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

LATSHAW ENTERPRISES INC ET AL

CIK:**23236**| IRS No.: **440427150** | State of Incorp.:**DE** | Fiscal Year End: **1103**
Type: **10-Q** | Act: **34** | File No.: **001-06072** | Film No.: **95546690**
SIC: **3620** Electrical industrial apparatus

Mailing Address
P O BOX 7710
WICHITA KS 67217

Business Address
2533 S WEST ST
WICHITA KS 67217
3169427266

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended April 29, 1995

Commission file number 1-6072

LATSHAW ENTERPRISES, INC.
Name of Registrant

Delaware	44-0427150
State of Incorporation	Employer's I.D. Number

2533 S. West Street
Wichita, Kansas 67217
Address of principal executive offices

(316) 942-7266
Registrant's telephone number

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 [   ]

Common Stock, $2 Par Value-496,193 Shares Outstanding at 4-29-95

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LATSHAW ENTERPRISES, INC.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

LATSHAW ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In thousands)

<TABLE>

	April 29, 1995	October 29, 1994
Assets		
Current assets:		
<S>	<C>	<C>
Cash and cash equivalents	$ 255	$ 184
Marketable equity securities, at lower of cost or market	450	415
Accounts and notes receivable-net	7,384	5,939
Inventories, at lower of cost (LIFO) or market	7,824	7,721
Deferred income taxes	663	663
Prepaid expenses	203	405
Total current assets	16,779	15,327
Property, plant and equipment at cost	18,182	17,497
Less accumulated depreciation and amortization	(11,659)	(11,086)
	6,523	6,411
Other assets	233	226
	$23,535	$21,964
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	$ 2,428	$ 2,099
Accounts payable	2,887	2,828
Current portion of long-term debt	49	49
Accrued expenses	1,713	1,924
Income taxes payable	158	-
Total current liabilities	7,235	6,900
Long-term debt, less current portion	2,803	2,827

Pensions and deferred compensation	1,567	1,571
Postretirement benefit obligation	303	288
Deferred income taxes	172	172
Shareholders' equity		
Preferred stock, no par value:		
Authorized shares - 500,000,		
none issued	-	-
Common stock, $2 par value:		
Authorized shares - 1,500,000		
Issued shares - 1,002,162	2,004	2,004
Class C common stock, $2 par		
value: Authorized shares -		
1,000,000 in 1992, none issued	-	-
Additional paid-in capital	5,015	5,015
Unrealized gains on available-		
for-sale securities	22	-
Retained earnings	14,870	13,636
	21,911	20,655
Less cost of common stock		
held in treasury,		
505,969 shares in 1995		
and 505,058 in 1994	(10,456)	(10,449)
	11,455	10,206
	$23,535	$21,964

(This is an unaudited statement)

LATSHAW ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)

</TABLE>
<TABLE>

	Three Months Ended		Six Months Ended	
	April 29, 1995	April 30, 1994	April 29, 1995	April 30, 1994
<S>	<C>	<C>	<C>	<C>

Net sales	$11,682	$10,422	$22,754	$19,770
Cost of sales	8,762	7,687	17,323	14,762
Gross Profit	2,920	2,735	5,431	5,008
Selling, general and administrative expenses	1,566	1,458	3,200	2,869
Interest expense	131	117	244	190
Loss on sale of marketable equity securities	-	529	-	997
Unrealized gain on marketable equity securities	-	(218)	-	(712)
Lease termination	-	250	-	250
Other - net	12	23	24	16
Income before income taxes	1,211	576	1,963	1,398
Income tax provision	450	242	729	522
Net income	$ 761	$ 334	$1,234	$ 876
Net income per common and common equivalent share:				
Primary	$ 1.48	$ .65	$ 2.39	$ 1.72
Fully Diluted	$ .79	$ .36	$ 1.28	$ .92
Common and common equivalent shares outstanding:				
Primary	515	511	517	510
Fully Diluted	1,015	1,014	1,017	1,015

(This is an unaudited statement)

Notes to Consolidated Financial Statements:

The condensed financial statements included herein have been prepared by the Company without audit, and in the opinion of management, reflect all the adjustments necessary to fairly present the Company's results of operations for the period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report.

Net Income Per Share

The computation of primary earnings per common and common equivalent share is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of dilutive stock options. The computation of fully diluted earnings per share further assumes conversion of the variable interest rate convertible debentures.

LATSHAW ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)

</TABLE>
<TABLE>

	Six Months Ended April 29, 1995	April 30, 1994
Operating activities		
<S>	<C>	<C>
Net income	$1,234	$876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	573	474
Deferred compensation	(4)	(5)
Postretirement benefits	15	12
Loss on sale of marketable equity securities	-	997
Unrealized gain on marketable equity securities	-	(712)
Provision for loss on accounts receivable	2	30
Changes in operating assets and liabilities affecting cash and cash equivalents:		
Accounts and notes receivable	(1,447)	(1,306)
Inventories	(103)	(462)
Refundable income taxes	-	138
Deferred income taxes	-	(51)
Prepaid expenses	202	221
Accounts payable	59	(310)
Accrued expenses	(211)	179
Accrued income taxes	145	-
Net cash provided by operating activities	465	81
Investing activities		
Purchases of property, plant and equipment	(685)	(755)
Proceeds from sale of marketable equity		

securities	-	158
Other	(7)	50
Net cash used in investing activities	(692)	(547)
Financing activities		
Payments of notes payable	(1,045)	(1,011)
Proceeds from the issuance of notes payable	1,374	1,705
Payments of long-term debt	(24)	(308)
Proceeds from the issuance of long-term debt	-	198
Purchase of treasury stock	(7)	(6)
Net cash provided by financing activities	298	578
Increase in cash and cash equivalents	71	112
Cash and cash equivalents at beginning of period	184	174
Cash and cash equivalents at end of period	$ 255	$ 286

(This is an unaudited statement)

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Sales revenue for the second quarter as well as for the six months of 1995 were higher than the same periods in 1994. For the first six months of 1995, all divisions experienced sales growth compared to 1994. Improved conditions in the general economy seem to be the contributing factor to the increased demand for the Company's products. Net sales for the second quarter of 1995 were $11,682,000, an increase of 12.1 percent from the $10,422,000 level in 1994. Net sales for the six months of 1995 were $22,754,000 which represents a 15.1 percent increase over the same period in 1994 of $19,770,000.

Gross profit in the second quarter of 1995 was 25.0 percent versus 26.2 percent in the second quarter of 1994. For the six months of 1995, gross profit was 23.9 percent compared to 25.3 percent in 1994. Operating efficiencies resulting from the higher sales volume did not offset higher material costs that were experienced by all the Company's divisions for 1995. Latshaw's material suppliers have experienced increased demand for their products and as a result have increased their prices. Latshaw continues to be confronted with competitive pricing pressure which reduces its ability to pass these price increases along.

Selling, general and administrative expenses for the second quarter and the six months of 1995 were higher compared to the same periods in 1994. However, as a percent of sales for the six month period, these costs amounted to 14.1 percent in 1995 compared to 14.5 percent in 1994. The higher cost in 1995 resulted primarily from increased commissions and performance bonuses due to the higher sales volume.

Interest expense was $131,000 for the second quarter of 1995 compared to $117,000 for the same period a year earlier. For the six months in 1995, interest expense was $244,000 versus $190,000 in 1994. These increases were due to additional debt incurred to meet the working capital requirements of the higher sales volume. Borrowing costs in 1995 were also higher because of an increase in interest rates the Company paid on its outstanding convertible subordinated debentures and bank borrowings.

In the second quarter of 1994, the Company sold 40,000 shares of Standard Brands Paint common stock for $83,000. This resulted in a realized loss of approximately $529,000. This sale combined with the sale of 35,458 shares of Standard Brands Paint common stock earlier in the year for $75,000 resulted in a realized loss of $997,000 for the six months of 1994. Proceeds from these sales were used to pay down bank debt. During the same period in 1995 there were no such sales.

In 1994, the Company recorded an unrealized gain on marketable equity securities of $218,000 for the second quarter and a $712,000 unrealized gain for the six months. These unrealized gains were the result of Latshaw's policy of carrying its marketable equity securities at the lower of aggregate cost or market value. Effective October 30, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS), No. 115 on "Accounting for Certain Investments in Debt and Equity Securities." In accordance with SFAS No. 115, the Company has determined that its marketable equity securities are considered to be "available-for-sale" and that any unrealized gains or losses are to be reported net of tax, as a separate component of shareholders' equity. At October 30, 1994 and April 29, 1995, the pretax unrealized gain on marketable equity securities was $14,000 and $35,000, respectively.

The Company was the assignee of leases on certain plant facilities in Minnesota originally leased directly by a former subsidiary of the Company. At the time of the sale of the subsidiary in 1983, the Company subleased the facilities to the buyer of the subsidiary. These leases were to expire in 1998. In 1993, the lessor of the properties brought an action against the Company, the subtenant and several other parties for the costs of repairing the roof of certain of the facilities. Subsequent to the end of the second quarter of 1994, the Company entered into a settlement agreement with the lessor, pursuant to which the lessor agreed to release the Company from any past, present, or future liability associated with this lease and the Company has agreed to make future payment(s) to the lessor of approximately $250,000. As a result, the Company expensed $250,000 in the second quarter of 1994.

The effective income tax rate was 37.1 percent in 1995 and 37.3 percent in 1994 for the six month period.

The Company had net income for the second quarter of 1995 of $761,000 or $1.48 per share (primary) and $.79 per share (fully diluted) compared to a net profit of $.65 per share (primary) and $.36 per share (fully diluted) for the second quarter of 1994. For the six months of 1995, there was a per share net profit of $2.39 (primary) and $1.28 (fully diluted) on total net profit of $1,234,000. This compares to a $1.72 per share profit (primary) and $.92 per share (fully diluted) on total net profit of $876,000 for the same period in 1994.

The computation of primary earnings per common and common equivalent share is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of dilutive stock options. The computation of fully diluted earnings per share assumes conversion of the variable rate convertible debentures.

For the six months of 1995 and 1994, the Company used net cash in investing activities of $692,000 and $547,000, respectively. These uses were funded by operating activities and drawing on the available bank lines of credit.

As of April 29, 1995, the Company, through its subsidiary, Wescon Products Company, had an unused line of credit for short-term bank borrowings of $3,000,000 remaining on the $5,000,000 available, providing for interest at prime. The Company, through its subsidiary, Helton, Inc., also has outstanding borrowings of $322,000 at April 29, 1995 on a $350,000 bank line of credit. Management believes that the combination of funds available through its bank lines of credit along with the anticipated cash flow from operations will provide the capital resources necessary to meet the Company's working capital needs. Despite the Company's existing capital resources, opportunities may arise that Management believes would enhance the value of the Company that could require financing not currently provided for. There were no significant capital expenditure commitments outstanding at April 29, 1995 that have not been previously disclosed.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Primary and Fully Diluted Net Income per Common Share Computation

(27) Financial Data Schedule

(b) Reports on Form 8-K - None

SIGNATURES

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

LATSHAW ENTERPRISES, INC.

/s/Michael E. Bukaty
Michael E. Bukaty
President

/s/David G. Carr
David G. Carr
Sr. Vice President, C.F.O.

June 12, 1995
Date

EXHIBIT INDEX

Assigned Exhibit Number	Description of Exhibit
(11)	Primary and Fully Diluted Net Income per Common Share Computation
(27)	Financial Data Schedule

</TABLE>

EXHIBIT 11

Latshaw Enterprises, Inc.

Primary and Fully Diluted Net Income
per Common Share Computation

	Three Months Ended April 29, 1995	Three Months Ended April 30, 1994	Six Months Ended April 29, 1995	Six Months Ended April 30, 1994
	(In thousands except per share data)			
Primary				
Net income applicable to common shareholders	$761	$334	$1,234	$876
Weighted average number of common shares outstanding during the period	497	493	497	493
Add - common equivalent shares (determined using the "treasury stock method") representing shares issuable upon the exercise of stock options granted	18	18	20	17
Weighted average number of common and common equivalent shares outstanding	515	511	517	510
Net income per share	$1.48	$ .65	$2.39	$1.72
Fully Diluted				
Net income	$ 761	$ 334	$1,234	$876

Add - interest expense of convertible subordinated debentures	37	29	72	58
Net income applicable to common shareholders	$798	$ 363	$1,306	$934
Weighted average number of common shares outstanding during the period	497	493	497	493
Add - common equivalent shares (determined using the "treasury stock method") representing shares issuable upon the exercise of stock options granted	18	21	20	22
Add - dilutive convertible subordinated debentures	500	500	500	500
Weighted average number of common and common equivalent shares outstanding	1,015	1,014	1,017	1,015
Net income per share	$ .79	$. 36	$1.28	$ .92

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