitions.

The Company's liquidity condition has been negatively impacted by the operations of its egg division. However, management is contemplating a program whereby it is considering changing the manner in which it will, in the future, operate its egg division. If successful, the Company would eliminate its focus on egg processing and egg production joint ventures to that of being an egg marketing entity and as a result should reduce its debt load and eliminate the negative results associated with its current operations.

Sun City Industries, Inc. and Subsidiaries

SALES OF UNREGISTERED SECURITIES (DEBT OR EQUITY)

On February 10, 1995 the Company completed a private placement offering by raising \$700,000 in five year Senior Subordinated Convertible Debentures carrying a fixed rate of 9%. The debentures are convertible in common stock at \$5.12 per share.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN CITY INDUSTRIES, INC.

REGISTRANT

DATE: 6/13/95

/s/ Malvin Avchen

Malvin Avchen, C.E.O.

DATE: 6/13/95

/s/ Syed Jafri

Syed Jafri, Treasurer

The financial statements for the three months ended April 29, 1995 and April 30, 1994, respectively, are unaudited but are prepared in conformity with accounting principles used at our last fiscal year end and include all adjustments which the Company considers necessary for a fair presentation.



<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SUN CITY INDUSTRIES, INC. FINANCIAL STATEMENTS F.P.E. 4-29-95 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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