CENTRAL GARDEN & PET COMPANY
Form 10-K/A
December 10, 2002
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended September 29, 2001

Commission File Number 0-20242

CENTRAL GARDEN & PET COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**68-0275553**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

3697 Mt. Diablo Boulevard, Lafayette, California 94549
(Address of principal executive offices) (Zip Code)

Telephone Number: (925) 283-4573

Securities registered pursuant to section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock
(Title of Class)

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 ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in

Part III of this Form 10-K or any amendment to this Form 10-K. ¨

At December 5, 2001, the aggregate market value of the registrant s Common Stock and Class B Stock held by non-affiliates of the registrant was approximately $127,415,000 and $446,000, respectively.

At December 5, 2001, the number of shares outstanding of the registrant s Common Stock was 16,790,623. In addition, on such date the registrant had outstanding 1,655,462 shares of its Class B Stock which is convertible into Common Stock on a share-for-share basis.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement for the Company s 2002 Annual Meeting of Stockholders Part III of this Form 10-K/A.

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For the fiscal year ended September 29, 2001

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INTRODUCTORY NOTE

This amendment is being filed to give effect to the restatement of our consolidated financial statements as discussed in Note 14 to the consolidated financial statements. This amendment incorporates certain revisions to historical financial data and related descriptions but is not intended to update other information presented in this annual report as originally filed, except where specifically noted.

PART I

Item 1. Business

GENERAL

Overview

Central Garden & Pet Company offers a broad array of branded lawn and garden and pet supply products, including Pennington®, Four Paws®, Zodiac®, Kaytee®, Nylabone®, All-Glass®, Lofts®, Max-Q®, Norcal Pottery®, Matthews®, Amdro®, Image® and Grant's®. Beginning in the fiscal year ended September 29, 2001 (fiscal 2001), Central s operations were grouped into two business segments, the lawn and garden products business (Garden Products) and the pet products business (Pet Products). For fiscal 2001, Garden Products and Pet Products accounted for 57% and 43%, respectively, of consolidated net sales before corporate eliminations. These businesses accounted for income from operations before other charges and the allocation of certain corporate costs and eliminations of $11.0 million and $34.9 million, respectively, in fiscal 2001. These segments, their products, and the markets they serve are described under the headings The Garden Products Business and The Pet Products Business in this Part I.

Central was incorporated in Delaware in June 1992 and is the successor to a California corporation which was incorporated in 1955. References to we, us, our or Central mean Central Garden & Pet Company and its subsidiaries and divisions, and their predecessor companies and subsidiaries. Our principal executive offices are located at 3697 Mt. Diablo Boulevard, Lafayette, California 94549 and our telephone number is (925) 283-4573.

Recent Developments

Garden Products

During fiscal 2001, we intensified our focus on branded products and continued to downsize our distribution operations to reflect the reduction in business as a result of the termination on September 30, 2000 of our distribution relationship with The Scotts Company (Scotts).

Pet Products

On September 30, 2000, Central acquired All-Glass Aquarium Co., a leading manufacturer and marketer of aquariums and related products. Based in Franklin, Wisconsin, All-Glass had sales of approximately $61 million for the twelve months ended September 30, 2000, with manufacturing facilities located in Franklin and its Oceanic Systems subsidiary in Dallas, Texas. Its brands include All-Glass Aquarium® and Oceanic Systems®. During fiscal 2001, we integrated the acquired All-Glass business with our existing Island aquarium business so that we now offer a full line of aquariums.

In 2001, we received numerous awards for our new and innovative pet products. In January 2001, the Pet Industry Distributors Association selected our All-Glass Mini Bow 7 as the Best New Aquarium Product, our Nylabone Fold-away Pet Carriers as the Best New Dog or Cat Product and our Kaytee Yogurt Dips as the Best New Bird or Small Animal Product. In addition, The American Pet Products Manufacturers Association named our All-Glass Mini Bow 5 as the Best New Aquatic Product and our Nylabone Fold-away Pet Carrier Display Rack as the Best POS Display.

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THE GARDEN PRODUCTS BUSINESS

Overview

Garden Products manufactures a broad array of proprietary branded lawn and garden products, including Pennington®, Amdro®, Norcal Pottery®, Lofts®, Matthews® and Grant s®, and also performs logistics and sales activities for a variety of other manufacturers of lawn and garden products. Garden Products accounted for 57% of Central s consolidated net sales before corporate eliminations in fiscal 2001, 66% in fiscal 2000 and 71% in fiscal 1999, and before the allocation of certain corporate costs and eliminations accounted for income from operations before other charges of $11.0 million in fiscal 2001, $34.3 million in fiscal 2000, and $50.2 million in fiscal 1999.

Proprietary Branded Products

The principal lawn and garden product lines are the Pennington line of grass seed, wild bird food and lawn care products, the Norcal Pottery line of pottery products, the Amdro and Grant s line of ant control products, the Matthews line of wooden garden products, and seven proprietary brands of fertilizer.

Pennington. Pennington offers a broad range of seed products in the lawn and garden, forage, and wild game and bird markets. Pennington is also a large manufacturer of lawn and garden chemicals, fertilizers, soils and related products. The Pennington line of grass seed and lawn and garden products includes the trademarks Pennington Seed®, Pennington®, Penkoted®, Max-Q, ProCare®, Green Charm®, Lofts® and Rebel®. Pennington products are offered nationwide and include:

- *Grass Seed*. Pennington manufactures numerous varieties and blends of cool and warm season turf grass for both the residential and professional markets, as well as forage and wild game seed varieties under the Pennington name and under private labels, including Wal*Mart s Better Homes and Gardens® licensed program. The Pennington grass seed manufacturing facilities are some of the largest and most modern seed conditioning facilities in the industry. Pennington has recently added Lofts® and Rebel® products to its offerings under a license arrangement.

- *Bird Seed Products*. Pennington is one of the largest manufacturers of wild bird feed including premium, specialty and gourmet mixes. Pennington also manufactures liquid hummingbird food.

- *Lawn and Garden Chemicals.* Pennington manufactures a full line of lawn and garden weed and insect control products, under the names Eliminator®, ProCare® and Pennington s Pride®. Eliminator® lawn and garden insecticides and herbicides are packaged exclusively for Wal*Mart.

- *Fertilizers and Soil Products*. Pennington manufactures several lines of lawn and garden fertilizers, including granular products and liquid plant foods, under several brands, including Pennington® and other private and controlled labels. In addition, Pennington s Earth Pak division also offers a complete line of soil, mulch and rock products under several brands, including Pennington and other private and controlled labels.

Norcal Pottery. Norcal Pottery designs and procures pottery products from across the United States and around the world. The products include terra cotta, stoneware, ceramics and porcelain pots and are sold to chain store accounts, independent retailers and landscapers nationwide.

AMBRANDS. AMBRANDS manufactures AMDRO® Fire Ant Bait, the leading fire ant bait product available in the consumer market, and IMAGE® Consumer Concentrate, a selective herbicide for the control of difficult weeds in Southern turf, such as nutsedge, dollarweed, wild onion and garlic, Virginia buttonweed and others. Both products are sold primarily in the Southern and Southeastern markets and are carried by key retailers including Wal*Mart, Home Depot, Ace and Lowe s.

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Grant s. Grant s manufactures ant baits, animal repellents and garden aid products. The Grant s line of ant control products consists of Grant s ant baits and granules. These products are sold nationwide through a network of lawn and garden distributors.

Unicorn Laboratories. Unicorn serves the U.S. animal health and lawn and garden industries as a private label and branded manufacturer of lawn, garden and animal health chemical products.

Matthews Four Seasons. Matthews manufactures a complete line of wooden garden products, including planters, barrel fountains, arbors and trellises. Matthews also produces a cedar bird feeder line under the Kaytee® label.

Cedar Works. Pennington has an equity stake in Cedar Works, the largest producer of wooden bird feeders in the country. Its brands include Country Home®, Nature s Market®, Cedar Works®, Harvest Landing® and The Address of Distinction®. Cedar Works also offers injection molded plastic bird feeders and feeder accessories to complement its wooden feeder lines.

Fertilizers. Central has four proprietary brands of fertilizer Colorado s Own® and Mountain States®, which are manufactured by the Company, and Easy-Gro® and Turf-Magic®, which are supplied to Central by contract manufacturers. In addition, Gro Tec, Inc., a subsidiary of Pennington, markets fertilizers under Pennington®, Pro Care®, Green Charm® and other proprietary brands.

Distributed Lawn and Garden Products

Garden Products also offers its customers a comprehensive selection of other manufacturers brand name lawn and garden products. In selecting which products to distribute, Garden Products generally focuses on those lawn and garden brand name products that are suited to distribution due to their seasonality, variable sales movements, complexity to consumers and retailers, handling and transportation difficulties, and which therefore generally require value-added services. Garden Products does not carry live plants, power tools or high priced items which are generally sourced directly from manufacturers.

Sales and Marketing

Garden Products lawn and garden products are sold by approximately 175 sales personnel to a network of lawn and garden and hardware wholesale distributors nationwide. Garden Products also employs approximately 250 sales and marketing personnel to support its logistics and sales activities for a variety of other manufacturers of lawn and garden products. Most products are sold directly to retailers. Historically, Garden Products sales have been highly seasonal. Most retail sales of lawn and garden products occur on weekends during the spring and fall.

Sales to mass merchandisers, warehouse-type clubs and home improvement centers represent a significant portion of Garden Products sales. Sales to Wal*Mart represented approximately 31% of Garden Products sales in fiscal 2001, 36% in fiscal 2000 and 32% in fiscal 1999. Sales to Home Depot represented approximately 11% of Garden Products sales in fiscal 2001, 7% in fiscal 2000 and 12% in fiscal 1999. Sales to Lowe s represented approximately 9% of Garden Products sales in fiscal 2001, 7% in fiscal 2000 and 8% in fiscal 1999.

Subsequent to the fiscal 2000 year end, Wal*Mart informed Garden Products of a number of significant changes in its lawn and garden supplies purchasing programs and procedures for fiscal 2001. These included Wal*Mart s decision to purchase certain lawn and garden supplies directly from a number of manufacturers whose supplies had previously been sold through Garden Products; a change from store door deliveries of many of the lawn and garden supplies formerly delivered by Garden Products to individual Wal*Mart stores to a new procedure whereby Garden Products would ship these products to Wal*Mart distribution centers; and Wal*Mart s decision not to have Garden Products personnel perform lawn and garden supplies merchandising functions inside Wal*Mart stores. As a result of these factors, and the closing of 13 distribution centers associated with the garden distribution downsizing, sales by Garden Products of other manufacturers lawn and garden products to Wal*Mart in 2001 declined significantly.

Garden Products current practice on product returns generally is to accept and credit the return of unopened cases of products from customers where the quantity is small, the product has been misshipped or the product is defective. Garden Products has arrangements with its manufacturers and suppliers to stock balance and/or credit it for a certain percentage of returned or defective products.

Manufacturing

Garden Products currently operates 14 manufacturing facilities. In addition, certain of its proprietary branded products are manufactured by contract manufacturers. Garden Products also has a development team that is responsible for developing new products within existing proprietary branded product lines and the development of new proprietary branded product lines.

Pennington has seed processing facilities in Madison, Georgia; Greenfield, Missouri; Roll, Arizona; El Centro, California; and Lebanon, Oregon to test, process and package a full range of Pennington seed varieties. Pennington also maintains observation nurseries at all manufacturing locations, enabling it to track seed growth for Pennington quality prior to selection. Pennington s fertilizer plant, Gro Tec®, is located in Eatonton, Georgia. Pennington wild bird feed is manufactured in Penn Pak facilities in Madison, Georgia; Greenfield, Missouri; and Sidney, Nebraska. In addition, Pennington s Earth Pak plant in Shady Dale, Georgia produces a variety of soil amendments, including pine bark nuggets and potting soils used in landscaping. Pennington also operates a fertilizer manufacturing facility in Longmont, Colorado.

Unicorn Laboratories, Inc. is located in Clearwater, Florida where it manufactures and formulates a variety of lawn, garden and animal health products. Grant s operates a manufacturing facility in San Leandro, California, and Matthews operates a manufacturing facility in Stockton, California.

Purchasing

Most of the raw materials purchased by Garden Products are acquired from a number of different suppliers; however, a number of items are purchased from limited or single sources of supply, and disruption of these sources could have a temporary adverse effect on product shipments and Garden Products financial results. Garden Products believes alternative sources could be obtained to supply these materials, but a prolonged inability to obtain certain materials could result in lost sales.

Pennington obtains grass seed from various sources, which it presently considers to be adequate. No one source is considered to be essential to Pennington or to Garden Products business as a whole. Pennington has never experienced a significant interruption of supply. The principal raw materials required for Pennington s wild bird seed manufacturing operations are bulk commodity grains, including millet, milo, wheat and sunflower seeds. Pennington generally purchases these raw materials one to three months in advance. Raw materials are generally purchased from large national commodity companies and local grain cooperatives. In order to ensure an adequate supply of seed to satisfy expected production volume, Pennington enters into contracts to purchase grain and seed at future dates by fixing the quantity, and often the price, at the commitment date.

The key ingredients in the Garden Products fertilizer and insect and weed control products are various commodity and specialty chemicals including phosphates, urea, potash, herbicides, insecticides and fungicides. Garden Products obtains its raw materials from various sources, which it presently considers to be adequate. No one source is considered to be essential to any of Garden Products companies or to its business as a whole. Garden Products has never experienced a significant interruption of supply.

Distribution

Garden Products currently operates 20 distribution centers throughout the country. The primary distribution centers for Pennington s products are located both near the point of manufacture and at strategically located warehousing facilities. These facilities are located in Columbia, South Carolina; Cullman, Alabama; Greenfield, Missouri; Madison, Georgia; Kenbridge, Virginia; Hammond, Louisiana; Little Rock, Arkansas; Woburn, Massachusetts; and Laurel, Maryland. In addition, Pennington uses other outside agents and distributors, including, but not limited to, Excel Garden Products, Central s other garden sales and logistics operations. Pennington s products are shipped by rail and truck. While the majority of truck shipments are made by contract carriers, a portion is made by Pennington s fleet of trucks.

Excel Garden Products operates distribution centers in Dallas, Texas; Orlando, Florida; Portland, Oregon; Sacramento, California; Santa Fe Springs, California; and Salt Lake City, Utah. Norcal Pottery operates distribution centers in San Leandro, California; Richmond, California; Ontario, California; Houston, Texas; and Algona, Washington.

Competition

The lawn and garden products industry is highly competitive. Garden Products lawn and garden products compete against national and regional products and private label products produced by various suppliers. Our turf and forage grass seed products compete principally against products by Barenburg, J.R. Simplott, Scotts and numerous regional seed suppliers. Our wild bird seed products compete principally against products by Audubon Park, Wagner, Red River and Gutwein. Our fertilizers, pesticides and combination products compete principally against products marketed by such companies as Scotts, Lebanon Chemical Corp., United Industries Corporation, Vigoro/Pursell Industries and Bayer/Pursell. Since its acquisition of the Ortho® line of lawn and garden products from Pharmacia Corporation (formerly Monsanto) in 1999, Scotts dominant position in the lawn and garden industry has been a significant competitive disadvantage for Garden Products branded products. Garden Products competes primarily on the basis of its strong brand names, quality, value, service and price.

Garden Products also competes with a large number of smaller local and regional distributors with competition based on price, service and personal relationships. In addition to competition from other distributors, Garden Products also faces increased competition from manufacturers and suppliers which distribute some percentage of their products directly to retailers, bypassing distributors, or through a dual distribution system in which the manufacturer or supplier competes with distributors for sales to certain accounts. Such competition is typically based on service and price. The termination of the distribution relationship with Scotts effective September 2000 is a significant competitive disadvantage for Garden Products distribution sales.

THE PET PRODUCTS BUSINESS

Overview

Pet Products is a leading manufacturer of proprietary branded pet supply products, including FourPaws®, Zodiac®, Kaytee®, All-Glass Aquarium®, Oceanic Systems®, Island Aquarium®, Nylabone® and TFH®, and also performs logistics and sales activities for a variety of other manufacturers of pet supply products. Pet Products accounted for 43% of Central s consolidated net sales before corporate eliminations in fiscal 2001, 34% in fiscal 2000 and 29% in fiscal 1999, and before the allocation of certain corporate costs and eliminations accounted for income from operations of $34.9 million in fiscal 2001, $32.3 million in fiscal 2000, and $25.3 million in fiscal 1999.

Proprietary Branded Pet Products

Pet Products principal pet supply product lines include the Four Paws line of animal products, the TFH line of pet books and Nylabone premium dog chews and pet carriers, the Kaytee line of bird and small animal food, the Wellmark line of flea and tick products, and the All-Glass®, Oceanic Systems® and Island Aquarium® line of aquariums.

Four Paws. Four Paws is one of the largest producers of dog, cat, reptile and small animal products in the United States, according to the 2000-01 Pet Age Retailer Report. Four Paws products include Magic Coat® shampoos, Wee-Wee Pads, a line of grooming supplies for dogs and cats, animal cages, tie out cables, leashes, collars, and accessories, oral hygiene products and a complete line of catnip products. Four Paws also offers a line of heating equipment and bedding material for reptiles and a line of hard rubber toys called Rough & Rugged. Four Paws products are distributed throughout the United States, Canada, Europe and Asia.

TFH Publications. TFH is a producer of pet books and the manufacturer of premium dog chews and edible bones under the brand names Nylabone®, Gumabone®, Healthy Edibles® and Flexibone®. TFH currently has over 1,200 titles in print and publishes a monthly magazine. TFH also offers a line of premium dog houses, pet carriers and dog and cat toys under the Nylabone® brand.

Kaytee. Kaytee is one of the nation s largest manufacturers of bird seed for pet and wild birds, according to the 2000-01 Pet Age Retailer Report, as well as a manufacturer of food and treats for small animals under the Kaytee® brand. Kaytee also manufactures wild bird feed under the brand name Natures Harvest for Kmart Corporation and under the PETsMART private label.

Wellmark. Wellmark is a leading manufacturer of flea, tick and pest protection products for a diversified group of pest control markets, according to the 2000-01 Pet Age Retailer Report. These products which include on-animal spot applications, sprays, shampoos and powders, collars, indoor foggers, aerosols, concentrates and pump-sprays are based on the active ingredient methoprene. Wellmark owns the Zodiac® and Vet-Kem® trademarks in the United States and Canada as well as those of Ovitrol®, Siphotrol®, Fleatrol, vIGRen®, Petcor®, Precor® and Natural Signature®.

All-Glass Aquarium and Island Aquarium. All-Glass Aquarium and Island Aquarium manufacture aquariums, terrariums, aquatic lighting systems, and aquarium and terrarium furniture sold under the brand names All-Glass Aquarium®, Oceanic Systems® and Island® Aquarium.

Distributed Pet Supply Products

Pet Products also offers its customers a comprehensive selection of other manufacturers brand name pet supply products. Pet Products carries many of the best-known brands in pet foods and supplies and combines these products into single shipments, providing its pet supply customers a wide variety of products on a cost-effective basis.

Sales and Marketing

Pet Products branded products are sold nationwide through its own distribution network, as well as independent distributors and directly to retailers, including national specialty pet stores, mass merchants, bookstores and independent pet retailers. Wellmark also sells products to the professional pest control market and veterinarians. At September 29, 2001, Pet Products employed approximately 125 branded products sales and marketing personnel. Pet Products also focuses on selling pet supply products to a wide variety of retailers, including independent, regional and national retail chains. Pet Products employs approximately 100 sales and marketing personnel to support its logistics and sales activities for a variety of other manufacturers of pet supply products.

Sales to mass merchants and national specialty pet stores represent a significant portion of Pet Products sales. Sales to PETsMART represented 7% of Pet Products sales in fiscal 2001, 7% in fiscal 2000 and 6% in fiscal 1999. Sales to Petco represented 6% of Pet Products sales in fiscal 2001, 8% in fiscal 2000 and 5% in fiscal 1999.

Manufacturing

Pet Products currently operates ten manufacturing facilities. In addition, certain of its proprietary branded products are manufactured by contract manufacturers. Pet Products also has development teams that are responsible for developing new products within existing proprietary branded product lines and the development of new proprietary branded product lines.

Four Paws operates manufacturing facilities in Hauppauge, New York. TFH s book division and Nylabone manufacturing facilities are located in Neptune City, New Jersey. Kaytee operates manufacturing facilities in Abilene, Kansas; Chilton, Wisconsin; Cressona, Pennsylvania; and Rialto, California. Wellmark operates a manufacturing and technology center in Dallas, Texas. All-Glass Aquarium operates manufacturing facilities in Franklin, Wisconsin and Dallas, Texas. Island Aquarium operates a manufacturing facility in Fontana, California.

Purchasing

Most of the raw materials purchased by Pet Products are acquired from a number of different suppliers; however, some items, including the active ingredient Methoprene, are purchased from limited or single sources of supply, and disruption of these sources could have a temporary adverse effect on product shipments and Pet Products financial results. Pet Products believes alternative sources could be obtained to supply these materials, but a prolonged delay in obtaining certain materials could result in lost sales.

The principal raw materials required for Kaytee s bird seed manufacturing operations are bulk commodity grains, including millet, milo, wheat and sunflower seeds. Kaytee generally purchases these raw materials one to three months in advance. Raw materials are generally purchased from large national commodity companies and local grain cooperatives. In order to ensure an adequate supply of seed to satisfy expected production volume, Kaytee enters into contracts to purchase grain and seed at future dates by fixing the quantity, and often the price, at the commitment date.

Distribution

Pet Products sells its products directly to retailers and a network of distributors. Pet Products currently operates eight distribution centers throughout the country. The facilities are located in Algona, Washington; Denver, Colorado; Houston, Texas; Mahwah, New Jersey; Miami, Florida; Sacramento, California; Santa Fe Springs, California; and Tampa, Florida. While the majority of truck shipments are made by Pet Products fleet of trucks, a portion is made by common carriers.

Competition

The pet supply products industry is highly competitive. Our branded pet products compete against national and regional products and private label products produced by various suppliers. Our Four Paws and Wellmark branded products compete principally against branded products marketed by such companies as Hartz Mountain, Sargeant s and Eight in One. TFH Publications pet books compete principally against books published by Howell and Barrons, and Nylabone products compete principally against products manufactured by Aspen/Booda and Doskocil. Our Kaytee products compete principally against products marketed by Hartz Mountain, Sun Seed, Audobon Park and Wagner. Our All-Glass Aquarium and Island Aquarium branded products compete principally against Perfecto. Pet Products competes primarily on the basis of its strong brand names, innovative new products, quality, value, service and price.

Pet Products also competes with a large number of smaller local and regional distributors with competition based on price, service and personal relationships. In addition to competition from other distributors, Pet Products also faces increased competition from manufacturers and suppliers which distribute some percentage of their products directly to retailers, bypassing distributors, or through a dual distribution system in which the manufacturer or supplier competes with distributors for sales to certain accounts. Such competition is typically based on service and price.

MATTERS RELATING TO CENTRAL GENERALLY

Significant Customers

Wal*Mart represented approximately 21% of Central s net sales in fiscal 2001, 25% in fiscal 2000 and 24% in fiscal 1999. Wal*Mart holds significant positions in the retail lawn and garden and pet supplies markets. See The Garden Products Business Sales and Marketing above.

Patent and Other Proprietary Rights

Central s branded products companies hold numerous patents in the United States and in other countries, and have many patent applications pending in the United States and in other countries. Central considers the development of patents through creative research and the maintenance of an active patent program to be advantageous in the conduct of its business, but does not regard the holding of any particular patent as essential to its operations. Central grants licenses to certain manufacturers on various terms and enters into cross-licensing arrangements with other parties.

Employees

As of September 29, 2001, Central had approximately 4,200 employees of which approximately 4,000 were full-time employees and 200 were temporary or part-time employees. We hire substantial numbers of temporary employees for the peak lawn and garden shipping season of February through June to meet the increased demand experienced during the spring and summer months, including merchandising in stores. All of our temporary employees are paid on an hourly basis. Except for certain employees at TFH Publications, Inc. and a Kaytee facility in Rialto, California, none of our employees is represented by a labor union. We consider our relationships with our employees to be good.

Environmental Considerations

Many of the products that we manufacture or distribute are subject to local, state, federal and foreign laws and regulations relating to environmental matters. Such regulations are often complex and are subject to change. In the United States, all products containing pesticides must be registered with the United States Environmental Protection Agency (USEPA) (and in many cases, similar state and/or foreign agencies) before they can be sold. The inability to obtain or the cancellation of any such registration could have an adverse effect on our business. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals, but there can be no assurance that we will continue to be able to avoid or minimize these risks. Fertilizer and growing media products are also subject to state and foreign labeling regulations. Grass seed is also subject to state, federal and foreign labeling regulations.

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, establishes a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under this Act, the USEPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, which are also used on foods, will be evaluated by the USEPA as part of this non-dietary exposure risk assessment. It is possible that the USEPA may decide that a pesticide that we use in our products, would be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the USEPA s evaluation. Management believes that we should be able to obtain substitute ingredients if selected pesticides are limited or made unavailable, but there can be no assurance that it will be able to do so for all products.

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as not for use on sod farms or golf courses), may require users to post notices on properties to which products have been or will be applied, may require notification of individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. We believe we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, these laws and regulations. Compliance with these regulations and the obtaining of registrations does not assure, however, that our products will not cause injury to the environment or to people under all circumstances.

Environmental regulations may affect us by restricting the manufacturing or use of our products or regulating their disposal. Regulatory or legislative changes may cause future increases in our operating costs or otherwise affect operations. Although we believe we are and have been in substantial compliance with such regulations and have strict internal guidelines on the handling and disposal of our products, there is no assurance that in the future we may not be adversely affected by such regulations or incur increased operating costs in complying with such regulations. However, neither the compliance with regulatory requirements nor our environmental procedures can ensure that we will not be subject to claims for personal injury, property damages or governmental enforcement. For a discussion of potential environmental issues arising from a fire in our Phoenix distribution facility, please see Item 3. Legal Proceedings.

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EXECUTIVE OFFICERS

Certain information regarding the executive officers of the Company is set forth below:

Name	Age	Position
William E. Brown	60	Chairman of the Board and Chief Executive Officer
Glenn W. Novotny	54	President, Chief Operating Officer and Director
Lee D. Hines, Jr.	55	Vice President, Chief Financial Officer, Secretary and Director
Brooks M. Pennington III	47	Chief Executive Officer of Pennington Seed, Inc. and Director

William E. Brown has been Chairman and Chief Executive Officer of the Company since 1980. From 1977 to 1980, Mr. Brown was Senior Vice President of the Vivitar Corporation with responsibility for Finance, Operations, and Research & Development. From 1972 to 1977, he was with McKesson Corporation where he was responsible for its 200-site data processing organization. Prior to joining McKesson Corporation, Mr. Brown spent the first 10 years of his business career at McCormick, Inc. in manufacturing, engineering and data processing.

Glenn W. Novotny has been President of the Company since June 1990 and was President of the predecessor Weyerhaeuser Garden Supply (WGS) since 1988. Prior thereto, he was with Weyerhaeuser Corporation for 20 years with a wide range of managerial experience including manufacturing, accounting, strategic planning, sales, general management and business turnarounds.

Lee D. Hines, Jr. has been the Chief Financial Officer and Secretary of the Company since January 2000, a position he previously held from 1991 until 1993. Mr. Hines began his business career with the Chase Manhattan Bank in New York as a domestic and international lending officer and International Trade Specialist. From 1978 to 1982, he served as Vice President Finance and Chief Financial Officer of Vivitar Corporation. Following his tenure at Vivitar, Hines held the position of Chief Financial Officer of Applause, Inc. until 1987. From 1988 to 1990, he served as President and Chief Executive Officer of International Tropic-Cal, a designer, manufacturer and distributor of sunglasses and women s hair accessories. From 1993 until January 2000, Mr. Hines was a self-employed consultant.

Brooks M. Pennington III joined the Company in February 1998 when the Company acquired Pennington. Mr. Pennington has been the President and Chief Executive Officer of Pennington since June 1994.

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Item 2. Properties

Central currently operates 24 manufacturing facilities totaling approximately 2,979,000 square feet and 28 distribution facilities totaling approximately 3,220,000 square feet. Most distribution centers consist of office and warehouse space, and several large bays for loading and unloading. Each distribution center provides warehouse, distribution, sales and support functions for its geographic area under the supervision of a regional manager. Central s executive offices are located in Lafayette, California.

The table below lists Garden Products manufacturing and distribution facilities:

Location	Type of Facility	Owned or Leased
Cullman, AL	Distribution	Owned
Little Rock, AR	Distribution	Owned
Roll, AZ	Manufacturing	Owned
El Centro, CA	Manufacturing	Owned
Ontario, CA	Distribution	Leased
Richmond, CA	Distribution	Leased
Sacramento, CA	Distribution	Leased
San Leandro, CA	Manufacturing	Leased
San Leandro, CA	Distribution	Leased
Santa Fe Springs, CA	Distribution	Leased
Stockton, CA	Manufacturing	Leased
Longmont, CO	Manufacturing	Owned
Clearwater, FL	Manufacturing	Leased
Orlando, FL	Distribution	Leased
Eatonton, GA	Manufacturing	Owned
Madison, GA (2)	Manufacturing	Owned
Madison, GA	Distribution	Owned
Shady Dale, GA	Manufacturing	Owned
Hammond, LA	Distribution	Owned
Woburn, MA	Distribution	Leased
Laurel, MD	Distribution	Leased
Greenfield, MO (2)	Manufacturing	Owned
Greenfield, MO	Distribution	Owned
Sidney, NE	Manufacturing	Owned
Lebanon, OR	Manufacturing	Owned
Portland, OR	Distribution	Leased
Columbia, SC	Distribution	Owned
Dallas, TX	Distribution	Leased
Houston, TX	Distribution	Leased
Salt Lake City, UT	Distribution	Leased
Kenbridge, VA	Distribution	Leased
Algona, WA	Distribution	Leased

The table below lists Pet Products manufacturing and distribution facilities:

Location	Type of Facility	Owned or Leased
Fontana, CA	Manufacturing	Leased
Rialto, CA	Manufacturing	Owned
Sacramento, CA	Distribution	Leased
Santa Fe Springs, CA	Distribution	Leased
Denver, CO	Distribution	Leased
Miami, FL	Distribution	Leased
Tampa, FL	Distribution	Leased
Abilene, KS	Manufacturing	Owned
Mahwah, NJ	Distribution	Leased

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Location	Type of Facility	Owned or Leased
Neptune City, NJ	Manufacturing	Leased
Hauppauge, NY	Manufacturing	OwnedV
Cressona, PA	Manufacturing	Owned
Dallas, TX	Manufacturing	Leased
Dallas, TX	Manufacturing	Owned
Houston, TX	Distribution	Leased
Algona, WA	Distribution	Leased
Chilton, WI	Manufacturing	Owned
Franklin, WI	Manufacturing	Owned

Central s leases generally expire between 2002 and 2008. Substantially all of the leases contain renewal provisions with automatic rent escalation clauses. In addition to the facilities that are owned, Central s fixed assets are comprised primarily of trucks and warehousing, transportation and computer equipment.

Item 3. Legal Proceedings

TFH Litigation. In December 1997, the Company acquired all of the stock of TFH Publications, Inc. In connection with the transaction, the Company made a $10 million loan to the sellers, which was evidenced by a Promissory Note. In September 1998, the prior owners of TFH brought suit against the Company and certain executives of the Company for damages and relief from their obligations under the Promissory Note, alleging, among other things, that the Company s failure to properly supervise the TFH management team had jeopardized their prospects of achieving certain earnouts. The Company believes that these allegations are without merit. The Company counterclaimed against the prior owners for enforcement of the Promissory Note, damages and other relief, alleging, among other things, fraud, misrepresentation and breach of fiduciary duty by the prior owners of TFH. These actions, *Herbert R. Axelrod and Evelyn Axelrod v. Central Garden & Pet Company; Glen S. Axelrod; Gary Hersch; William E. Brown; Robert B. Jones; Glen Novotny; and Neill Hines, Docket No. MON-L-5100-99, and TFH Publications, Inc. v. Herbert Axelrod et al.*, Docket No. L-2127-99 (consolidated cases), are in the New Jersey Superior Court. The case is currently in pretrial discovery and is scheduled for trial in June 2002.

During the course of discovery in this action, the Company has become aware of certain information which suggests that prior to the acquisition of TFH by the Company, certain records of TFH were prepared in an inaccurate manner which resulted in underpayment of taxes by certain individuals. Those individuals could be liable for back taxes, interest, and penalties. In addition, even though all of the events occurred prior to the acquisition of TFH by the Company, there is a possibility that TFH could be liable for penalties for events which occurred under prior management. The Company believes that TFH has strong defenses available to the assertion of any penalties against TFH. The Company cannot predict whether TFH will be required to pay any such penalties. In the event that TFH were required to pay penalties, the Company would seek compensation from the prior owners.

In March 2001, the prior owners of TFH also brought a separate action in federal court seeking to enforce what they alleged was an arbitration award made by an accountant concerning the closing balance sheet of TFH. The prior owners contended that the decisions by the accountant concerning the closing balance sheet entitled them to additional monies under the purchase price provisions of the Stock Purchase Agreement. The federal court held that the accountant did not make any monetary award. The federal court entered a judgment enforcing the decisions made by the accountant concerning the closing balance sheet of TFH, but the court did not, and refused to, enter a monetary award. *See Evelyn M. Axelrod, et al. v. Central Garden & Pet Company*, Civil Action No. 01-1262 (MLC) U.S.D.C. of New Jersey. The prior owners have argued in the consolidated civil actions pending in the New Jersey Superior Court that the judgment by the federal court entitles them to additional monies under the purchase price provision of the Stock Purchase Agreement. The New Jersey Superior Court has stated that it will not, at this time, enter a monetary award, but that it, like the federal court, will confirm the decisions made by the accountant concerning the closing balance sheet of TFH. The New Jersey Superior Court has not yet issued a written Order on its rulings, but the Company anticipates such an Order shortly. The Company believes that it has defenses to the claims by the prior owner for additional monies under the purchase price provisions of the Stock Purchase Agreement, and that the prior owners claims are subject to or will be offset by the Company s claims against the prior owners.

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The Company, based on consultation with legal counsel, does not believe that the outcome of the above matters will have a material adverse impact on its operations, financial position, or cash flows.

Scotts and Pharmacia Litigation. On June 30, 2000, The Scotts Company filed suit against Central to collect the purchase price of certain lawn and garden products previously sold to Central. Scotts has filed an amended complaint seeking $23 million for such products. Central has withheld payments to Scotts on the basis of claims it has against Scotts including amounts due for services and goods previously supplied by Central and not yet paid for by Scotts. This action, *The Scotts Company v. Central Garden & Pet Company*, Docket No. C2 00-755, is in the United States District Court for the Southern District of Ohio, Eastern Division. On July 3, 2000, Pharmacia Corporation (formerly known as Monsanto Company) filed suit against Central seeking an accounting and unspecified amounts allegedly due Pharmacia under the four-year alliance agreement between Central and Pharmacia which expired in September 1999, as well as damages for breach of contract. This action, *Pharmacia Corporation v. Central Garden & Pet Company*, Docket No. 00CC-002253 Q CV, is in the Circuit Court of St. Louis County, Missouri. Central filed motions in both the *Scotts* and *Pharmacia* actions to have those cases dismissed or stayed. Central s motion in the *Scotts* action has been denied. In the *Scotts* action, Central has filed its answer and a counter complaint asserting various claims for breaches of contracts. Scotts has filed a motion to dismiss one of Central s claims, and that motion is still under submission by the court. Trial in the *Scotts* action is currently scheduled to begin in March 2002.

In the *Pharmacia* action, the court denied Central s motion to stay but granted Central s request that Scotts be joined as a party. On January 18, 2001, Pharmacia Corporation filed an Amended Petition adding Scotts to the *Pharmacia* action. On January 29, 2001, Central filed its Answer, including affirmative defenses, to the Amended Petition as well as Counter/Cross claims against Pharmacia and Scotts. Pharmacia and Scotts have filed responses to Central s counter and cross-claims. In addition, they filed a motion to stay claims other than claims arising under the alliance agreement between Central and Pharmacia. The Court granted this motion, thereby requiring that claims against Scotts or Pharmacia arising from non-alliance matters be litigated in the Ohio and California s federal actions, as appropriate. Trial in the *Pharmacia* action is scheduled to begin on January 22, 2002.

Central believes that the reconciliation of all accounts and claims with Pharmacia and Scotts in the above cases and in the action described below will in the aggregate, not result in additional charges to Central. Further, Central believes it has substantial counterclaims and rights of offset against both Scotts and Pharmacia, as well as meritorious defenses, and intends to vigorously contest both suits. However, Central cannot assure you that the resolution of this litigation will not have a material adverse effect on its results of operations, financial position and/or cash flows.

On July 7, 2000, Central filed suit against Scotts and Pharmacia seeking damages and injunctive relief as well as restitution for, among other things, breach of contract and violations of the antitrust laws. This action, *Central Garden & Pet Company, a Delaware Corporation v. The Scotts Company, an Ohio corporation; and Pharmacia Corporation, formerly known as Monsanto Company, a Delaware corporation,* Docket No. C 00 2465, is in the United States District Court for the Northern District of California. On October 26, 2000, the federal district court issued an order denying, for the most part, Pharmacia s motion to dismiss Central s federal antitrust claims. Central was given leave to file an amended federal complaint to clarify certain of its allegations. Central filed a first amended complaint on November 14, 2000. The defendants have answered the amended complaint, and trial is scheduled for July 15, 2002. The federal district court s October 26 order also ruled that it did not have jurisdiction over Central s state law claims and that such claims should be adjudicated in a state court. On October 31, 2000, Central filed an action entitled *Central Garden & Pet Company v. The Scotts Company and Pharmacia Corporation,* Docket No. C00-04586 in Contra Costa Superior Court asserting various state law claims, including the claims previously asserted in the federal action. On December 4, 2000, Pharmacia and Scotts filed a joint Motion to Stay. The state court has stayed the California action while the contract claims between and among the parties are litigated in the Ohio and Missouri actions and the antitrust claims are litigated in the California federal action.

Phoenix Fire. On August 2, 2000, a fire destroyed Central s leased warehouse space in Phoenix, Arizona, and an adjoining warehouse space leased by a third party. The adjoining warehouse tenant has filed a lawsuit seeking to recover for property damage from the fire. Local residents have also filed a purported class action lawsuit alleging claims for bodily injury and property damage as a result of the fire. The building owner and nearby businesses have also presented claims for property damage and business interruption but have not filed lawsuits. In addition, the

Arizona Department of Environmental Quality is monitoring the cleanup operations and has asked Central, the building owner and the adjoining warehouse tenant to assess whether the fire and fire suppression efforts may have caused environmental impacts to soil, groundwater and/or surface water. The United States Environmental Protection Agency has also requested information relating to the fire. The overall amount of the damages to all parties caused by the fire, and the overall amount of damages which Central may sustain as a result of the fire, have not been quantified. At the time of the fire, Central maintained property insurance covering losses to the leased premises, Central s inventory and equipment, and loss of business income. Central also maintained insurance providing $51 million of coverage (with no deductible) against third party liability. Central believes that this insurance coverage will be available with respect to third party claims against Central if parties other than Central are not found responsible. The precise amount of the damages sustained in the fire, the ultimate determination of the parties responsible and the availability of insurance coverage are likely to depend on the outcome of complex litigation, involving numerous claimants, defendants and insurance companies.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant s Common Equity and Related Stockholder Matters

The Common Stock of the Company has been traded on the Nasdaq National Market under the symbol CENT since the Company s initial public offering on July 15, 1993. The following table sets forth, for the periods indicated, the highest and lowest closing sale prices for the Common Stock, as reported by the Nasdaq National Market.

	High	Low
Fiscal 2000		
First Quarter	9.63	6.94
Second Quarter	11.69	8.25
Third Quarter	12.13	8.72
Fourth Quarter	10.06	6.75
Fiscal 2001		
First Quarter	9.19	6.63
Second Quarter	8.97	6.81
Third Quarter	10.00	6.48
Fourth Quarter	9.75	7.13

As of September 29, 2001, there were approximately 154 holders of record of the Company s Common Stock and seven holders of record of the Company s Class B Stock.

Central has not paid any cash dividends on its common stock in the past. Central currently intends to retain any earnings for use in its business and does not anticipate paying any cash dividends on its common stock in the foreseeable future. In addition, Central s line of credit restricts its ability to pay dividends. See Note 5 of Notes to Consolidated Financial Statements.

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Item 6. Selected Financial Data

The following selected statement of operations and balance sheet data of Central as of and for the fiscal years ended September 27, 1997, September 26, 1998, September 25, 1999, September 30, 2000 and September 29, 2001 have been derived from our audited consolidated financial statements. The financial data set forth below should be read in conjunction with the Consolidated Financial Statements of the Company and related Notes thereto in Item 8 Financial Statements and Supplementary Data and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K/A. This selected financial data contains certain financial information that has been restated. See Note 14 to the consolidated financial statements for further discussion.

	Fiscal Year Ended				
	September 27, 1997	**September 26, 1998**	**September 25, 1999**	**September 30, 2000**	**September 29, 2001**
	(in thousands, except per share data)				
Statement of Operations Data:					
Net sales (1)(2)	$ 839,498	$ 1,293,330	$ 1,531,615	$ 1,350,878	$ 1,122,999
Cost of goods sold and occupancy	694,925	1,021,826	1,212,319	1,037,701	811,186
Gross profit	144,573	271,504	319,296	313,177	311,813
Selling, general and administrative expenses (2)	109,160	200,677	262,366	274,077	297,751
Other charges		6,903	2,708	27,156	
Income from operations	35,413	63,924	54,222	11,944	14,062
Interest expense net	(6,554)	(7,609)	(12,087)	(22,551)	(23,083)
Other income	1,509	1,534	1,106	1,176	1,631
Income (loss) before income taxes	30,368	57,849	43,241	(9,431)	(7,390)
Income taxes	12,765	24,302	19,041	4,053	(247)
Net income (loss)	$ 17,603	$ 33,547	$ 24,200	$ (13,484)	$ (7,143)
Net income (loss) per common share:					
Basic	$ 1.11	$ 1.18	$ 0.89	$ (0.72)	$ (0.39)
Diluted	$ 1.07	$ 1.15	$ 0.88	$ (0.72)	$ (0.39)
Weighted average shares outstanding:					
Basic	15,832	28,502	27,328	18,786	18,402
Diluted	19,970	33,007	27,437	18,786	18,402

	September 27, 1997	**September 26, 1998**	**September 25, 1999**	**September 30, 2000**	**September 29, 2001**
Balance Sheet Data:					
Working capital	$ 253,926	$ 277,567	$ 169,192	$ 119,021	$ 110,990
Total assets	559,043	928,554	955,394	945,311	916,626
Short-term borrowings	72	8,095	97,368	134,516	126,475
Long-term borrowings	115,200	125,125	123,898	148,242	151,623
Shareholders equity	281,807	588,628	495,291	461,840	455,315

(1) See Management s Discussion and Analysis of Financial Condition and Results of Operations herein for a discussion of sales fluctuations related to internal growth and business acquisitions for fiscal years 2001, 2000 and 1999.

(2) Reflects the reclassification of $2.9 million and $4.3 million for fiscal 1999 and 2000, respectively, related to volume-based rebate incentives offset by certain shipping and handling billings.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The Management s Discussion and Analysis of Financial Condition and Results of Operations presented below gives effect to the restatement of previously issued consolidated financial statements. See Note 14 to the consolidated financial statements for further discussion.

Overview

In fiscal 2000, Central s operations were grouped into three business segments, the lawn and garden branded products business, the pet branded products business and the distribution business. In fiscal 2001, Central reorganized its garden and pet businesses. Under the reorganization, Central s garden branded products and distribution businesses became one operating unit, Garden Products , while its pet branded products and distribution businesses became another operating unit, Pet Products . For fiscal 2001, Garden Products and Pet Products accounted for approximately 57% and 43%, respectively, of consolidated net sales before corporate eliminations. These businesses accounted for income from operations before other charges and the allocation of certain corporate costs and eliminations of $12.7 million and $34.9 million, respectively, in fiscal 2001. The Company experienced a net loss of $7.1 million and $13.5 million for fiscal 2001 and 2000, respectively.

One of the measures management uses to evaluate the performance of its business segments is earnings before other charges, unusual items, interest, taxes and amortization and depreciation (EBITDA excluding other income, other charges and unusual items), which represented income of $72.6 million and $76.4 million in fiscal 2001 and 2000, respectively.

The discussion below, and the following presentation, are intended to assist the reader in understanding the results of our operations. This presentation is not intended to replace net income (loss), cash flows or financial position, as determined in accordance with accounting principles generally accepted in the United States of America.

	Fiscal 2001	Fiscal 2000
	(in millions)	
Net sales	$ 1,123.0	$ 1,350.9
Net loss	$ (7.1)	$ (13.5)
Add: Other charges		27.2
Unusual items	30.0	11.3
Interest expense net	23.1	22.6
Less: Other income	(1.6)	(1.2)
Income tax (benefit) expense	(0.2)	4.0
EBIT (1)	44.2	50.4
Add: Depreciation and amortization	28.4	26.0
EBITDA (2)	$ 72.6	$ 76.4

(1) Earnings before other charges, unusual items, interest and taxes.

(2) Earnings before other charges, unusual items, interest, taxes and amortization and depreciation.

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Shown below is a summary of these expenses, which the Company believes were unusual in nature during fiscal 2001.

	Pet Products	Garden Products	Corporate	Company
		(in thousands)		
Closed branches	$ 274	$ 3,910	$	$ 4,184
Personnel reductions	1,088	2,970	450	4,508
Excess freight		2,063		2,063
Legal & professional	597		11,875	12,472
Excess bad debt		3,100		3,100
Pre-press publication & inventory write-downs	2,000	1,700		3,700
	$ 3,959	$ 13,743	$ 12,325	$ 30,027

During the last two fiscal years, the Company has been adversely affected by a number of events.

At the end of fiscal 1999, the Company s exclusive distribution agreement for Solaris products ended. During fiscal 2000, Scotts began to distribute both its Miracle Gro and Solaris products through a system that involved a combination of distributors as well as direct sales to certain major retailers. This change, compared with fiscal 1999, reduced revenue by approximately $176 million in fiscal 2000. Before the end of fiscal 2000, Scotts discontinued its distribution relationship with the Company. As a consequence, sales volumes for future periods were expected to significantly decline, which resulted in the Company initiating a plan to close 13 distribution centers. The closures and the related workforce reductions, employee benefit obligations and asset impairments resulted in other charges for fiscal 2000 of $27.5 million. As a result, sales of other companies products by Garden Products in fiscal 2001 declined approximately $275 million compared with fiscal 2000. Also in fiscal 2000, both Scotts and Pharmacia initiated litigation against the Company arising out of the prior distribution relationship, and the Company filed suit against Scotts and Pharmacia for breach of contract and violations of the antitrust laws as discussed above in Item 3. Legal Proceedings.

In August 2000, a fire destroyed the Company s leased facility in Arizona and an adjoining warehouse space leased by a third party. Various parties have filed lawsuits, and both the Arizona Department of Environmental Quality and the U.S. Environmental Protection Agency have requested information relating to the fire. Lawyers and specialists representing several insurance companies have been meeting since August 2000 to determine the extent of liability for the various parties involved. At this time the precise amount of damages, the ultimate determination of the parties responsible and the availability of insurance coverage are likely to depend on the outcome of complex litigation.

Much of the discovery work on the above lawsuits and the other litigation described above in Item 3. Legal Proceedings was conducted during fiscal 2001 and will continue into fiscal 2002. As a result of the litigation, the Company incurred legal, accounting and other professional expenses of approximately $12.4 million in fiscal 2001 and $3.8 million in fiscal 2000. The Company believes that legal and professional fees for fiscal 2002 will approximate the fiscal 2001 level and will decline significantly in subsequent years.

Despite downsizing, the distribution operations of our Garden Products segment continued to adversely affect profitability in fiscal 2001. In accordance with accounting principles generally accepted in the United States of America, certain costs related to the 13 closed distribution centers were not included as part of the $27.5 million of other charges recorded in fiscal 2000. These costs included wages and related benefits for those employees who stayed on to either sell off certain of the remaining inventory or arrange to ship inventory to other Central locations, or arrange to secure temporary storage until the inventory could be moved to other Central locations. Likewise, freight costs incurred to ship inventory from the closed locations to open facilities were not included in the fiscal 2000 other charges . These costs were incurred and recorded in fiscal 2001.

The Company underestimated the costs the remaining distribution centers would incur to service customers formerly serviced by the closed locations. Since many of these customers were outside of the local area, most of the product sold to them was shipped by common carrier. Additionally, assimilating the extra inventory from the closed locations created inefficient warehouse operations. With warehouse space severely limited because of the additional inventory, picking, packing and shipping an order took significantly longer than normal. To ship product timely under these conditions meant increasing the amount of outside labor.

Also during the fourth quarter of fiscal 2001, two large customers of Garden Products filed for bankruptcy.

During the last quarter of fiscal 2001, and continuing in the first quarter of fiscal 2002, the Company further reduced personnel and related people costs in both our businesses. The reductions in our Garden Products segment were largely in the administrative areas where the Company consolidated certain computer operations and administrative functions into one logistics operation.

Pet Products closed three smaller under performing distribution centers during fiscal 2001 and a small manufacturing facility which produced nylon collars and leashes. These products are now secured through outside vendors. These closures resulted in additional facility and personnel costs being incurred in fiscal 2001 which totaled $1.5 million. In addition, sales of TFH pet books are declining due to, among other things, reduced floor space allocated to books by the larger retailers in favor of other pet products which turn faster than books. However, book production was not reduced to meet the lower sales volume. On hand inventory of books included titles with little current consumer appeal, and in certain cases large quantities of books remained on hand, which had been produced in 1998 and prior. As a result, the Company recorded a charge of $1.5 million to reduce the carrying value of book inventory to its estimated realizable value. In addition, $0.5 million of pre-press publication costs, which were being amortized over the anticipated useful life of specific titles, were determined to be unrecoverable in light of the sales decline and were written off.

In Garden Products, Pennington wrote-down its Bahia grass seed inventory as a result of a significant decline in the market price for that particular variety. In connection with the closure of 13 distribution centers in fiscal 2000, management evaluated the inventory remaining from such locations during fiscal 2001 to determine its estimated realizable value. Due to the age of the inventory which remained combined with the fact that more of this inventory became obsolete due to packaging changes made by the manufacturer, a further write-down was taken in fiscal 2001.

Results of Operations

The following table sets forth, for the periods indicated, the relative percentages that certain income and expense items bear to net sales:

	Fiscal Year Ended		
	September 29, 2001	**September 30, 2000**	**September 25, 1999**
Net sales	100.0%	100.0%	100.0%
Cost of goods sold and occupancy	72.2	76.8	79.2
Gross profit	27.8	23.2	20.8
Selling, general and administrative	26.5	20.3	17.1
Other charges		2.0	0.2
Income from operations	1.3	0.9	3.5
Interest expense, net	(2.1)	(1.7)	(0.8)
Other income	0.2	0.1	0.1
Income tax expense (benefit)	(0.0)	0.3	1.2
Net income (loss)	(0.6)%	(1.0)%	1.6%

Fiscal 2001 Compared with Fiscal 2000

Net sales for fiscal 2001 decreased by 16.9% or $227.9 million to $1,123.0 million from $1,350.9 million for fiscal 2000. The decrease is due to a $243.1 million decrease in net sales of Garden Products offset in part by a sales increase in Pet Products of $15.2 million. Adjusting for newly acquired operations, the sales decrease in Garden Products was $252.8 million and in Pet Products net sales would have resulted in a decrease of $32.7 million. The

decrease in Garden Products relates to the sales and logistics group, which was expected after we closed 13 distribution centers in late fiscal 2000 as a result of the termination of our distribution relationship with Scotts. The sales decrease in our Pet Products business was attributable to the closure of three pet distribution centers during fiscal 2000 and a decline in Kaytee sales of wild birdseed. In fiscal 2001, Arch, a major pool chemical supplier, and Kal Kan, a supplier of dog food, notified us that they each intend to terminate their relationship with the Company and distribute their products directly to retailers. In fiscal 2001, sales of Arch products were approximately $50.5 million. The gross profit associated with these sales in fiscal 2001 was approximately $8.0 million. Sales of Kal Kan products to independent retailers were approximately $8.5 million in fiscal 2001. The gross profit associated with these sales in fiscal 2001 was estimated to be $0.9 million based on historical customer profitability. In addition, the Kal Kan business lost includes approximately $5.8 million of fees related to shipments to PETsMART. The loss of the Kal Kan business contributed to the decision to close two smaller pet distribution centers during the first quarter of fiscal 2002 with a third facility closure planned for February 2002.

Gross profit decreased by $1.4 million or 0.4% from $313.2 million during fiscal 2000 to $311.8 million for fiscal 2001. Adjusting for newly acquired operations, gross profit would have decreased by 4.3% or $13.5 million. The decrease in gross profit dollars relates principally to lower revenues in the sales and logistics group within Garden Products, while Pet Products generated approximately the same gross profit dollars as in fiscal 2000. Gross profit for both segments was adversely affected by inventory and inventory related write-downs in fiscal 2001. In Pet Products, TFH reduced the carrying value of their book inventory by $1.5 million and wrote off $0.5 million of pre-press publication costs. The inventory write-down is primarily the result of a continuing sales decline in pet books which in turn has created excess and obsolete book inventory. The decline in pet book sales relates principally to reduced floor space allocated to books by the large retailers coupled with a reduction in the number of titles they will carry. In Garden Products, Pennington wrote-down its Bahia grass seed inventory by $1.7 million as a result of a significant decline in the market price for that particular variety. In connection with the closure of 13 distribution centers in fiscal 2000, management, at the existing centers, evaluated the inventory at these facilities to determine the amount of potential overstock and to assess how much inventory could be moved to those locations which would remain open. This evaluation resulted in a write-down of $7.5 million in fiscal 2000 to adjust the inventory to its estimated realizable value. Due to the age of the inventory which remained combined with the fact that more of this inventory became obsolete due to packaging changes made by the manufacturer, management s evaluation of its estimated realizable value resulted in a further write-down of $2.2 million in fiscal 2001.

Gross profit as a percentage of sales increased to 27.8% during fiscal 2001 from 23.2% for fiscal 2000. The percentage improvement is principally due to a reduction in sales of other manufacturers products within Garden Products, which accounted for a significantly lower percentage of total sales. Sales of other manufacturers products generally result in lower gross margins compared to sales of Central s own branded products. Overall, Garden Products gross profit improved from 18.5% in fiscal 2000 to 23.0% in fiscal 2001.

Selling, general and administrative expenses increased by $23.7 million or 8.6% from $274.1 million during fiscal 2000 to $297.8 million in fiscal 2001. Of the $23.7 million increase, approximately $17.8 million was attributable to newly acquired businesses. As a percentage of net sales, selling, general and administrative expenses increased from 20.3% during fiscal 2000 to 26.5% for fiscal 2001.

Selling and delivery expenses decreased by $15.6 million, which was net of a $10.0 million increase related to newly acquired operations, from $146.7 million in fiscal 2000 to $131.1 million in fiscal 2001. The decrease in selling and delivery expenses relates principally to the sales decline in Garden Products compared with fiscal 2000. Included in fiscal 2001 selling and delivery expense was approximately $2.1 million attributable to the closure of three Pet Products branches during fiscal 2001 and increased freight costs to service out of market customers transferred from Garden Products 13 distribution centers closed in fiscal 2000.

Facilities expense decreased by $2.9 million from $14.4 million in fiscal 2000 to $11.5 million in fiscal 2001. Included in fiscal 2001 is approximately $0.5 million related to newly acquired businesses. This increase was more than offset by decreased expenses from the closure of the distribution centers, the majority of which was in Garden Products.

Warehouse and administrative expenses increased $42.2 million to $155.2 million in fiscal 2001 from $113.0 million in fiscal 2000. Of the $42.2 million increase, approximately $7.3 million related to newly acquired businesses. Of the $34.9 million increase from existing operations, approximately $4.0 million was attributable to Pet Products, $20.5 million to Garden Products and $10.4 million to corporate. The increase of $34.9 million compared with fiscal 2000 related principally to 1) additional bad debt provisions of $4.5 million, of which $3.1 million relates to two large Garden Products customers who went bankrupt or ceased operations during the last month of fiscal 2001; 2) increased legal and professional fees of $5.4 million, which included in fiscal 2001 approximately $12.4 million associated with the fire at our Arizona warehouse and the litigation work related to the Scotts and T.F.H. lawsuits; 3) an increase in general and medical insurance of $2.4 million; 4) increased depreciation and goodwill amortization of $2.4 million; 5) as a result of the closure of Garden Products and Pet Products locations, there has been a significant decrease in both sales and inventory levels, which resulted in an $11.3 million increase in the amount of purchasing, merchandise handling and storage costs charged to warehouse and administration expense, and not included as inventory costs, compared to the prior year; 6) increased information systems costs of $0.9 million primarily new systems being implemented to centralize sales, marketing, inventory and financial data; 7) an increase in personnel and other professional costs for research and development of $0.6 million; and 8) increases in office rents and general increases in normal operating expenses of $7.4 million.

Net interest expense for the fiscal year ended September 29, 2001 increased by $0.5 million to $23.1 million from $22.6 million for the fiscal year ended September 30, 2000. The increase is due to new long term borrowings resulting principally from the businesses acquired, offset by lower average short-term interest rates.

Average short-term borrowings for the fiscal year ended September 29, 2001 were $160.3 million compared with $159.2 million for the fiscal year ended September 30, 2000. The average short-term interest rates for the fiscal years ended September 29, 2001 and September 30, 2000 were 7.5% and 9.0%, respectively.

During fiscal 2001, the Company recognized a tax benefit of $.2 million on a pre-tax loss of $7.4 million. The tax benefit was affected by certain goodwill amortization which is not deductible for income tax purposes.

Fiscal 2000 Compared with Fiscal 1999

Net sales for fiscal 2000 decreased by 11.8% or $180.7 million to $1,350.9 million from $1,531.6 million for fiscal 1999. The decrease was due to a $218.7 million decrease in Garden Products sales ($261.1 million attributable to reduced sales of other companies products, primarily sales of Solaris products, which was partially offset by $12.7 million in sales of existing branded product offerings and $29.7 million in sales attributable to businesses acquired Norcal Pottery, acquired in January 1999; Unicorn Laboratories, acquired in December 1999; and the Amdro and Image product lines, acquired in March 2000) being partially offset by a $38.0 million increase in Pet Products sales.

Gross profit decreased by $6.1 million or 1.3% from $319.3 million during fiscal 1999 to $313.2 million for fiscal 2000. Gross profit as a percentage of net sales increased from 20.8% for fiscal 1999 to 23.2% for fiscal 2000. The decrease in gross profit dollars was principally related to a $16.9 million decrease in Garden Products gross profit partially offset by a $10.8 million increase in Pet Products gross profit. As a result of resizing our lawn and garden distribution operations, the carrying value of inventory at the distribution centers to be closed was evaluated to determine what products could be moved to the locations remaining open, how much of it would represent significant overstock and what products would have to be liquidated at the individual distribution centers. This evaluation resulted in a write-down of lawn and garden inventory of $7.5 million to adjust such inventory to its estimated realizable value. This write-down resulted in an increase in cost of goods sold and occupancy of $2.6 million in fiscal 2000 compared with the inventory write-down of $4.9 million recorded in fiscal 1999. The increase in gross profit as a percentage of net sales was primarily driven by an increase in Garden Products resulting from a larger proportion of higher margin branded product sales relative to total sales due to the reduction in sales of low margin Solaris products principally to retailers distribution centers. Pet Products gross profit percentage remained relatively constant.

Selling, general and administrative expenses increased $11.7 million, or 4.5% from $262.4 million during fiscal 1999 to $274.1 million for fiscal 2000. Of the $11.7 million increase, approximately $8.3 million was attributed to newly acquired businesses. As a percentage of net sales, selling, general and administrative expenses increased from 17.1% during fiscal 1999 to 20.3% for fiscal 2000. Selling and delivery expenses increased by $1.6 million from $145.1 million in fiscal 1999 to $146.7 million in fiscal 2000. Of this increase, $3.7 million related to newly acquired businesses. These increases were offset by a decrease from existing operations of $2.1 million primarily attributable to a $6.7 million decrease in lawn and garden distribution operations resulting from lower sales, offset by a $4.6 million increase principally related to Pennington as a result of increased coop and media advertising, and expanded use of common freight carriers coupled with increased fuel costs. Facilities expense totaled $14.4 million in both fiscal 1999 and 2000. This results from an increase in costs associated with newly acquired businesses of $0.3 million, offset by a reduction in costs associated with existing operations of $0.3 million. The decrease in existing operations related principally to lawn and garden distribution operations resulting from certain facilities which were closed during fiscal 1999. Warehouse and administrative expense increased $10.1 million from $102.9 million in fiscal 1999 to $113.0 million in fiscal 2000. Of this increase, $4.3 million related to newly acquired businesses. The increase from existing operations, $5.8 million, related principally to increases in legal and professional fees of $5.3 million related to our strategic planning and evaluation process, and increases in corporate personnel, related travel and corporate office space.

In September 2000, the Company recorded $27.5 million of charges resulting from workforce reductions, employee benefit obligations, facility closures, and asset impairments that were necessary due to the termination of the Company s distribution arrangement with Scotts and other anticipated sales decreases in Garden Products. These charges were offset by the reversal of $0.3 million of certain exit-related costs recorded in connection with the fiscal 1998 restructuring plan for which the Company was no longer obligated.

As a result of the fiscal 2000, and anticipated future, sales decreases in Garden Products, the Company initiated a plan to close 13 distribution centers and reduce its workforce which was completed in fiscal 2001. In connection with this plan, the Company recorded a severance charge of $1.1 million associated with the termination of 309 employees, primarily in the sales force and distribution centers. Severance of $0.7 million was paid to 196 employees terminated during fiscal 2000, with the balance expected to be paid to employees who will be terminated in fiscal 2001. In connection with the facilities closures, $3.6 million was accrued for estimated lease costs, and $0.2 million for estimated property tax and facilities maintenance costs, that the Company is obligated to pay for periods subsequent to closure. The Company also recorded an $0.8 million impairment charge to reduce certain facility assets to their estimated fair value based on an independent appraisal, and an $0.8 million provision for estimated uncollectible receivables from customers of the closed facilities.

In addition, as a direct result of the termination of the distribution relationship with Scotts, the Company recorded a charge of $4.7 million as the Company became obligated to make cash payments which were guaranteed to certain employees in the event of such termination. These payments were paid during fiscal 2001.

As a result of the events described above, management reevaluated the recoverability of certain intangible assets in Garden Products. Based on an evaluation of estimated future cash flows associated with affected facilities, the Company determined that goodwill and certain trademarks were impaired, and accordingly recorded charges of $15.7 million and $0.6 million, respectively, to reduce those assets to estimated fair values.

Net interest expense for the fiscal year ended September 30, 2000 increased by $10.5 million to $22.6 million from $12.1 million for the fiscal year ended September 25, 1999. The increase is due to higher average outstanding short-term debt resulting principally from the Company s stock repurchase program and the businesses acquired. During the fiscal year ended September 30, 2000, the Company repurchased 2,890,900 shares of its stock for a total cost of approximately $21.7 million, primarily through the use of its revolving credit facility.

Average short-term borrowings for the fiscal year ended September 30, 2000 were $159.2 million compared with $65.8 million for the fiscal year ended September 25, 1999. The average short-term interest rates for the fiscal years ended September 30, 2000 and September 25, 1999 were 9.0% and 7.5%, respectively.

During fiscal 2000 the Company recognized tax expense of $4.1 million on a pre-tax loss of $9.4 million primarily as the result of non-deductible charges, primarily goodwill amortization and impairment charges, recorded during the year.

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New Accounting Pronouncements

See Note 1, Organization and Significant Accounting Policies in the accompanying consolidated financial statements.

Inflation

The results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation, the Company believes that the effects of inflation on its operations have been immaterial.

Liquidity and Capital Resources

The Company has financed its growth through a combination of bank borrowings, supplier credit, internally generated funds and sales of securities to the public. The Company received net proceeds (after offering expenses) of approximately $431.0 million from its five public offerings of common stock in July 1993, November 1995, July 1996, August 1997 and January 1998. In November 1996, the Company completed the sale of $115 million 6% subordinated convertible notes generating approximately $112 million net of underwriting commissions.

Historically, the Company s business has been highly seasonal and its working capital requirements and capital resources tracked closely to this seasonal pattern. During the first fiscal quarter accounts receivable reach their lowest level while inventory, accounts payable and short-term borrowings begin to increase. Since the Company s short-term credit line fluctuates based upon a specified asset borrowing base, this quarter is typically the period when the asset borrowing base is at its lowest and consequently the Company s ability to borrow is at its lowest. During the second fiscal quarter, receivables, accounts payable and short-term borrowings begin to increase, reflecting the build-up of inventory and related payables in anticipation of the peak selling season. During the third fiscal quarter, inventory levels remain relatively constant while accounts receivable peak and short-term borrowings start to decline as cash collections are received during the peak selling season. During the fourth fiscal quarter, inventory levels are at their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash. As a result of the termination of the Solaris agreement and the associated reduction in distribution sales as a percentage of overall sales, this seasonal pattern is expected to be less significant in the future.

The Company s businesses service two broad markets: lawn and garden and pet supplies. The pet supplies businesses involve products that have a year round selling cycle with very little change quarter to quarter. As a result, it is not necessary to carry large quantities of inventory to meet peak demands. Additionally, this level sales cycle eliminates the need for manufacturers to give extended credit terms to either distributors or retailers. On the other hand, the Garden Products businesses are highly seasonal with approximately 66% of their aggregate sales occurring during the second and third fiscal quarters. For many manufacturers of garden products this seasonality requires them to move large quantities of their product well ahead of the peak selling periods. To encourage distributors to carry large amounts of inventory, industry practice has been for manufacturers to give extended credit terms and/or promotional discounts.

The Company generated cash from operating activities of $38.8 million during fiscal 2001, which declined from $40.1 million during fiscal 2000, primarily due to the decline in sales volume during the year. Net cash used in investing activities of $32.2 million resulted from acquisitions of new companies and the acquisition of office and warehouse equipment, including computer hardware and software. Net cash used in financing activities of $4.0 million consisted principally of net repayments of $9.8 million under the Company s lines of credit and payments of $12.8 million related to long-term debt, partially offset by $18.0 million in new long-term borrowings.

The Company has a $200.0 million line of credit with Congress Financial Corporation (Western). The available amount under the line of credit fluctuates based upon a specific asset-borrowing base. The line of credit bears interest at a rate either equal to the prime rate or LIBOR plus 2% at the Company s option, and is secured by substantially all of the Company s assets. At September 29, 2001, the Company had $83.1 million of outstanding borrowings, and had $16.8 million of available borrowing capacity under this line. The Company s line of credit contains certain financial covenants such as minimum net worth and minimum working capital requirements. The line also requires the lender s prior written consent to any acquisition of a business. The Company s Pennington subsidiary also has a $85.0 million line of credit. At September 29, 2001, there were $31.6 million of outstanding borrowings and $53.4 million of available borrowing capacity under this line. Interest related to this line is based on a rate either equal to the prime rate or LIBOR plus .875% at the Company s option. The Company All-Glass Aquarium subsidiary also has a $10.0 million line of credit. As of September 29, 2001, there were $4.6 million of borrowings and $5.4 million of available borrowing capacity under this line. Interest related to this line is based on a rate equal to the prime rate less 0.5% (6% at September 29, 2001).

Excluding the potential impact of any adverse consequences associated with legal matters discussed below and in more detail in Item 3. Legal Proceedings , the Company believes that cash flows from operating activities, funds available under its lines of credit, and arrangements with suppliers will be adequate to fund its presently anticipated working capital requirements for the foreseeable future. The Company anticipates that its capital expenditures will not exceed $15.0 million for the next 12 months.

The Company is involved in a number of lawsuits, several of which could result in substantial monetary judgments. This litigation includes three significant cases between the Company and Scotts and Pharmacia which are currently set for trial on January 2002, March 2002 and July 2002, respectively. Depending on how and when these lawsuits are resolved, these lawsuits could result in substantial changes to the Company s liquidity position either favorable or unfavorable. The Company is currently exploring a number of possible ways to enhance its liquidity, including, among other things, additional debt financing by the Company or one or more of its subsidiaries and/or an equity offering.

In November 1996, the Company issued $115 million of 6% subordinated convertible notes. The principal amount of the notes will become due on November 15, 2003, unless converted into common stock by the holders or redeemed by the Company prior to maturity.

As part of its growth strategy, the Company has engaged in acquisition discussions with a number of companies in the past and it anticipates it will continue to evaluate potential acquisition candidates. If one or more potential acquisition opportunities, including those that would be material, become available in the near future, the Company may require additional external capital. In addition, such acquisitions would subject the Company to the general risks associated with acquiring companies, particularly if the acquisitions are relatively large.

Weather and Seasonality

Historically, the Company s sales of lawn and garden products have been influenced by weather and climate conditions in the markets it serves. Additionally, the Company s business has historically been highly seasonal. In fiscal 2001, approximately 66% of Garden Products sales occurred in the first six months of the calendar year. Substantially all of Garden Products operating income is typically generated in this period which has historically offset the operating losses incurred during the first fiscal quarter of the year.

Risk Factors Relating to Forward-Looking Statements

This Form 10-K/A contains forward-looking statements that involve risks and uncertainties. These forward looking statements include information regarding future financial results, the estimated effect of the termination of the Solaris Agreement and future acquisition activity. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of factors both in and out of our control, including the risks faced by us described below and elsewhere in this Form 10-K/A.

You should carefully consider the risks described below. We have separated the risks into three groups:

- risks that relate to Central generally;
- risks that relate to Garden Products; and

risks that relate to Pet Products.

In addition, the risks described below are not the only ones facing us. We have only described the risks we consider to be the most material. However, there may be additional risks that are viewed by us as not material or are not presently known to us.

If any of the events described below were to occur, our business, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected. When we say below that something could or will have a material adverse effect on us, we mean that it could or will have one or more of these effects. In any such case, the price of our common stock could decline, and you could lose all or part of your investment in our company.

Risks Relating to Central Generally

Our quarterly operating results are susceptible to fluctuations, which could cause our stock price to decline.

We expect to continue to experience variability in our net sales and net income on a quarterly basis. Factors that may contribute to this variability include:

weather conditions and seasonality during peak gardening seasons;

shifts in demand for lawn and garden products;

shifts in demand for pet products;

changes in product mix, service levels and pricing by us and our competitors;

the effect of acquisitions;

economic stability of retail customers; and

the extent of lost business from the termination of distribution relationships, such as with Scotts, and our ability to offset the loss of gross profit as a result of the terminations through expense reductions and other business growth.

In addition, because our distribution businesses operate on relatively low margins, our operating results in any quarterly period could be affected significantly by slight variations in revenues or operating costs. For the same reason, our quarterly results also may be vulnerable to problems in areas such as collectibility of accounts receivable, inventory control and competitive price pressures. The market price of our common stock could be subject to significant fluctuations in response to these variations in quarterly operating results and other factors.

Because of intense competition, Central s distribution related sales generate low margins.

The lawn and garden and pet supply distribution industries in which we operate are characterized by relatively low profit margins. As a result, Central s success is highly dependent upon effective cost and management controls and differentiating its services from those of its competitors. The wholesale lawn and garden and pet supply distribution businesses are highly competitive, with many companies competing principally on the basis of price and service. In addition to competition from other distributors, Central also competes with manufacturers and suppliers that elect to distribute certain of their products directly to retailers, including Central s major customers, and private label product suppliers. For example, beginning in fiscal 2000, Scotts began to distribute Ortho®, Roundup® and Miracle-Gro® directly to certain retailers. Similarly, in 2001, Arch Pool Chemicals and Kal Kan Foods notified Central that they intend to terminate their distribution relationships with Central and distribute their products directly to retailers. There can be no assurance that Central will not encounter increased competition in the future or will not lose business from major manufacturers that elect to sell their products directly to retailers, either of which could adversely affect our operations and financial results.

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Our ability to grow will depend upon internal expansion and acquisitions.

As part of our growth strategy, we aggressively pursue the acquisition of other companies, assets and product lines that either complement or expand our existing business. Acquisitions involve a number of special risks, including the diversion of management s attention to the assimilation of the operations and personnel of the acquired companies, adverse short-term effects on our operating results, integration of financial reporting systems and the amortization of acquired intangible assets. Since 1993, Central has completed over 29 acquisitions. There can be no assurance that we can successfully integrate acquired businesses or that such businesses will enhance our business. We have also had preliminary acquisition discussions with, or have evaluated the potential acquisition of, numerous other companies over the last several years. We are unable to predict the likelihood of a material acquisition being completed in the future. We may seek to finance any such acquisition through additional debt or equity financings, which could result in dilution and additional risk for the holders of our common stock.

We anticipate that one or more potential acquisition opportunities, including those that would be material, may become available in the near future. If and when appropriate acquisition opportunities become available, we intend to pursue them actively. No assurance can be given that any acquisition by us will or will not occur, that if an acquisition does occur that it will not materially and adversely affect us or that any such acquisition will be successful in enhancing our business. Our future results of operations will also depend in part on our ability to successfully expand internally by increasing the number of new product lines, and to manage any future growth. No assurance can be given that we will be able to obtain or integrate additional product lines or manage any future growth successfully.

Our success is dependent upon retaining key personnel.

Our future performance is substantially dependent upon the continued services of William E. Brown, our Chairman and Chief Executive Officer, Glenn W. Novotny, our President and Chief Operating Officer, and Brooks M. Pennington III, the President of Pennington. The loss of the services of any of these persons could have a material adverse effect upon us. In addition, our future performance depends on our ability to attract and retain skilled employees. There can be no assurance that we will be able to retain our existing personnel or attract additional qualified employees in the future.

The holders of our Class B stock, through their voting power, can greatly influence control of the Company.

As of December 5, 2001, William E. Brown, our Chairman and Chief Executive Officer, controls approximately 47.9% of the voting power of our capital stock and, therefore, can effectively control all matters requiring stockholder approval, including the power to elect all of our directors. Holders of Class B stock are entitled to the lesser of ten votes per share or 49% of the total votes cast. Holders of common stock are entitled to one vote for each share owned. The holders of Class B stock have 49% of the combined voting power, subject to the aforementioned voting restrictions. Holders of Class B stock are likely to be able to elect all of our directors, control our management and policies and determine the outcome of any matter submitted to a vote of our stockholders except to the extent that a class vote of the common stock is required by applicable law. The disproportionate voting rights of the common stock and Class B stock could have an adverse effect on the market price of the common stock. Such disproportionate voting rights may make us a less attractive target for a takeover than we otherwise might be, or render more difficult or discourage a merger proposal, a tender offer or a proxy contest, even if such actions were favored by our common stockholders. Accordingly, such disproportionate voting rights may deprive holders of common stock of an opportunity to sell their shares at a premium over prevailing market prices, since takeover bids frequently involve purchases of stock directly from stockholders at such a premium price.

The products that we manufacture and distribute may subject us to environmental considerations.

Many of the products that we manufacture and distribute are subject to regulation by federal, state and local authorities. Such regulations are often complex and are subject to change. Environmental regulations may affect us by restricting the manufacturing or use of our products or regulating their disposal. Regulatory or legislative changes may cause future increases in our operating costs or otherwise affect operations. Although we believe we are and have been in substantial compliance with such regulations and have strict internal guidelines on the handling and disposal of our products, there is no assurance that in the future we may not be adversely affected by such regulations or incur increased operating costs in complying with such regulations. However, neither the compliance with regulatory requirements nor our environmental procedures can ensure that we will not be subject to claims for personal injury, property damages or governmental enforcement.

The products that we manufacture could expose us to product liability claims.

Our business exposes us to potential product liability risks, which are inherent in the manufacture and distribution of certain of our products. Although we generally seek to insure against such risks, there can be no assurance that such coverage is adequate or that we will be able to maintain such insurance on acceptable terms. A successful product liability claim in excess of our insurance coverage could have a material adverse effect on us and could prevent us from obtaining adequate product liability insurance in the future on commercially reasonable terms.

We have pending litigation which could adversely impact our operating results.

We are a party to certain legal proceedings including the litigation between us and Scotts and Pharmacia arising out of disputes regarding the termination of the Solaris Agreement and litigation arising from a fire which destroyed our Phoenix, Arizona facility. We are currently unable to determine the total expense or possible loss, if any, that may ultimately be incurred in the resolution of these proceedings. Regardless of the ultimate outcome of these proceedings, they could result in significant diversion of time by our management. The results of these proceedings, including any potential settlements, are uncertain and we cannot assure you that the outcome of these disputes will not adversely affect our operating results. Among the proceedings in which we are involved are three significant cases between us and Scotts and Pharmacia which are currently set for trial on January 2002, March 2002 and July 2002, respectively. Depending on how and when these lawsuits are resolved, these lawsuits could result in substantial changes to the Company s liquidity position either favorable or unfavorable. For more information on our pending litigation, please see Item 3. Legal Proceedings.

Risks Relating to Garden Products

Adverse weather during the peak gardening season can hurt Garden Products and our net sales.

Because demand for lawn and garden products is significantly influenced by weather, particularly weekend weather during the peak gardening season, our results of operations could be adversely affected by certain weather patterns such as unseasonably cool or warm temperatures, water shortages or floods. During the last several years, our results of operations were negatively affected by severe weather conditions in some parts of the country. Additionally, our business is highly seasonal, with approximately 66% of Garden Products sales in fiscal 2001 occurring during the second and third quarters of the fiscal year. Historically, substantially all of Garden Products operating income is generated in this period.

An increase in market prices for seeds and grains used to produce bird seed and grass seed or a decrease in demand for bird seed or grass seed could have a negative impact on our operating income.

Garden Products financial results depend to a large extent on the cost of raw materials and the ability of Garden Products to pass along to its customers increases in these costs. In particular, our Pennington subsidiary is exposed to fluctuation in market prices for commodity seeds and grains, used to produce bird seed and grass seed. Historically, market prices for commodity seeds and grains have fluctuated in response to a number of factors, including changes in United States government farm support programs, changes in international agricultural and trading policies and weather conditions during the growing and harvesting seasons. For example, a significant rise in the white millet acquisition cost in late 2000 and 2001 had a negative impact on profitability of bird feed products in fiscal 2001, although we do not believe this will be a long-term problem. In the event of any increases in raw materials costs, Garden Products would be required to increase sales prices for its products in order to avoid margin deterioration. We cannot assure you as to the timing or extent of Garden Products ability to implement future price adjustments in the event of increased raw material costs or as to whether any price increases implemented by Garden Products may affect the volumes of future shipments.

In fiscal 2001, Garden Products was adversely affected by a worldwide oversupply of certain grass seeds brought on by a combination of weather issues, generally poor economic conditions in agriculture, and diseases, like hoof and mouth and mad cow, that reduce demand for seed. If the oversupply extends into fiscal 2002, our operating results would suffer.

To protect against changes in market prices, we generally enter into purchase contracts for grains, bird seed and grass seed to cover up to approximately one-third of the purchase requirements for a selling season. Since we hedge only a portion of our purchase requirements, if market prices for grains increase, our cost of production would increase. In contrast, if market prices for grains decrease because of a lack of demand, we may end up purchasing grains and seeds pursuant to the purchase contracts at prices above market.

*Garden Products depends on a few customers, including Wal*Mart, Lowes and Home Depot, for a significant portion of its net sales.*

Garden Products largest customer is Wal*Mart, which accounted for approximately 31%, 36% and 32% of its net sales for fiscal 2001, fiscal 2000 and fiscal 1999, respectively. Garden Products second largest customer is Home Depot, which accounted for approximately 11%, 7% and 12% of its net sales for fiscal 2001, fiscal 2000 and fiscal 1999, respectively. Sales to Lowe s accounted for approximately 9%, 7% and 8% of its net sales for fiscal 2001, fiscal 2000 and fiscal 1999, respectively. The market share of these three retailers in the lawn and garden industry has increased during the last several years.

During fiscal 2000, Wal*Mart began to have certain products delivered to its internal distribution centers rather than directly to stores, which adversely affected our revenue from these products. Subsequent to the fiscal 2000 year end, Wal*Mart informed Central of a number of significant changes in its lawn and garden supplies purchasing programs and procedures for the coming year. These include Wal*Mart s decision to purchase certain lawn and garden supplies directly from a number of manufacturers whose lawn and garden supplies had previously been sold through Central; a change from store door deliveries of many of the lawn and garden supplies formerly delivered by Central to individual Wal*Mart stores to a new procedure whereby Central will ship these products to Wal*Mart distribution centers; and Wal*Mart s decision not to have Central personnel perform lawn and garden supplies merchandising functions inside Wal*Mart stores. As a result of these factors, and the closing of 13 distribution centers associated with the Garden Products restructuring, Garden Product s sales of lawn and garden supplies to Wal*Mart in 2001 declined significantly. The distribution facility closures coupled with the absence of our distributing Scotts products in 2001 has also adversely impacted other customer relationships.

The loss of, or significant adverse change in, the relationship between us and Wal*Mart, Home Depot or Lowe s could cause our net sales and income from operations to decline. The loss of or reduction in orders from any significant customer, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or our inability to collect accounts receivable from any major customer could reduce our income from operations.

Our net sales and operating income from distributing other company s garden products decreased significantly in fiscal 2001 due to the termination of our distribution relationship with Scotts and may continue to decrease in the future.

From October 1, 1995 to September 30, 1999, we distributed Solaris product nationwide, pursuant to an exclusive distribution agreement. Sales of products purchased from Solaris, previously our largest supplier, accounted for approximately 37% of Garden Product s net sales and 27% of Central s net sales during fiscal 1999. In January 1999, Pharmacia sold its Solaris lawn and garden business exclusive of its Roundup® herbicide products for consumer use to Scotts and entered into a separate, long-term, exclusive agreement pursuant to which Pharmacia continues to make Roundup herbicide products for consumer use and Scotts markets the products. Beginning October 1, 1999, Scotts began to distribute Ortho® and Roundup® products through a system that involved a combination of distributors, of which we were the largest, as well as through direct sales by Scotts to certain major retailers. In addition, Scotts began to sell Miracle-Gro® directly to certain retailers.

Effective September 30, 2000, Scotts discontinued its distribution relationship with Central. The affected products included Scotts®, Ortho® and Miracle-Gro® products and consumer Roundup® products manufactured by

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Pharmacia Corporation (formerly known as Monsanto Company) for which Scotts acts as Pharmacia s exclusive sales agent. For Central s fiscal year ended September 30, 2000, the revenue attributable to the affected products was approximately $176 million. The gross profit associated with these sales in fiscal 2000 was estimated to be $27 million based on historical customer profitability. Due to the termination of the Scotts distribution relationship, we took actions to downsize our lawn and garden distribution operations to reflect anticipated business levels for the fiscal year 2001. As a result, we recorded charges of $27.5 million in the fiscal year ending September 30, 2000. We cannot assure you that our lawn and garden distribution operations will be able to operate profitably at the reduced revenue levels forecasted for fiscal 2002. If our current downsizing efforts are not successful, we may be forced to record additional charges in fiscal 2002, which would decrease our operating results further.

The sale of the Solaris business by Pharmacia, the expiration of the Solaris Agreement and termination of the Scotts distribution relationship subject our business to significant uncertainties. These include the resolution of all payments due between us and Pharmacia under the Solaris Agreement, such as the amounts receivable from Pharmacia for cost reimbursements and payments for cost reductions; the amounts payable to Pharmacia for inventory; and responsibility for obsolete inventory and for non-payment by Solaris sub- agents. Scotts and Pharmacia have each initiated litigation against Central arising out of the prior distribution relationship. In addition, Central has filed suit against Scotts and Pharmacia seeking damages and injunctive relief as well as restitution for, among other things, breach of contract and violations of the antitrust laws by Scotts and Pharmacia. Because of the uncertainties inherent in complex litigation, it is not currently possible to make an assessment of the potential impact, losses or gains that may arise out of these cases individually or collectively. Central believes that, in the aggregate, the reconciliation of all accounts and claims with Pharmacia and Scotts, as described above in Item 3. Legal Proceedings, will not result in additional charges to Central. Further, Central believes it has substantial counterclaims and rights of offset against both Scotts and Pharmacia, as well as meritorious defenses, and intends to vigorously contest both suits. However, there can be no assurance that the resolution of this litigation will not have a material adverse effect on its results of operations, financial position and/or cash flows.

The loss of the Arch Pool Chemicals business may necessitate the closure of additional garden distribution centers.

In 2001, Arch Pool Chemicals notified Garden Products that it will discontinue its distribution relationship with Garden Products and deliver its product directly to retailers. For fiscal 2001, the revenue attributable to the affected products was approximately $50.5 million. The gross profit associated with these sales in fiscal 2001 was approximately $8.0 million. If we are unable to offset the loss of gross profit as a result of the termination through expense reductions and other business growth, our operating income would be adversely impacted and we may be required to close additional underutilized garden distribution centers.

Risks Relating to Pet Products

Pet Products depends on a few customers, including PETsMART and Petco, for a significant portion of its net sales.

Pet Products largest customer is PETsMART, which accounted for approximately 7%, 7% and 6% of Pet Products net sales for fiscal 2001, fiscal 2000 and fiscal 1999, respectively. Pet Products second largest customer is Petco, which accounted for approximately 6%, 8% and 5% of Pet Products net sales for fiscal 2001, fiscal 2000 and 1999, respectively. The loss of, or significant adverse change in, the relationship between Pet Products and PETsMART or Petco could have a material adverse effect on Pet Products business and financial results. The loss of or reduction in orders from any significant customer, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or Pet Products inability to collect accounts receivable from any major customer could have a material adverse impact on our business and financial results.

An increase in market prices for grains could have a negative impact on our operating income.

Pet Products financial results depend to a large extent on the cost of raw materials and the ability of Pet Products to pass along to its customers increases in these costs. In particular, our Kaytee subsidiary is exposed to fluctuation in market prices for commodity grains. Historically, market prices for commodity grains have fluctuated in response to a number of factors, including changes in United States government farm support programs, changes in international agricultural and trading policies and weather conditions during the growing and harvesting seasons. In the event of any increases in raw materials costs, Pet Products would be required to increase sales prices for its

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products in order to avoid margin deterioration. There can be no assurance as to the timing or extent of Pet Products ability to implement future price adjustments in the event of increased raw material costs or as to whether any price increases implemented by Pet Products may affect the volumes of future shipments.

To protect against changes in market prices, we generally enter into purchase contracts for grains and bird seed to cover up to approximately one-third of the purchase requirements for a selling season. Since we hedge only a portion of our purchase requirements, if market prices for grains increase, our cost of production would increase.

The majority of our pet supply distribution sales are made to independent pet retailers, whose market share has been eroded by the growth of national specialty pet stores.

Historically, a majority of our pet supply distribution sales have been made to independent pet retailers. In recent years, these independent pet retailers have experienced severe competition from and a loss of market share to national specialty pet retailers, like PETsMART and Petco, and mass merchants, like Wal*Mart, Kmart and Target. The future success of our pet supply distribution business will depend on our ability to offer competitive costs and value-added services to independent pet dealers and to increase sales to national specialty pet retailers and mass merchants. If independent pet retailers continue to lose market share to national specialty pet retailers and we are unable to expand our business with these pet retailers, Pet Product s net sales will decline and our operating income will suffer.

The loss of the Kal Kan dog food business may necessitate the closure of certain pet distribution centers.

Central entered into a Master Services Agreement in May 2000 pursuant to which Kal Kan Foods, Inc. granted Central exclusive nationwide distribution rights for certain of its pet food products. Under the agreement, Central s duties included providing account servicing support to Kal Kan in its direct-sell program to PETsMART as well as the right to distribute the same products on a buy-sell basis to independent pet supply retailers throughout the United States, with certain exceptions. Effective November 2001, Kal Kan terminated its distribution relationship with Pet Products. The gross profit associated with these sales in fiscal 2001 was approximately $6.7 million. The loss of the Kal Kan business contributed to the decision to close two smaller pet branches during the first quarter of fiscal 2002 with a third facility closure planned for February 2002. If we are unable to offset the loss of gross profit as a result of the termination through expense reductions and other business growth, our operating income would be adversely impacted and we may be required to close additional underutilized pet distribution centers.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Central is exposed to market risks, which include changes in U.S. interest rates and commodity prices and, to a lesser extent, foreign exchange rates. Central does not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk. The interest payable on Central s bank lines of credit is based on variable interest rates and therefore affected by changes in market interest rates. If interest rates on existing variable rate debt had changed by 10% compared to actual rates, interest expense would have increased or decreased by approximately $1.4 million and $1.5 million for the years ended September 29, 2001 and September 30, 2000, respectively. In addition, Central has fixed income investments consisting of cash equivalents and short-term investments in marketable debt securities, which are also affected by changes in market interest rates. Central does not use derivative financial instruments in its investment portfolio.

Commodity Prices. Central is exposed to fluctuation in market prices for grains and grass seed. To mitigate risk associated with increases in market prices and commodity availability, Central enters into contracts for grains, bird seed and grass seed purchases. Such contracts are primarily entered into to ensure commodity availability to the Company in the future. As of September 29, 2001, the Company had entered into fixed seed purchase commitments for fiscal 2002 totaling approximately $37.8 million. A 10% change in the market price for grain and grass seed would result in an additional pretax gain or loss of $3.8 million related to the contracts outstanding as of September 29, 2001. As of September 30, 2000, the Company had entered into fixed seed purchase commitments for fiscal 2001 totaling approximately $85.1 million. A 10% change in the market price for grain and grass seed would have

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resulted in an additional pretax gain or loss of $8.5 million related to the contracts outstanding as of September 30, 2000.

Foreign Currency Risks. Central has minimal sales outside of the United States and, therefore, has only minimal exposure to foreign currency exchange risks. Purchases made from foreign vendors are primarily made in U.S. dollars and, therefore, the Company has only minimal exposure to foreign currency exchange risk. Central does not hedge against foreign currency risks and believes that foreign currency exchange risk is immaterial.

Item 8. Financial Statements and Supplementary Data

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INDEPENDENT AUDITORS REPORT

Board of Directors
Central Garden & Pet Company
Lafayette, California

We have audited the accompanying consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the Company) as of September 29, 2001 and September 30, 2000, and the related consolidated statements of operations, shareholders equity and cash flows for each of the fiscal years in the three-year period ended September 29, 2001. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Central Garden & Pet Company and subsidiaries as of September 29, 2001 and September 30, 2000, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended September 29, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the accompanying consolidated financial statements have been restated.

/s/ DELOITTE & TOUCHE LLP

December 7, 2001 (December 4, 2002 as to the effects of the restatement discussed in Note 14)
San Francisco, California

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CENTRAL GARDEN & PET COMPANY

CONSOLIDATED BALANCE SHEETS

	September 29, 2001	September 30, 2000 As Restated (See Note 14)
	(dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,292	$ 5,685
Accounts receivable, less allowance for doubtful accounts of $14,464 and $8,050	141,791	151,190
Inventories	217,902	239,046
Prepaid expenses and other assets	35,776	22,122
Total current assets	403,761	418,043
Land, buildings, improvements and equipment:		
Land	4,977	5,194
Buildings and improvements	60,421	56,554
Transportation equipment	5,753	6,138
Machinery and warehouse equipment	65,966	59,325
Office furniture and equipment	32,845	31,335
Total	169,962	158,546
Less accumulated depreciation and amortization	61,164	46,806
Land, buildings, improvements and equipment net	108,798	111,740
Goodwill	371,987	382,294
Other assets	32,080	33,234
Total	$ 916,626	$ 945,311
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Notes payable	$ 119,423	$ 129,239
Accounts payable	127,884	121,705
Accrued expenses	38,412	42,801
Current portion of long-term debt	7,052	5,277
Total current liabilities	292,771	299,022
Long-term debt	151,623	148,242
Deferred income taxes and other long-term obligations	16,917	36,207
Commitments and contingencies		
Shareholders equity:		
Class B stock	16	16
Common stock	305	304
Additional paid-in capital	526,410	525,793
Retained earnings	73,411	80,554
Treasury stock	(144,827)	(144,827)
Total shareholders equity	455,315	461,840
Total	$ 916,626	$ 945,311

See notes to consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended		
	September 29, 2001	September 30, 2000	September 25, 1999
	As Restated (See Note 14) (in thousands, except per share amounts)		
Net sales	$ 1,122,999	$ 1,350,878	$ 1,531,615
Cost of goods sold and occupancy	811,186	1,037,701	1,212,319
Gross profit	311,813	313,177	319,296
Selling, general and administrative expenses	297,751	274,077	262,366
Other charges		27,156	2,708
Income from operations	14,062	11,944	54,222
Interest expense	(23,247)	(23,140)	(12,680)
Interest income	164	589	593
Other income	1,631	1,176	1,106
Income (loss) before income taxes	(7,390)	(9,431)	43,241
Income taxes	(247)	4,053	19,041
Net income (loss)	$ (7,143)	$ (13,484)	$ 24,200
Net income (loss) per common share:			
Basic	$ (0.39)	$ (0.72)	$ 0.89
Diluted	$ (0.39)	$ (0.72)	$ 0.88
Weighted average shares outstanding:			
Basic	18,402	18,786	27,328
Diluted	18,402	18,786	27,437

See notes to consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Class B Stock		Common Stock					Treasury Stock		
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings As Restated (See Note 14)	Restricted Stock Deferred Compensation	Shares	Amount	Total As Restated (See Note 14)
	(in thousands, except share amounts)									
Balance, September 26, 1998 (as restated see Note 14)	1,661,762	$ 16	29,718,530	$ 298	$ 519,933	$ 69,838	$ (39)	(72,000)	$ (1,418)	$ 588,628
Amortization, restricted stock deferred compensation							39			39
Tax benefit from exercise of stock options					120					120
Conversion of Class B stock into common stock	(843)		843							
Issuance of common stock			463,992	4	4,005					4,009
Treasury stock purchases								(10,779,350)	(121,705)	(121,705)
Net income (as restated)						24,200				24,200
Balance, September 25, 1999 (as restated)	1,660,919	16	30,183,365	302	524,058	94,038		(10,851,350)	(123,123)	495,291
Tax benefit from exercise of stock options					14					14
Conversion of Class B stock into common stock	(3,157)		3,157							
Issuance of common stock			230,899	2	1,721					1,723
Treasury stock purchases								(2,890,900)	(21,704)	(21,704)
Net loss (as restated)						(13,484)				(13,484)
Balance, September 30, 2000 (as restated)	1,657,762	16	30,417,421	304	525,793	80,554		(13,742,250)	(144,827)	461,840
Tax benefit from exercise of stock options					95					95
Conversion of Class B stock into common stock	(2,300)		2,300							
Issuance of common stock			112,752	1	522					523
Net loss (as restated)						(7,143)				(7,143)
Balance, September 29, 2001 (as restated)	1,655,462	$ 16	30,532,473	$ 305	$ 526,410	$ 73,411	$	(13,742,250)	$ (144,827)	$ 455,315

See notes to consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	September 29, 2001	**September 30, 2000**	**September 25, 1999**
		As Restated (See Note 14) (in thousands)	
Cash flows from operating activities:			
Net income (loss)	$ (7,143)	$ (13,484)	$ 24,200
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	28,362	26,035	20,492
Goodwill impairment charge		15,739	
Deferred income taxes	10,251		