

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-01-10** | Period of Report: **1993-11-27**
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FILER

SEAWAY FOOD TOWN INC

CIK: **88296** | IRS No.: **344471466** | State of Incorporation: **OH** | Fiscal Year End: **0826**
Type: **10-Q** | Act: **34** | File No.: **000-00080** | Film No.: **94500781**
SIC: **5411** Grocery stores

Business Address
1020 FORD ST
MAUMEE OH 43537
4198939401

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

20549

FORM 10 Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For the quarterly period ended November 27, 1993 Commission File
number 0-80.

Transition Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For the transition period from
to

SEAWAY FOOD TOWN, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

34-4471466
(I.R.S. Employer
(Identification No.))

1020 Ford Street, Maumee, Ohio
(Address of principal executive offices)

43537
(Zip Code)

419/893-9401

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

Class	Outstanding at December 29, 1993
Common stock, without par value (stated value \$2.00 per share)	2,335,920 shares

PART I. FINANCIAL INFORMATION

Summarized Financial Information

The following consolidated statements of income, condensed consolidated balance sheets, and condensed consolidated statements of cash flows are unaudited, but include all adjustments, consisting only of normal recurring accruals, which the Company considers necessary for a fair presentation of its financial position, results of operations and cash flows for the periods and the dates indicated. Since the unaudited financial statements have been prepared in accordance with instructions to Form 10-Q, they do not contain all disclosures normally provided in annual financial statements; they should be read in conjunction with the consolidated financial statements and notes thereto appearing in the Company's 1993 Annual Report to Shareholders.

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PART I. FINANCIAL INFORMATION (Continued)

Consolidated Statements of Income

(Thousands of Dollars - Except Average Share and Per-share Data)

<CAPTION>

	Thirteen Weeks Ended	
	November 27, 1993	November 28, 1992
	<C>	<C>
Net sales	\$132,500	\$140,400
Cost of merchandise sold	99,933	107,157
Gross profit	32,567	33,243
Selling, general and administrative expenses	31,876	31,854
Operating profit	691	1,389
Interest expense	(1,179)	(1,151)
Other income - net	111	314

Income (loss) before income taxes and cumulative effect of change in accounting for income taxes	(377)	552
Provision (credit) for income taxes	(128)	204
	-----	-----
Income (loss) before cumulative effect of change in accounting for income taxes	(249)	348
Cumulative effect of change in accounting for income taxes (Note C)	(256)	
	-----	-----
Net income (loss)	(\$505)	\$348
	=====	=====
Per common share:		
Income (loss) before cumulative effect of change in accounting for income taxes	(\$0.11)	\$0.15
	=====	=====
Net income (loss)	(\$0.22)	\$0.15
	=====	=====
Dividends paid	\$0.09	\$0.09
	=====	=====
Ave. number of shares outstanding	2,336,829	2,329,904
	=====	=====

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PART I. FINANCIAL INFORMATION (Continued)

Condensed Consolidated Balance Sheets

(Thousands of Dollars)

<CAPTION>

	November 27, 1993	August 28, 1993
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$8,644	\$7,530
Income tax recoverable	500	427
Notes and accounts receivable	7,347	6,995
Less allowance for doubtful accounts	(400)	(400)
Merchandise inventories (Note B)	67,553	61,913
Less LIFO reserve	(17,593)	(17,594)
Prepaid expenses, including deferred income taxes (Note C)	5,407	2,466

Total current assets	71,458	61,337
Other assets	5,569	5,781
Property and equipment:		
Cost	177,925	176,291
Less accumulated depreciation and amortization	(92,229)	(90,638)
Net property and equipment	85,696	85,653
	\$162,723	\$152,771

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LIABILITIES AND SHAREHOLDERS' EQUITY

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<S>	<C>	<C>
Current liabilities:		
Accounts payable	\$39,158	\$35,904
Income taxes	265	377
Accrued liabilities	13,868	14,946
Long-term debt due within one year	3,403	3,555
Total current liabilities	56,694	54,782
Long-term debt	61,868	55,705
Deferred income taxes (Note C)	4,548	1,772
Deferred other	3,057	3,339
Shareholders' equity:		
Common stock	4,672	4,728
Capital in excess of stated value	433	470
Retained earnings	31,518	32,500
Unallocated common shares held by ESOP	(67)	(525)
Total shareholders' equity	36,556	37,173
	\$162,723	\$152,771

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PART I. FINANCIAL INFORMATION (Continued)

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Condensed Consolidated Statements of Cash Flows

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(Thousands of Dollars)

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	Thirteen Weeks Ended	
	November 27, 1993	November 28, 1992
<S>	<C>	<C>
OPERATING ACTIVITIES-net cash (used) provided	(\$1,039)	\$2,451
INVESTING ACTIVITIES:		
Expenditures for property and equipment	(3,213)	(3,100)
Proceeds from sale of property and other assets	41	---
Other	216	(785)
Net cash used in investing activities	(2,956)	(3,885)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	7,600	3,700
Payments of long term debt	(1,666)	(922)
Payments for acquisition of common shares	(331)	(92)
Dividends paid	(212)	(210)
Contributions to ESOP	---	(4)
Decrease in deferred other	(282)	(278)
Net cash provided by financing activities:	5,109	2,194
Increase in Cash and Cash Equivalents	1,114	760
Cash & cash equivalents at beginning of period	7,530	7,403
Cash and cash equivalents at end of period	\$8,644	\$8,163
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$929	\$949
Income Taxes	\$65	\$0

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PART I. FINANCIAL INFORMATION (Continued)

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Notes to Summarized Financial Information

Note A.

Net income per common share is based on the weighted average number of shares outstanding during the periods adjusted for unallocated shares of the ESOP. Shares issuable under outstanding stock options were not included in the per-share computations since inclusion would not result in any significant dilution or would be anti-dilutive.

Note B.

Meat, produce and pharmacy inventories are valued at the lower of cost using the first-in, first-out (FIFO) method, or market. All other merchandise inventories (including store inventories which are determined by the retail inventory method) are valued at the lower of cost using, the last-in, first-out (LIFO) method, or market.

Note C.

Effective August 29, 1993, the Company adopted the provisions of the Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes: (Statement 109). As permitted by Statement 109, prior year financial statements have not been restated to reflect the change in accounting method. The cumulative effect as of August 29, 1993 of adopting Statement 109 decreased net income by \$256,000 or \$.11 per share.

Under Statement 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of Statement 109, income tax expense was determined using the liability method prescribed by Statement 96, which is superseded by Statement 109. Among other changes, Statement 109 changes the recognition and measurement criteria for deferred tax assets and the classification criteria for deferred tax assets and liabilities included in Statement 96.

After giving effect to the adoption of Statement 109, significant components of the Company's deferred tax assets and liabilities at August 29, 1993 are as follows (in thousands):

<S>	<C>
Net Current deferred tax assets:	
Accrued expenses	\$2,907,000
Expenses inventoried for tax purposes	511,000
Other	(84,000)

	\$3,334,000
	=====

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PART I. FINANCIAL INFORMATION (Continued)

Notes to Summarized Financial Information (continued)

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Net non-current deferred tax liabilities:

Excess tax depreciation	\$4,886,000
Deferred project costs	1,016,000
Tax credit carryforwards	(1,461,000)

	\$4,441,000
	=====

The Company has alternate minimum tax credits of \$1,127,000 and targeted jobs tax credits of \$226,000 which can be applied against regular tax liabilities in future years. Additionally, the Company has contribution carryforwards of approximately \$108,000 which can be applied against taxable income in future years. The targeted jobs tax credits expire in 2008 which the contribution carryforwards expire in 1997 and 1998.

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PART I. FINANCIAL INFORMATION (continued)

Management's Discussion and Analysis of Financial Condition
and Results of Operations

Results of Oerations

Net sales for the first fiscal quarter of 1994 were \$132,500,000 or 5.6% lower than the same quarter of 1993. Most of this net decrease is attributable to decreased supermarket sales resulting from increased competition in our market area. There were three less supermarkets in operation as of the end of the quarter as compared to the same quarter of the prior year which also contributed to the decrease in sales. Sales from stores in operation both this past quarter as well as the same quarter a year ago were 3.49% less in the current year.

Gross margins, as a percent of sales, increased .9% in the first quarter of fiscal 1994 compared to the same quarter in fiscal 1993.

Gross margins have rebounded this year after a period of reduced margins resulting from promotions associated with expansion of drugstores into new markets and planned promotional activity in the supermarket area in the prior year.

As a percent of sales, selling, general and administrative expenses increased 1.4% in the first quarter compared to the same quarter of 1993. This increase is attributable to the decrease in net sales from the same quarter a year ago.

Interest expense increased \$28,000 compared to the first quarter of 1993. This increase is due primarily to increased borrowings offset by lower interest rates.

Other income - net decreased 64.6% compared to the same quarter in 1993. This decrease is due primarily to losses on the disposal of assets.

Income taxes as a percent of pre-tax income approximates the statutory tax rates in effect. The company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" this quarter. The cumulative effect of this standard, as of the beginning of this quarter, decreased income by \$256,000 or \$.11 per share.

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity and Capital Resources

At November 27, 1993, the Company's working capital has increased \$8,209,000 compared to August 28, 1993, and \$1,635,000 from the first quarter of the prior year. The working capital ratio was 1.26 to 1 at the end of this quarter compared to 1.12 to 1 at August 28, 1993 and 1.24 to 1 at November 29, 1992. During the first thirteen weeks of 1994, cash and cash equivalents increased \$1,114,000 to \$8,644,000 which was largely due to increased borrowings offset by increased inventory levels which increased largely due to the time of year.

The funds required by the Company on a continuing basis for working capital, capital expenditures, and other needs are generated principally through operations, long-term borrowings and capital leases, supplemented by borrowings under revolving credit note agreements which have been arranged primarily through institutional lenders. During the first quarter of 1994 it was necessary to borrow against revolving credit agreements with the maximum amount outstanding under such agreements being \$29,600,000.

Item 4. Results of votes of security holders

(a)

The Annual Meeting of Shareholders of Seaway Food Town, Inc. was held on January 6, 1994.

(b)

The election of the Directors previously nominated and as set forth in the Proxy Statement of December 10, 1993, which is incorporated herein by reference, was by the following vote:

1,893,793 shares voted FOR

18,753 shares voted AUTHORITY TO VOTE WITHHELD

(c)

Pursuant to the proposal set forth in the Proxy Statement of December 10, 1993, which is incorporated herein by reference, approval of Ernst & Young as auditors for the fiscal year ending August 27, 1994 was by the following vote:

1,888,871 shares voted FOR

18,028 shares voted AUTHORITY TO VOTE WITHHELD

5,647 shares voted AGAINST

Item 6. - Exhibits and Reports on Form 8 K.

6(b) Reports on Form 8 K.

There were no Form 8 K reports required to be filed by the Company during any of the months included in the most recently completed fiscal quarter.

Signature

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

SEAWAY FOOD TOWN, INC.,
Registrant

Date January 7, 1994

By Richard B. Iott
Richard B. Iott, President

Date January 7, 1994

By Waldo E. Yeager
Waldo E. Yeager,
Chief Financial Officer,
Treasurer