MORGANS FOODS INC
Form 10-Q
December 23, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the period ended November 9, 2003

Commission file number 0-3833

Morgan's Foods, Inc.

(Exact name of registrant as specified in its charter)

Ohio	34-0562210
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
24200 Chagrin Boulevard, Suite 126, Beachwood,	Ohio 44122
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (216) 360-7500

(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.

Yes ...X... No ....

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule (2b-2 of the act).

Yes....... No...X...

As of December 19, 2003, the issuer had 2,718,441 shares of common stock outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Morgan's Foods, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	QUARTER ENDED	
	NOVEMBER 9, 2003	NOVEMBER 10, 2002
Revenues	$ 19,382,000	$ 19,617,000
Cost of sales:		
Food, paper and beverage	5,963,000	6,245,000
Labor and benefits	5,219,000	5,190,000
Restaurant operating expenses	5,065,000	5,055,000
Depreciation and amortization	809,000	811,000
General and administrative expenses	1,170,000	1,348,000
Loss on restaurant assets	27,000	125,000
Operating income	1,129,000	843,000
Interest Expense:		
Bank debt and notes payable	(1,047,000)	(1,136,000)
Capital leases	(11,000)	(14,000)
Other income and expense, net	19,000	24,000
Income (loss) before income taxes	90,000	(283,000)
Provision for income taxes	--	1,000
Net income (loss)	$ 90,000	$ (284,000)
Basic and diluted net income (loss) per common share	$ .03	$ (.10)
Basic weighted average number of shares outstanding	2,718,441	2,718,441
Diluted weighted average number of shares outstanding	2,723,984	2,718,441

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Morgan's Foods, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	THIRTY-SIX WEEKS ENDED	
	NOVEMBER 9, 2003	NOVEMBER 10, 2002
Revenues	$ 58,873,000	$ 59,124,000
Cost of sales:		
Food, paper and beverage	17,844,000	18,432,000
Labor and benefits	16,200,000	15,811,000
Restaurant operating expenses	15,066,000	14,946,000
Depreciation and amortization	2,408,000	2,361,000
General and administrative expenses........	3,859,000	4,054,000
Loss on restaurant Assets	74,000	193,000
Operating income	3,422,000	3,327,000
Interest Expense:		
Bank debt and notes payable	(3,213,000)	(3,391,000)
Capital leases	(34,000)	(42,000)
Other income and expense, net	73,000	118,000
Income before income taxes	248,000	12,000
Provision for income taxes	4,000	6,000
Net income	$ 244,000	$ 6,000
Basic and diluted net income per common share	$ .09	$ --
Basic weighted average number of shares outstanding	2,718,441	2,720,926
Diluted weighted average number of shares outstanding	2,724,758	2,731,158

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MORGAN'S FOODS, INC.

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	NOVEMBER 9, 2003
ASSETS	
Current assets:	
Cash and equivalents	$ 4,338,000
Short term investment	300,000
Receivables	176,000
Inventories	532,000
Prepaid expenses	525,000
	5,871,000
Property and equipment:	
Land	10,971,000
Buildings and improvements	19,260,000
Property under capital leases	1,006,000
Leasehold improvements	7,506,000
Equipment, furniture and fixtures	18,948,000
Construction in progress	58,000
	57,749,000
Less accumulated depreciation and amortization	22,656,000
	35,093,000
Other assets	1,237,000
Franchise agreements	1,935,000
Deferred taxes	600,000
Goodwill	9,405,000
	$ 54,141,000
LIABILITIES AND SHAREHOLDERS' DEFICIENCY	
Current liabilities:	
Current maturities of long-term debt	$ 2,708,000
Current maturities of capital lease obligations	75,000
Accounts payable	3,313,000
Accrued liabilities	3,250,000
	9,346,000
Long-term debt	44,073,000
Long-term capital lease obligations	390,000
Other long-term liabilities	1,510,000
SHAREHOLDERS' DEFICIENCY	
Preferred shares, 1,000,000 shares authorized, no shares outstanding	
Common stock	
Authorized shares - 25,000,000	
Issued shares - 2,969,405	30,000
Treasury stock - 250,964 shares	(284,000)
Capital in excess of stated value	28,829,000

Accumulated deficit	(29,753,000)
Total shareholders' deficiency	(1,178,000)
	$ 54,141,000

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Morgan's Foods, Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIENCY

(unaudited)

	COMMON SHARES		TREASURY SHARES		CAPITAL IN EXCESS OF STATED VALUE
	SHARES	AMOUNT	SHARES	AMOUNT	
Balance, March 3, 2002 ..	2,969,405	$ 30,000	(241,564)	$ (251,000)	$ 28,829,000
Net loss	--	--	--	--	--
Purchase of common shares	--	--	(9,400)	(33,000)	--
Balance, March 2, 2003 ..	2,969,405	30,000	(250,964)	(284,000)	28,829,000
Net income	--	--	--	--	--
Balance November 9, 2003	2,969,405	$ 30,000	(250,964)	$ (284,000)	$ 28,829,000

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Morgan's Foods, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	THIRTY-SIX WE
	NOVEMBER 9, 2003
Cash flows from operating activities:	
Net income	$ 244,000
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	2,408,000
Amortization of deferred financing costs	94,000
Amortization of supply agreement advances	(599,000)
Funding from supply agreements	647,000
Loss on restaurant assets	73,000
Change in assets and liabilities:	
Decrease in receivables	124,000
Increase in inventories	(40,000)
Decrease (increase) in prepaid expenses	37,000
Decrease in other assets	--
Increase (decrease) in accounts payable	120,000
Decrease in accrued liabilities	(346,000)
Net cash provided by operating activities	2,762,000
Cash flows from investing activities:	
Capital expenditures	(976,000)
Purchase of short term investment	(300,000)
Purchase of franchise agreements	(35,000)
Net cash used in investing activities	(1,311,000)
Cash flows from financing activities:	
Principal payments on long-term debt	(1,935,000)
Principal payments on capital lease obligations	(79,000)
Purchase of treasury shares	--
Net cash used by financing activities	(2,014,000)
Net change in cash and equivalents	(563,000)
Cash and equivalents, beginning balance	4,901,000
Cash and equivalents, ending balance	$ 4,338,000

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
QUARTERS ENDED NOVEMBER 9, 2003 AND NOVEMBER 10, 2002
(unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of Morgan's Foods, Inc. ("the Company") have been prepared without audit. In the opinion of Company Management, all adjustments have been included. Unless otherwise disclosed, all adjustments consist only of normal recurring adjustments necessary for a fair statement of results of operations for the interim periods. Except as noted in the notes to the financial statements, these unaudited financial statements have been prepared using the same accounting principles that were used in preparation of the Company's annual report on Form 10-K for the year ended March 2, 2003. Certain prior year amounts have been reclassified to conform to the current year presentation.

Short Term Investment. During the first quarter of fiscal 2004, the Company obtained a letter of credit for $300,000 in favor of one of its vendors. The letter of credit, which expires February 15, 2004, is secured by a $300,000 certificate of deposit.

NOTE 2. INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share is based on the combined weighted average number of shares outstanding, which includes the assumed exercise, or conversion of options. In computing diluted net income (loss) per common share, the Company has utilized the treasury stock method. For the quarter ended November 10, 2002, 286,500 shares were excluded from the computation of diluted earnings per share due to their antidilutive effect. For the quarter ended November 9, 2003 and for the 36 weeks ended November 9, 2003 and November 10, 2002, 275,000 shares were excluded from the computation of diluted earnings per share due to their antidilutive effect.

NOTE 3. STOCK OPTIONS.

The Company's outstanding stock options are accounted for using the intrinsic value method, under which compensation cost is measured as the excess, if any, of the quoted market price of the stock at the grant date over the amount an employee must pay to acquire the stock. Had compensation cost for the options granted been determined based on their fair values at the grant dates in accordance with the fair value method of Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation, the Company's net income (loss) and earnings (loss) per share would have been presented at the pro forma amounts indicated below:

	Quarter Ended	Thirty Weeks E

	Nov. 9, 2003	Nov. 10, 2002	Nov. 9, 2003	Nov
Net income (loss) as reported	$ 90,000	$ (284,000)	$ 244,000	
Add (subtract) stock-based compensation expense, net of tax:				
- As reported (intrinsic value method)	--	--	--	
- Pro forma (fair value method)	--	--	--	
Net income (loss) - pro forma	$ 90,000	$ (284,000)	$ 244,000	
Basic and diluted income (loss) per common share:				
As reported	$ .03	$ (.10)	$ .09	
Pro forma	$ .03	$ (.10)	$ .09	

NOTE 4. NEW ACCOUNTING STANDARDS.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The new rules apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of long-lived assets. The Company adopted the provisions of SFAS No. 143 beginning in fiscal 2004. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated financial position or results of operations.

NOTE 5. LONG-TERM DEBT

The Company's debt arrangements require the maintenance of a consolidated fixed charge coverage ratio of 1.2 to 1 regarding all of its mortgage loans and individual restaurant coverage ratios between 1.2 and 1.5 to 1 on certain of its loans. As of March 2, 2003, the Company was not in compliance with the consolidated ratio of 1.2 to 1 or the unit level ratios relating to $33,346,000 of its debt. The Company has obtained waivers of these violations from the applicable lenders as of March 2, 2003 and November 9, 2003. As these waivers continue through the following twelve months, the Company has classified its debt as long term as of March 2, 2003 and November 9, 2003. All payments on the Company's debt have been, and continue to be current and management believes that the Company will continue to be able to service the debt. The fixed charge coverage ratios are computed based upon financial results for the preceding twelve months. Based upon financial results for the thirty-six weeks ended November 9, 2003, management anticipates that the Company may not achieve certain ratios as of the end of the fiscal year. If the Company does not comply with debt covenants in the future, and if future waivers are not obtained, the lenders will have certain remedies available to them which could include calling of the debt or acceleration of payments. Noncompliance with the requirements of the Company's mortgage debt, if not waived, could also trigger cross-default provisions of other debt agreements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS.

Description of Business. Morgan's Foods, Inc. operates through wholly-owned subsidiaries KFC restaurants under franchises from KFC Corporation and Taco Bell restaurants under franchises from Taco Bell Corporation. As of December 19, 2003, the Company operates 75 KFC restaurants, 7 Taco Bell restaurants, 16 KFC/Taco Bell "2n1's" under franchises from KFC Corporation and franchises or licenses from Taco Bell Corporation, 3 Taco Bell/Pizza Hut Express "2n1's" operated under franchises from Taco Bell Corporation and licenses from Pizza Hut Corporation, 1 KFC/Pizza Hut Express "2n1" operated under a franchise from KFC Corporation and a license from Pizza Hut Corporation and 1 KFC/A&W operated under a franchise from KFC Corporation and a license from A&W Restaurants, Inc. The Company's fiscal year is a 52 - 53 week year ending on the Sunday nearest the last day of February.

SUMMARY OF EXPENSES AND OPERATING INCOME AS A PERCENTAGE OF REVENUES

	QUARTER ENDED		THIR
	NOV. 9, 2003	NOV. 10, 2002	NOV. 9,
Cost of sales:			
Food, paper and beverage	30.8%	31.8%	30.
Labor and benefits	26.9%	26.5%	27.
Restaurant operating expenses	26.1%	25.8%	25.
Depreciation and amortization	4.2%	4.1%	4.
General and administrative expenses...............	6.0%	6.9%	6.
Operating income	5.8%	4.3%	5.

Revenues. Revenues for the quarter ended November 9, 2003 were $19,382,000 compared to $19,617,000 for the quarter ended November 10, 2002. This decrease of $235,000 was due mainly to a 1.0% decline in comparable restaurant revenues which was primarily the result of ineffective product promotions by the KFC franchisor during the quarter. Revenues for the thirty-six weeks ended November 9, 2003 were $58,873,000 compared to $59,124,000 for the thirty-six weeks ended November 10, 2002. This decrease of $251,000 was primarily due to a 0.5% decrease in comparable restaurant revenues for the reason discussed above.

Costs of Sales - Food, Paper and Beverages. Food, paper and beverage costs for the third quarter decreased as a percentage of revenue from 31.8% in fiscal 2003 to 30.8% in fiscal 2004. This decrease was primarily the result of product promotions during the third quarter of fiscal 2004 having a lower food cost than those which were promoted during the third quarter of fiscal 2003 as well as improved operating efficiencies. Food, paper and beverage costs for the thirty-six weeks ended November 9, 2003 decreased to 30.3% of revenue compared to 31.2% in the year earlier period for the reasons discussed above.

Cost of Sales - Labor and Benefits. Labor and benefits increased as a percentage of revenue for the quarter ended November 9, 2003 to 26.9% compared to 26.5% for the year earlier quarter. The increase was primarily due to higher healthcare costs, higher wages due to an increasingly competitive labor market in the Company's market areas and lower average restaurant volumes in the current year quarter which were partially offset by improved operating efficiencies. Labor and benefits for the thirty-six weeks ended November 9, 2003 increased as a percentage of revenue to 27.5% from 26.7% in the year earlier period primarily due to the reasons discussed above.

Restaurant Operating Expenses. Restaurant operating expenses increased as a percentage of revenue to 26.1% in the third quarter of fiscal 2004 compared to 25.8% in the third quarter of fiscal 2003. This increase was the result of higher repair and maintenance expenses which were partially offset by lower utility costs. Restaurant operating expenses for the thirty-six weeks ended November 9, 2003 increased to 25.6% of revenue compared to 25.3% in the prior year period for the reasons discussed above.

Depreciation and Amortization. Depreciation and amortization was substantially unchanged at $809,000 in the current year third quarter and $811,000 in the prior year third quarter and $2,408,000 and $2,361,000 in the current and prior year 36 weeks.

General and Administrative Expenses. General and administrative expenses decreased to $1,170,000 in the third quarter of fiscal 2004 from $1,348,000 in the third quarter of fiscal 2003. The decrease of $178,000 was mainly the result of decreased legal and professional, office supply and telephone expenses. These decreases were the result of negotiated price decreases as well as reduced usage. General and administrative expenses for the thirty-six weeks ended November 9, 2003 decreased to $3,859,000 from $4,054,000 in the prior year period. The decrease of $195,000 was mainly due to the reasons discussed above.

Loss on Restaurant Assets. The loss on restaurant assets decreased from $125,000 in the third quarter of fiscal 2003 to $27,000 in the third quarter of fiscal 2004 reflecting lower charges in the current year quarter for the costs necessary to dispose of one previously closed restaurant. The loss on restaurant assets for the thirty-six weeks ended November 9, 2003 decreased to $74,000 from $193,000 in the year earlier period for the reason discussed above.

Operating Income. Operating income in the third quarter of fiscal 2004 increased to $1,129,000 or 5.8% of revenues compared to $843,000 or 4.3% of revenues for the third quarter of fiscal 2003. Operating income for the thirty-six weeks ended November 9, 2003 increased to $3,422,000 or 5.8% of revenues compared to $3,327,000 or 5.6% of revenues for the year earlier period. These increases were primarily the result of lower food cost product promotions, improved operating efficiencies and negotiated price decreases on telephone costs and office supplies as well as decreased prices and usage of professional services which were partially offset by the decreased revenues and increased healthcare costs.

Interest Expense. Interest expense on bank debt decreased to $1,047,000 in the third quarter of fiscal 2004 from $1,136,000 in the third quarter of fiscal 2003 due to lower debt balances during the fiscal 2004 quarter. Interest expense on bank debt for the thirty-six weeks ended November 9, 2003 decreased to $3,213,000 from $3,391,000 for the year earlier period for the reason discussed above. Interest expense on capitalized leases was substantially unchanged from the prior year third quarter and prior year thirty-six weeks.

Other Income. Other income decreased to $19,000 from $24,000 and to $73,000 from $118,000 in the third quarter and first thirty-six weeks, respectively, of fiscal 2004 compared to the comparable periods in 2003 as a result of lower interest income due to decreases in both the interest rate earned and the amount of average cash investments in the first three quarters of fiscal 2004.

Provision for Income Taxes. The provision for income taxes was substantially unchanged in the third quarter and first thirty-six weeks of fiscal 2004 compared to the comparable periods in 2003. The low effective tax rates result from tax net operating loss carryforwards.

Liquidity and Capital Resources. Cash flow activity for the first thirty-six weeks of fiscal 2004 and fiscal 2003 is presented in the Consolidated Statements of Cash Flows. Cash provided by operating activities was $2,762,000 for the thirty-six weeks ended November 9, 2003. The Company paid scheduled long-term bank and capitalized lease debt of $2,014,000 in the first thirty-six weeks of fiscal 2004.

The quick service restaurant operations of the Company have historically provided sufficient cash flow to service the Company's debt, refurbish and upgrade restaurant properties and cover administrative overhead. Management believes that operating cash flow will provide sufficient capital to continue to operate and maintain its restaurants, service the Company's debt and support required corporate expenses.

The Company's debt arrangements require the maintenance of a consolidated fixed charge coverage ratio of 1.2 to 1 regarding all of its mortgage loans and individual restaurant coverage ratios between 1.2 and 1.5 to 1 on certain of its loans. As of March 2, 2003, the Company was not in compliance with the consolidated ratio of 1.2 to 1 or the unit level ratios relating to $33,346,000 of its debt. The Company has obtained waivers of these violations from the applicable lenders as of March 2, 2003 and November 9, 2003. As these waivers continue through the following twelve months, the Company has classified its debt as long term as of March 2, 2003 and November 9, 2003. All payments on the Company's debt have been, and continue to be current and management believes that the Company will continue to be able to service the debt. The fixed charge coverage ratios are computed based upon financial results for the preceding twelve months. Based upon financial results for the thirty-six weeks ended November 9, 2003, management anticipates that the Company may not achieve certain ratios as of the end of the fiscal year. If the Company does not comply with debt covenants in the future, and if future waivers are not obtained, the lenders will have certain remedies available to them which could include calling of the debt or acceleration of payments. Noncompliance with the requirements of the Company's mortgage debt, if not waived, could also trigger cross-default provisions of other debt agreements.

The Company continues to be out of compliance with certain of the continued listing standards of the American Stock Exchange and was required to submit a revised business plan to the Exchange indicating how the Company would achieve compliance with those standards. Specifically, the Company fell under the guidelines in Section 1003(a)(i) with shareholders' equity of less than $2,000,000 and has sustained losses from continuing operations and/or net losses in two of its three most recent fiscal years and Section 1003(a)(ii) with shareholder's equity of less than $4,000,000 and has sustained losses from continuing operations and/or net losses in three out of its four most recent fiscal years.

On October 1, 2003 the Company submitted its second quarter fiscal 2004 actual results and fiscal 2004 projected results to the staff at the Exchange indicating how it would regain compliance with the continued listing standards and received notice from the Exchange on October 27, 2003 that it has accepted the Company's revised plan. The Exchange has allowed the Company to continue its plan for compliance until the Exchange has reviewed the financial results for the period ending November 9, 2003, the end of the Company's third fiscal quarter, at which time the Exchange will reassess the Company's compliance with the continued listing standards. During the term of the extension, the Exchange will monitor the Company's performance and the Company will be required to report to the Exchange any change in its performance which would be inconsistent with the plan which was approved by the Exchange on October 27, 2003. Concurrent with this filing, the Company will provide updated information to the Exchange including third quarter fiscal 2004 financial results which did not meet the previously accepted operating plan but which continue to be profitable. The Company cannot predict the Exchange's response, but the failure to meet the previously accepted operating plan could result in the commencement of delisting proceedings. If the Company were delisted, or if its common shares were suspended from trading, the liquidity of its common shares would likely be adversely affected.

The Company's market risk exposure is primarily due to possible fluctuations in interest rates as they relate to future borrowings. The Company has evaluated the potential effect of a 1.0% increase in these rates on future capital spending plans and believes that there would be no material effect. The Company does not enter into derivative financial investments for trading or speculation purposes. As a result, the Company believes that its market risk exposure is not material to the Company's financial position, liquidity or results of operations.

Commitments. During the first quarter of fiscal year 2004, the Company obtained a letter of credit for $300,000 in favor of one of its vendors. The letter of credit which expires February 15, 2004 is secured by a $300,000 certificate of deposit.

Seasonality. The operations of the Company are affected by seasonal fluctuations. Historically, the Company's revenues and income have been highest during the summer months with the fourth fiscal quarter representing the slowest period. This seasonality is primarily attributable to weather conditions in the Company's marketplace, which consists of portions of Ohio, Pennsylvania, Missouri, Illinois, West Virginia and New York.

Safe Harbor Statements. This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements include those identified by such words as "may," "will," "expect" "anticipate," "believe," "plan" and other similar terminology. The "forward-looking statements" reflect the Company's current expectations and are based upon data available at the time of the statements. Actual results involve risks and uncertainties, including both those specific to the Company and general economic and industry factors. Factors specific to the Company include, but are not limited to, its debt covenant compliance and its ability to obtain waivers of any debt covenant violations as well as the listing status of its common shares with the American Stock Exchange.

Economic and industry risks and uncertainties include, but are not limited, to, franchisor promotions, business and economic conditions, legislation and governmental regulation, competition, success of operating initiatives and advertising and promotional efforts, volatility of commodity costs and increases in minimum wage and other operating costs, availability and cost of land and construction, consumer preferences, spending patterns and demographic trends.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Information required by this item is included under "Liquidity and Capital Resources".

ITEM 4. CONTROLS AND PROCEDURES.

(a) Within the 90-day period prior to the filing date of this Quarterly Report on Form 10-Q, the Company, under the supervision, and with the participation, of its management, including its Chief Executive Officer and Chief Financial Officer, performed an evaluation of the Company's disclosure controls and procedures, as contemplated by Securities Exchange Act Rule 13a-15. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective.

(b) No significant changes were made in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation performed pursuant to Securities Exchange Act Rule 13a-15 referred to above.

MORGAN'S FOODS, INC.
INDEX TO EXHIBITS

Exhibit Number	Exhibit Description
31.1	Certification of Leonard R. Stein-Sapir Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Kenneth L. Hignett Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Leonard R. Stein-Sapir, Chairman of the Board and Chief Executive Officer
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Kenneth L. Hignett, Senior Vice President, Chief Financial Officer and Secretary

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.

Morgan's Foods, Inc.

(Registrant)

Dated: December 23, 2003

By: /s/ Kenneth L. Hignett

Kenneth L. Hignett
Senior Vice President,
Chief Financial Officer & Secretary