UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1034

For the quarterly period ended March 30, 1996

or

[_] TRANSITION REPORT PURSUANT OF SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to _____________________

Commission File Number: 0 - 20242

CENTRAL GARDEN & PET COMPANY

Delaware
(State or other jurisdiction of incorporation or organization)

68-0275553
(I.R.S. Employer Identification No.)

3697 Mt. Diablo Blvd., Suite 310, Lafayette, California 94549
(Address of principle executive offices)

(510) 283-4573
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [_] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [_]

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock Outstanding as of March 30, 1996 9,453,463

Class B Stock Outstanding as of March 30, 1996 2,166,075

Part 1- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENTRAL GARDEN & PET COMPANY

CONSOLIDATED BALANCE SHEETS

<TABLE>
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	SEPTEMBER 30, 1995	MARCH 30, 1996

		(UNAUDITED)
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS		
Current Assets:		
Cash	$ 143	$ 139
Accounts receivable (less allowance for doubtful accounts of $4,161 and $4,212)	41,315	90,848
Inventories	69,425	110,151
Prepaid expenses and other assets	5,751	5,130
Total current assets	116,634	206,268
Land, Buildings, Improvements and Equipment:		
Land	982	431
Buildings and Improvements	6,031	3,386
Transportation equipment	2,174	2,224
Warehouse equipment	6,106	6,662
Office furniture and equipment	6,631	8,125
Total	21,924	20,828
Less accumulated depreciation and amortization	9,846	10,995
Land, buildings, improvements and equipment - net	12,078	9,833
Goodwill	11,013	10,995
Other Assets	2,955	2,680
Total	$ 142,680	$ 229,776
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	$ 37,971	$ 20,829
Accounts payable	45,120	111,398
Accrued expenses	6,528	10,881
Current portion of long-term debt	1,699	1,622
Total current liabilities	91,318	144,730
Long-Term Debt	11,130	8,635
Deferred Income Taxes and Other Long-Term Obligations	1,830	1,836
Commitments and Contingencies		
Shareholders' Equity:		
Preferred stock, $.01 par value: 100 shares outstanding September 30, 1995 and December 30, 1995	---	---
Class B stock, $.01 par value: 2,178,874 shares outstanding September 30, 1995; 2,166,075 shares outstanding March 30, 1996	22	22
Common stock, $.01 par value: 3,606,964 shares outstanding September 30, 1995; 9,451,780 shares outstanding March 30, 1996	38	95
Additional paid-in capital	28,267	63,917
Retained earnings	10,330	10,758
Restricted stock deferred compensation	(253)	(217)
Total shareholders' equity	36,402	74,575
Total	$ 142,680	$ 229,776

</TABLE>

See notes to consolidated financial statements

CENTRAL GARDEN & PET COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)
(IN THOUSANDS)

<TABLE>
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	SIX MONTHS ENDED	
	MARCH 26, 1995	MARCH 30, 1996

<S> <C> <C>

Cash Flows From Operating Activities:		
Net Income	$ (2,279)	$ 428
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,222	1,616
Gain on sale of land, building and improvements	0	(305)
Change in assets and liabilities:		
Receivables	(24,587)	(49,533)
Inventories	(35,775)	(40,726)
Prepaid expenses and other assets	(3,132)	483
Accounts payable	58,503	66,278
Accrued expenses	3,290	4,353
Deferred income taxes and other long-term obligations	(4)	6
Net cash used in operating activities	(2,762)	(17,400)
Cash Flows From Investing Activities:		
Additions to land, buildings, improvements and equipment	(1,534)	(2,199)
Proceeds from sale of land, building and improvements	400	3,600
Net cash provided (used) by investing activities	(1,134)	1,401
Cash Flows From Financing Activities:		
Proceeds from (repayments of) notes payable - net	5,442	(17,142)
Payments on long-term debt	(1,039)	(2,572)
Proceeds from issuance of stock - net	27	35,709
Payments to reacquire stock	(537)	0
Net cash provided by financing activities	3,893	15,995
Net Decrease in Cash	(3)	(4)
Cash at Beginning of Period	190	143
Cash at End of Period	$ 187	$ 139
Supplemental Information:		
Cash paid for interest	$ 2,694	$ 1,542
Cash paid for income taxes	255	17

</TABLE>

See notes to consolidated financial statements

CENTRAL GARDEN & PET COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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	SIX MONTHS ENDED		THREE MONTHS ENDED	
	MARCH 28, 1995	MARCH 30, 1996	MARCH 26, 1995	MARCH 30, 1996
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Net Sales	$ 181,214	$ 260,132	$ 117,925	$ 182,020
Cost of Goods Sold and Occupancy	153,046	227,006	99,564	160,214
Gross Profit	28,168	33,126	18,361	21,806
Selling, General and Administrative Expenses	27,881	29,783	14,772	15,931
Income from operations	287	3,343	3,589	5,875
Interest Expense - Net	(3,430)	(2,452)	(1,949)	(1,076)
Other Income (Expense) - Net	(604)	(139)	(332)	27
Income (loss) before income taxes	(3,747)	752	1,308	4,826

Income Taxes	(1,468)	324	561	2,035
Net Income (Loss)	$ (2,279)	$ 428	$ 747	$ 2,791
Weighted Average Shares Outstanding	5,865	10,381	5,785	11,803
Net Income (Loss) Per Share	$ (0.39)	$ 0.04	$ 0.13	$ 0.24

</TABLE>

See notes to consolidated financial statements

Central Garden & Pet Company
Notes to Consolidated Financial Statements
Three Months and Six Months Ended March 30, 1996
(Unaudited)

1. Basis of Presentation

The consolidated balance sheet as of March 30, 1996, the consolidated statements of income and cash flows for both the three months and six months ended March 30, 1996 and March 26, 1995 have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods mentioned above, have been made.

Due to the seasonal nature of the Company's business, the results of operations for the three months ended March 30, 1996 are not indicative of the operating results that may be expected for the year ending September 28, 1996.

2. Common Stock Offering

On November 15, 1995, the Company completed an offering of 5,750,000 shares of its common stock at $6.75 per share before deduction for underwriting commissions and expenses related to the offering. The net proceeds were used to reduce the Company's borrowings under its principal line of credit.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company entered into a long-term agreement, effective October 1, 1995, with Solaris, its largest supplier, whereby the Company serves as master agent and master distributor for sales of Solaris products within the United States. The agreement also provides for the Company to perform a wide range of value added services including logistics, order processing and fulfillment, inventory management and merchandising, principally for Solaris' direct sales accounts. The Company expects that as a result of the Solaris Agreement, a majority of its sales of Solaris products will be derived from servicing Solaris direct accounts, whereas historically, a majority of such sales were made by the Company as a traditional distributor.

A substantial portion of these sales are expected to consist of large shipments to customer distribution centers. This type of sale is characterized by lower gross margins as a percent of sales and lower associated operating costs. The collective impact of these factors is expected to substantially increase the Company's sales of Solaris products, increase gross profit and lower gross margins as a percent of sales.

The Solaris Agreement provides for the Company to be reimbursed for costs incurred in connection with the services provided to Solaris' direct sales accounts and to receive payments based on the sales growth of Solaris products. The Company will also share with Solaris in the economic benefits of certain cost reductions, to the extent realized. As a result, management believes that the Company's profitability will be more directly attributable to the success of Solaris than it has been in the past.

In 1995 the Company changed its fiscal year to the last Saturday in September. As a result, the Company's first quarter of Fiscal 1996 ended on December 30, 1995 and its second quarter ended on March 30, 1996.

THREE MONTHS ENDED MARCH 30, 1996
COMPARED WITH THREE MONTHS ENDED MARCH 26, 1995

Net sales for the three months ended March 30, 1996 increased by 54.4% or $64.1 million to $182.0 million from $117.9 million during the three months ended March 26, 1995. Of the $64.1 million increase, approximately $45.3 million is attributable to sales generated under the new Solaris Agreement, principally to retail distribution centers. The balance of the increase in net sales, $18.8 million is attributable to (i) expanded product listings and new store openings with existing customers, (ii) addition of approximately 244 Wal-Mart stores in the midwest region previously serviced by a competitor, (iii) more favorable weather patterns in the California market, and (iv) increased sales in the pet supplies operations.

Gross profit increased by 18.8% or $3.4 million from $18.4 million during the three months ended March 26, 1995 to $21.8 million for the comparable 1996 period. Gross profit as a percentage of net sales decreased from 15.6% in the three months ended March 26, 1995 to 12.0% for the similar period

in 1996. The decline in the gross profit percentage relates principally to a substantial increase in sales of Solaris products to retail distribution centers. As noted in the Overview section above, this type of sale generally is characterized by lower gross margins as a percent of sales. Additionally, the current quarter gross profit percentage was adversely impacted by the elimination of certain discounts and rebates which historically had been part of the Solaris marketing programs.

As part of the Company's responsibility under the Solaris Agreement, sales, principally to retail distribution centers, are to be sourced from a centralized warehouse to be staffed and managed by the Company. A portion of the total fee for servicing these retailers from this location is designed to cover the Company's actual costs for warehousing and shipping. Due to a delay in transitioning the operations of the warehouse from Solaris to the Company, these costs have been incurred by Solaris; consequently both the fee and related expenses are not included as part of the Company's operating results. The Company now expects to commence operating this facility in the early part of the fourth quarter. Gross profit will be positively impacted in the fourth quarter and in the future by centralized warehouse fees because the fees will be recorded as revenue while the related costs will be reflected as operating expenses.

Selling, general and administrative expenses increased by $1.2 million during the three months ended March 30, 1996 from $14.7 million for the comparable 1995 period. As a percentage of net sales, these expenses decreased from 12.5% in 1995 to 8.8% in 1996. This percentage decrease in expenses relates principally to the fixed operating expenses being spread over a substantially higher sales volume.

Interest expense decreased from $1.9 million during the second quarter of 1995 to $1.1 million for the comparable 1996 period. The decrease of $.8 million is attributed to lower average outstanding borrowings as a result of applying the proceeds from the sale of 5,750,000 shares of common stock which was completed in November 1995 coupled with the termination of a financing agreement with the Company's major supplier. Average short-term borrowings for the three months ended March 30, 1996 were $24.8 million compared to $62.0 million for the comparable 1995 period. The average interest rates were 10.0% and 10.6%, respectively.

The Company's effective income tax rate for the three months ended March 30, 1996 decreased to 42.2% compared with 42.9% for the similar 1995 period.

SIX MONTHS ENDED MARCH 30, 1996
COMPARED WITH SIX MONTHS ENDED MARCH 26, 1995

Net sales for the first half of fiscal year 1996 increased by 43.5% or $78.9 million to $260.1 million from $181.2 million for the first half of 1995. Of the $78.9 million increase, approximately $60.4 million is attributable to sales resulting from the Solaris Agreement, principally to retail distribution centers. The increase in sales from existing operations, $18.5 million, was due principally to the addition of stores previously serviced by a competitor, expanded product placements and new store openings with existing customers, as well as an increase in sales of pet supplies.

Gross profit increased by 17.6% or $4.9 million from $28.2 million during the six months ended March 26, 1995 to $33.1 million for the comparable 1996 period. Gross profit as a percentage of net sales

decreased from 15.5% in the six months ended March 26, 1995 to 12.7% for the similar 1996 period. The decrease in gross profit as a percentage of net sales is primarily due to the increase in sales to high volume, low service retail distribution centers principally in the second quarter of 1996. Additionally, the gross profit percentage was adversely impacted by the elimination of certain discounts and rebates which historically had been part of the Solaris marketing programs.

As part of the Company's responsibility under the Solaris Agreement, sales, principally to retail distribution centers, are to be sourced from a centralized warehouse to be staffed and managed by the Company. A portion of the total fee for servicing these retailers from this location is designed to cover the Company's actual costs for warehousing and shipping. Due to a delay in transitioning the operations of the warehouse from Solaris to the Company, these costs have been incurred by Solaris; consequently both the fee and related expenses are not included as part of the Company's operating results. The Company now expects to commence operating this facility in the early part of the fourth quarter. Gross profit will be positively impacted in the fourth quarter and in the future by centralized warehouse fees because the fees will be recorded as revenue while the related costs will be reflected as operating expenses.

For the six months ended March 30, 1996, selling, general and administrative expenses increased by $1.9 million from $27.9 million for the comparable 1995 period. As a percentage of net sales, these expenses decreased from $15.4% during the first half of 1995 to 11.4% for the same period in 1996. The increase of $1.9 million is associated principally with the increase in net sales.

Interest expense for the six months ended March 30, 1996 decreased by 28.5% or $1.0 million from $3.4 million for the six months ended March 26, 1995. The decrease is due principally to lower average outstanding borrowing as a result of applying the proceeds from the sale of 5,750,000 shares of the Company's stock in November 1995 and the termination of the Monsanto trade financing agreement. Average short-term borrowings for the six months ended March 30, 1996 were $33.8 million compared to $81.5 million for the comparable 1995 period. The outstanding borrowings include amounts due to Solaris under the Monsanto trade financing agreement which ended in November 1995. Purchases of Solaris products are currently handled on typical credit terms with extended due dates.

The Company's effective income tax rate for the first half of fiscal 1996 increased to 43.1% compared with 39.2% for the comparable 1995 period, principally due to the impact of non-deductible goodwill amortization.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements contained in this report which are not historical facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its growth through a combination of bank borrowings, supplier credit and internally generated funds. In addition, the Company received net proceeds (after offering expenses) of approximately $54.0 million from its two public offerings.

The Company's business is highly seasonal and its working capital requirements and capital resources track closely to this seasonal pattern. During the first fiscal quarter accounts receivables 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 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 quarter, inventory levels decrease while accounts receivable peak and short-term borrowings start to decline as cash collections are received during the peak selling season. During the fourth quarter, inventory levels are at their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash.

For the six months ended March 30, 1996, the Company used cash in operating activities of $17.4 million reflecting the normal cycle of inventory and receivables build up. Net cash generated from investing activities of $1.4 million resulted from the sale of the Visalia, California warehouse. This facility had been leased to a third party since February, 1995, and was not considered necessary for future requirements. Cash generated from financing activities of $16.0 million consisted of net proceeds from the sale of 5,750,000 shares of the Company's stock less repayment of debt.

The Company has a $75 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, which bears interest at a rate equal to the prime rate plus 3/4% per annum, is secured by substantially all of the Company's assets. At March 30, 1996, the Company had outstanding borrowings of approximately $19.8 million and had an additional $55.2 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 had a financing arrangement with a financing affiliate of Monsanto Company pursuant to which Monsanto permitted the Company to borrow up to $81.0 million for the purchase of Solaris products. Such borrowings were secured by a first priority lien on the Company's inventory of Solaris products and a second priority lien on all other inventories and receivables and bore interest at a rate 1-1/2% below the prime rate. This arrangement expired on November 15, 1995. Subsequent to that date financing arrangements with Monsanto have been on extended credit terms.

The Company believes that cash flow from operations, funds available under its line of credit, arrangements with suppliers and net proceeds received from its sale of common stock in November 1995 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 $2.8 million for the next 12 months.

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.

II. OTHER INFORMATION

4. Submission of Matters to a Vote of Security Holders

(a) The annual meeting of shareholders was held on February 20, 1996.

(b) The following directors were elected at the meeting:

William E. Brown
Glenn W. Novotny
Lee D. Hines, Jr.
Daniel Hogan

The foregoing constitute all members of the Board of Directors of the Company.

(c) At the annual meeting, the shareholders voted to approve a proposal to amend the 1993 Omnibus Equity Incentive Plan and to increase the number of authorized common shares by 29,000,000.

Set forth below is a tabulation with respect to the matters voted on at the meeting:

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Proposal to amend 1993 Omnibus Equity Incentive Plan				
Common Stock	4,061,164	2,307,190	11,761	1,662,030
Class B Stock	2,088,732	- 0 -	- 0 -	- 0 -
Proposal to increase authorized Common Stock by 29,000,000 shares				
Common Stock	7,278,204	752,180	11,761	- 0 -
Class B Stock	2,088,732	- 0 -	- 0 -	- 0 -

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<S>	FOR <C>	AGAINST OR WITHHELD <C>	ABSTENTIONS <C>	BROKER NON-VOTES <C>
ELECTION OF DIRECTORS				
William E. Brown				
Common	7,985,094	57,051		
Class B	2,043,184	45,548		

Glenn W. Novotny		
Common	7,985,744	56,401
Class B	2,043,184	45,548
Lee D. Hines, Jr.		
Common	7,985,244	56,901
Class B	2,043,184	45,548
Daniel P. Hogan, Jr.		
Common	7,985,444	56,701
Class B	2,043,184	45,548

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(d) Inapplicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) No reports on Form 8-K were filed during the quarter ended March 30, 1996.

SIGNATURES

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

CENTRAL GARDEN & PET COMPANY
Registrant

Dated: May 8, 1996

William E. Brown, Chairman of the Board and
Chief Executive Officer

/s/ Robert B. Jones
Robert B. Jones, Vice President-Finance and
Chief Financial Officer

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