

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 1995

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-209

BASSETT FURNITURE INDUSTRIES, INCORPORATED  
(Exact name of Registrant as specified in its charter)

Virginia  
-----  
(State or other jurisdiction  
of incorporation or organization)

54-0135270  
-----  
(I.R.S. Employer  
Identification No.)

Bassett, Virginia 24055  
-----  
(Address of principal executive offices)  
(Zip Code)

(540) 629-6000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months, and (2) has been subject to such filing requirements  
for the past 90 days. Yes X No  
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At August 31, 1995, 14,047,653 shares of common stock of the Registrant were  
outstanding.

PART I - FINANCIAL INFORMATION  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS - UNAUDITED

	NINE MONTHS ENDED AUGUST 31,		THREE MONTHS ENDED AUGUST 31,	
	1995	1994	1995	1994
Net sales	\$361,752,321	\$381,271,061	\$119,183,765	\$124,967,415
Costs and expenses				
Cost of sales	301,097,044	314,128,874	98,472,087	103,459,715
Selling, general and administrative	48,839,196	49,360,201	16,332,759	16,733,016
	349,936,240	363,489,075	114,804,846	120,192,731
Income from operations	11,816,081	17,781,986	4,378,919	4,774,684
Other income, net	10,295,806	6,606,876	3,796,872	1,963,367
	22,111,887	24,388,862	8,175,791	6,738,051
Income taxes	(6,457,500)	(7,390,000)	(2,394,500)	(2,149,000)
	15,654,387	16,998,862	5,781,291	4,589,051
Income before cumulative effect of a change in accounting principle	15,654,387	16,998,862	5,781,291	4,589,051
Cumulative effect of a change in accounting principle	-0-	(510,200)	-0-	-0-
NET INCOME	15,654,387	16,488,662	5,781,291	4,589,051
Retained earnings - beginning of period	221,949,817	216,211,676	226,188,020	220,014,909
	237,604,204	232,700,338	231,969,311	224,603,960
Cash dividends	(8,444,424)	(8,593,977)	(2,809,531)	(2,837,897)
Retirement of purchased common stock	(777,743)	(5,135,861)	(777,743)	(2,795,563)
Retained earnings - end of period	\$228,382,037	\$218,970,500	\$228,382,037	\$218,970,500
EARNINGS PER SHARE:				
Income before cumulative effect of a change in accounting principle	\$1.11	\$ 1.18	\$.41	\$.32
Cumulative effect of a change in accounting principle	-0-	(.04)	-0-	-0-
NET INCOME PER SHARE	\$ 1.11	\$ 1.14	\$.41	\$.32
DIVIDENDS PER SHARE	\$ .60	\$ .60	\$.20	\$.20

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 The accompanying notes are an integral part of the condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEET - UNAUDITED

ASSETS	AUGUST 31, 1995	NOVEMBER 30, 1994
<b>Current Assets</b>		
Cash and cash equivalents	\$ 57,507,504	\$ 42,314,957
Trade accounts receivable, less allowances for doubtful accounts and discounts	66,180,271	71,936,750
<b>Inventories:</b>		
Finished goods	47,100,731	45,243,596
Work in process	15,484,490	15,588,696
Raw materials and supplies	44,047,255	44,588,519
	-----	-----
	106,632,476	105,420,811
Less LIFO adjustment	26,646,000	25,346,000
	-----	-----
	79,986,476	80,074,811
Prepaid expenses	2,354,976	2,206,736
Prepaid income taxes	-0-	274,675
Deferred income taxes	1,891,000	1,823,000
	-----	-----
	207,920,227	198,630,929
<b>Property, Plant and Equipment</b>		
Cost	212,659,126	207,227,241
Less allowances for depreciation	158,642,057	152,673,335
	-----	-----
	54,017,069	54,553,906
<b>Other Assets</b>		
Investment in securities	41,614,463	43,638,983
Investment in affiliated companies	38,150,587	35,080,525
Other	10,439,413	8,593,887
	-----	-----
	90,204,463	87,313,395
	-----	-----
	\$352,141,759	\$340,498,230
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 30,306,148	\$ 29,786,395
Accrued compensation	4,864,902	5,215,159
Income taxes	2,222,893	-0-
	-----	-----
	37,393,943	35,001,554
<b>Deferrals</b>		
Deferred liabilities	10,073,078	9,529,784
Deferred income taxes	1,723,500	774,000
	-----	-----
	11,796,578	10,303,784
<b>Stockholders' Equity</b>		
Common stock	70,238,265	70,434,075
Retained earnings	228,382,037	221,949,817
Unrealized holding gains, net of tax	4,330,936	2,809,000
	-----	-----
	302,951,238	295,192,892
	-----	-----
	\$352,141,759	\$340,498,230
	=====	=====

The accompanying notes are an integral part of the condensed consolidated financial statements.

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

	NINE MONTHS ENDED AUGUST 31,	
	1995	1994
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$25,808,844	\$12,268,484
INVESTING ACTIVITIES		
Changes in investment securities	7,155,646	(2,709,344)
Purchases of property, plant and equipment	(6,523,427)	(6,920,480)
Proceeds from sale of property, plant and equipment	59,000	224,616
Dividends from affiliated company	817,129	817,129
Increase in cash surrender value of life insurance	(2,838,284)	(2,277,400)
Other	131,616	306,908
	(1,198,320)	(10,558,571)
FINANCING ACTIVITIES		
Exercise of stock options	48,733	-0-
Purchase of common stock	(1,022,286)	(6,857,240)
Cash dividends	(8,444,424)	(8,593,976)
	(9,417,977)	(15,451,216)
CHANGE IN CASH AND CASH EQUIVALENTS	15,192,547	(13,741,303)
CASH AND CASH EQUIVALENTS - beginning of period	42,314,957	52,957,556
CASH AND CASH EQUIVALENTS - end of period	\$57,507,504	\$39,216,253

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- A. Per share amounts are based on 14,082,213 and 14,349,932 weighted average number of shares outstanding at August 31, 1995 and 1994, respectively.
- B. Effective December 1, 1993, the Company adopted the provisions of FASB Statement No. 109 and reported the cumulative effect of the change in the method of accounting for income taxes in the financial statements for 1994 in the amount of \$510,200. The principal cause of this adjustment was due to the basis difference of an acquisition made in a prior year which was accounted for as a purchase transaction.
- C. Effective December 1, 1993, the Company adopted the provisions of FASB Statement No. 115 "Accounting for Certain Investments in Debt and Equity Securities" and initially reported the effects thereof in the 1994 financial statements. Under Statement No. 115 the Company classifies its investment in securities as available-for-sale, which is reported at fair value. Unrealized holding gains and losses (net of tax effect) are reported as a separate component of stockholders' equity. The fair value and cost of the investment in securities was \$41.6 million and \$34.6 million at August 31, 1995, respectively.

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

## BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

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

## RESULTS OF OPERATIONS:

Major components of net income, expressed as a percentage of net sales, are reflected below:

	Nine Months Ended August 31,		Three Months Ended August 31,	
	1995	1994	1995	1994
	----	----	----	----
Cost of sales	83.23%	82.39%	82.62%	82.79%
Selling, general and admin.	13.50	12.95	13.70	13.39
Income from operations	3.27	4.66	3.68	3.82
Other income, net	2.84	1.74	3.18	1.57
Income before income taxes	6.11	6.40	6.86	5.39
Income taxes	1.78	1.94	2.01	1.72
Accounting change	-0-	.13	-0-	-0-
Net income	4.33	4.33	4.85	3.67

## NET SALES

Net sales for the third quarter were up slightly over second quarter (\$119.2 million vs. \$119.0 million). Moreover, the year to year decline in net sales in the third quarter was approximately one third the decline experienced in the second quarter. Net sales for the 1995 third quarter were \$119.2 million, a decrease of \$5.8 million from \$125 million in 1994. This compares to the \$15.6 million decline experienced in the second quarter of 1995 compared to 1994.

The order backlog improved in the third quarter from the low levels reached in the second quarter, reflecting an improved incoming order rate. This improvement has generally been across all the Company's Divisions.

## COSTS AND EXPENSES

Cost of sales, as a percentage of net sales, was 82.62% for the 1995 third quarter, down from 82.79% in 1994 and also, down from 83.76% in the second quarter of 1995.

The components of cost of sales, expressed as a percentage of net sales, are reflected below:

	Nine Months Ended August 31,		Three Months Ended August 31,	
	1995	1994	1995	1994
	----	----	----	----
Materials	49.51%	48.81%	49.82%	49.36%
Labor	21.33	21.57	20.83	21.49
Overhead	12.39	12.01	11.97	11.94
	-----	-----	-----	-----
	83.23%	82.39%	82.62%	82.79%

PART I - FINANCIAL INFORMATION - CONTINUED  
 BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

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

COSTS AND EXPENSES - continued

Raw material costs continued to escalate in the third quarter without the Company being able to pass the increases through to the retail sector. This is exemplified by the fact that the Consumer Price Index for household furnishings has remained flat in 1995 compared to 1994. Overhead costs decreased in the third quarter to 11.97% from 12.83% in the second quarter. Third quarter of 1995 was flat compared to 1994, despite a decrease in net sales of \$5.8 million from 1994 to 1995. This reflects the progress made to reduce and control production overhead costs.

Selling, general and administrative expenses, expressed as a percentage of net sales, were 13.70% in the 1995 third quarter, down from 13.86% in the second quarter. However, after nine months in 1995, these expenses are at 13.50% up from 12.95% in 1994. Through nine months of 1995, variable costs have maintained their relationship to net sales, but some fixed costs, primarily those associated with the marketing and merchandising efforts, have not decreased in proportion to the decrease in net sales.

OTHER INCOME, NET

Major sources of other income are shown below (in thousands):

	Nine Months Ended August 31,		Three Months Ended August 31,	
	----- 1995 ----	----- 1994 ----	----- 1995 ----	----- 1994 ----
Equity in unremitted income of affiliated companies	\$3,566	\$3,078	\$1,125	\$1,011
Interest (principally tax exempt)	1,756	1,231	633	419
Dividends	1,736	1,700	526	533
Gain from sales of securities	2,676	357	1,312	(5)
Other	562	241	201	5
	-----	-----	-----	-----
	\$10,296	\$6,607	\$3,797	\$1,963
	=====	=====	=====	=====

INCOME TAXES

The effective income tax rate reflects the federal rate of 35% plus an effective state rate of approximately 3%. This combined rate is next subject to reduction due primarily to the effects of: (i) dividends received exclusion; (ii) tax exempt interest, (iii) unremitted affiliate income, and (iv) corporate owned life insurance.

LIQUIDITY AND CAPITAL RESOURCES:

The current ratio was 5.6 to 1 at August 31, 1995, 6.5 to 1 at May 31, 1995 and 5.7 to 1 at November 30, 1994. Working capital has remained stable in the past year; varying between \$171 million at August 31, 1995 and \$164 million at November 30, 1994. Cash provided by operations increased to \$26 million for the nine months of 1995 compared to \$12 million in the same period of 1994; \$9 million of this amount was generated in the 1995 third quarter compared to \$6 million in the 1994 third quarter. Cash provided by operating activities is expected to be adequate for normal future cash requirements. There were no significant commitments for capital expenditures at August 31, 1995. Capital expenditures that will be made in the future for normal requirements are expected to be made from funds generated by operating activities.

PART II - OTHER INFORMATION  
BASSETT FURNITURE INDUSTRIES, INCORPORATED AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- a. Exhibits
  - (27) Financial Data Schedule

SIGNATURES

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

BASSETT FURNITURE INDUSTRIES, INCORPORATED

/s/ ROBERT H. SPILMAN  
 -----  
 Robert H. Spilman, Chairman of the Board, and Chief Executive Officer

DATE: 10/6/95  
 -----

/s/ PHILIP E. BOOKER  
 -----  
 Philip E. Booker, Vice President, Controller (Chief Accounting Officer)

DATE: 10/6/95  
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549FORM 10-Q  
QUARTERLY REPORTFor the quarter ended  
August 31, 1995Commission File Number  
0-209BASSETT FURNITURE INDUSTRIES, INCORPORATED  
EXHIBIT INDEX

Exhibit No. -----	Exhibit Description -----	Page No. -----
27	Financial Data Schedule	page - 9



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1,000

9-MOS

	NOV-30-1995	
	DEC-1-1994	
	AUG-31-1995	
		57,508
		41,614
		66,180
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		79,986
	207,920	
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		70,238
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15,654		
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	1.11	
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