

KEY TECHNOLOGY INC
Form 10-K/A
January 23, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549-1004

FORM 10-K/A

Amendment No. 1

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

for the fiscal year ended September 30, 2003

or

**o 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. 0-21820

KEY TECHNOLOGY, INC.

(Exact name of Registrant as specified in its charter)

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OREGON
(State of Incorporation)

93-0822509
(I.R.S. Employer Identification No.)

150 Avery Street, Walla Walla, Washington
(Address of principal executive offices)

99362
(Zip Code)

(509) 529-2161
(Registrant's telephone number, including area code)

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

None

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

Common Stock, no par value

Series B Convertible Preferred Stock, par value \$.01 per share

Warrants to purchase Common Stock, dated July 12, 2000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. ☒

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the Registrant's common stock held by non-affiliates on March 31, 2003 and December 3, 2003 (based on the last sale price of such shares) was approximately \$21,570,125 and \$58,576,022, respectively.

There were 4,846,486 shares of the Registrant's common stock outstanding on December 3, 2003.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of Registrant's Proxy Statement dated on or about January 8, 2004 prepared in connection with the Annual Meeting of Shareholders to be held on February 4, 2004 are incorporated by reference into Part III of this Report.

EXPLANATORY NOTE

Key Technology, Inc. is filing this Amendment to its Annual Report on Form 10-K/A (the "Form 10-K/A") to amend certain items in its Annual Report on Form 10-K for the fiscal year ended September 30, 2003, which was originally filed with the Securities and Exchange Commission on December 19, 2003 (the "Annual Report").

Item 8 is amended to add the conformed signature of the Company's independent auditor, Deloitte & Touche LLP, to the Independent Auditor's Report. As a result, the rules of the Securities and Exchange Commission require that certain exhibits previously provided in Item 15 also be amended. Item 15 is therefore amended to provide the consent of Deloitte & Touche LLP as Exhibit 23.2 and to provide the certifications required by the Sarbanes-Oxley Act of 2002 as Exhibits 31.3, 31.4, 32.3 and 32.4.

This amendment is limited in scope to the portions of the Annual Report set forth above and does not amend, update, or change any other items or disclosures contained in the Annual Report. Accordingly, all other items that remain unaffected are omitted in this filing. None of the amendments to the Annual Report reflected in this Form 10-K/A resulted in a change to or restatement of the financial statements or other financial information included in the Annual Report.

This Form 10-K/A continues to speak as of the date of the original filing of the Annual Report and we have not updated the disclosures contained therein to reflect any events that occurred at any subsequent date. The filing of this Form 10-K/A shall not be deemed an admission that the original filing, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement therein not misleading.

KEY TECHNOLOGY, INC.

2003 FORM 10-K/A

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Title

Independent Auditors' Report

Consolidated Balance Sheets at September 30, 2003 and 2002

Consolidated Statements of Operations for the three years ended September 30, 2003

Consolidated Statements of Shareholders' Equity for the three years ended September 30, 2003

Consolidated Statements of Cash Flows for the three years ended September 30, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Key Technology, Inc.
Walla Walla, Washington

We have audited the accompanying consolidated balance sheets of Key Technology, Inc. and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2003. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 Key Technology, Inc. and subsidiaries as of September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, which resulted in amounts recorded in fiscal year 2002 as an extraordinary item from the early extinguishment of debt to be reclassified as part of net income from continuing operations. As discussed in Notes 1 and 4 to the consolidated financial statements, effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

DELOITTE & TOUCHE LLP

Portland, Oregon

December 16, 2003

KEY TECHNOLOGY, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****SEPTEMBER 30, 2003 AND 2002**

(In thousands)

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,442	\$ 1,707
Trade accounts receivable, net	9,479	7,556
Inventories	13,968	13,969
Deferred income taxes	1,935	1,730
Prepaid expenses and other assets	1,062	1,477
Total current assets	32,886	26,439
PROPERTY, PLANT, AND EQUIPMENT, Net	5,503	6,407
DEFERRED INCOME TAXES	768	3,472
OTHER ASSETS	819	940
GOODWILL AND OTHER INTANGIBLES, Net	11,239	12,562
TOTAL	\$ 51,215	\$ 49,820

See notes to consolidated financial statements.

KEY TECHNOLOGY, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****SEPTEMBER 30, 2003 AND 2002**

(In thousands, except shares)

LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002
CURRENT LIABILITIES:		
Short-term borrowings	\$	\$ 6,596
Accounts payable	1,587	1,437
Accrued payroll liabilities and commissions	4,547	2,769
Accrued customer support and warranty costs	1,058	999
Income tax payable	185	
Other accrued liabilities	2,419	1,969
Customers' deposits	4,798	3,328
Current portion of long-term debt	1,066	1,668
Total current liabilities	15,660	18,766
LONG-TERM DEBT	3,249	3,747
DEFERRED INCOME TAXES	205	238
MANDATORILY REDEEMABLE PREFERRED STOCK	1,526	2,815
WARRANTS	356	652
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock - no par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock - no par value; 15,000,000 shares authorized; 4,785,961 and 4,767,206 issued and outstanding 2003 and 2002, respectively	9,568	9,456
Retained earnings	20,729	14,970
Other accumulated comprehensive income (loss)	(78)	(824)
Total shareholders' equity	30,219	23,602
TOTAL	\$ 51,215	\$ 49,820

See notes to consolidated financial statements.

KEY TECHNOLOGY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS****THREE YEARS ENDED SEPTEMBER 30, 2003**

(In thousands, except per share data)

	2003	2002	2001
NET SALES	\$ 82,622	\$ 70,234	\$ 72,954
COST OF SALES	48,626	42,352	47,186
Gross profit	33,996	27,882	25,768
OPERATING EXPENSES:			
Selling	11,695	10,733	13,248
Research and development	4,874	4,467	5,371
General and administrative	7,329	6,963	7,487
Amortization of intangibles	1,323	1,323	2,084
Total operating expenses	25,221	23,486	28,190
GAIN ON SALE OF ASSETS	4	883	76
INCOME (LOSS) FROM OPERATIONS	8,779	5,279	(2,346)
OTHER INCOME (EXPENSE):			
Royalty income	18	9	131
Interest income	59	109	126
Interest expense	(399)	(843)	(1,673)
Other, net	(5)	(1,008)	76
Total other income (expense) net	(327)	(1,733)	(1,340)
Earnings (loss) from continuing operations before income taxes	8,452	3,546	(3,686)
Income tax (benefit) expense	2,693	1,238	(1,343)
Net earnings (loss) from continuing operations	5,759	2,308	(2,343)
Earnings (loss) from discontinued operation net of tax		39	(436)
Loss on sale of discontinued operation, net of tax			(2,145)

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Total earnings (loss) from discontinued operation			39		(2,581)
Net earnings (loss) before change in accounting principle	\$	5,759	\$	2,347	\$ (4,924)
Change in accounting principle, net of tax			(4,302)		
NET EARNINGS (LOSS)		5,759		(1,955)	(4,924)
Accretion of mandatorily redeemable preferred stock			(582)		(939)
Net earnings (loss) available to common shareholders	\$	5,759	\$	(2,537)	\$ (5,863)
Net earnings (loss) from continuing operations per share basic	\$	1.21	\$	0.36	\$ (0.69)
Net earnings (loss) from continuing operations per share diluted	\$	1.15	\$	0.36	\$ (0.69)
Net earnings (loss) from discontinued operation per share basic and diluted	\$		\$	0.01	\$ (0.55)
Net earnings (loss) before change in accounting principle per common share basic	\$	1.21	\$	0.37	\$ (1.24)
Net earnings (loss) before change in accounting principle per common share diluted	\$	1.15	\$	0.37	\$ (1.24)
Net loss from change in accounting principle per common share basic and diluted	\$		\$	(0.90)	\$
EARNINGS (LOSS) PER SHARE Basic	\$	1.21	\$	(0.53)	\$ (1.24)
EARNINGS (LOSS) PER SHARE Diluted	\$	1.15	\$	(0.53)	\$ (1.24)
SHARES USED IN PER SHARE CALCULATION Basic		4,774		4,759	4,740
SHARES USED IN PER SHARE CALCULATION Diluted		4,989		4,759	4,740

See notes to consolidated financial statements.

KEY TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

THREE YEARS ENDED SEPTEMBER 30, 2003

(Dollars in thousands)

	Common Stock		Retained Earnings	Other Accumulated Comprehensive Income (Loss)	Total
	Shares	Amount			
Balance at October 1, 2000	4,733,560	\$ 9,329	\$ 23,370	\$ (1,234)	\$ 31,465
Components of comprehensive income (loss):					
Net loss			(4,924)		(4,924)
Comprehensive income foreign currency translation adjustment, net of tax				31	31
Total comprehensive loss					(4,893)
Accretion of mandatorily redeemable preferred stock			(939)		(939)
Issuance of common stock upon exercise of preferred stock and warrants	602	7			7
Issuance of stock for Employee Stock Purchase Plan	17,184	71			71
Balance at September 30, 2001	4,751,346	9,407	17,507	(1,203)	25,711
Components of comprehensive income (loss):					
Net loss			(1,955)		(1,955)
Comprehensive income foreign currency translation adjustment, net of tax				379	379
Total comprehensive loss					(1,576)
Accretion of mandatorily redeemable preferred stock			(582)		(582)
Issuance of stock for Employee Stock Purchase Plan	15,860	49			49
Balance at September 30, 2002	4,767,206	9,456	14,970	(824)	23,602

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Components of comprehensive income (loss):							
Net earnings				5,759			5,759
Comprehensive income foreign currency translation adjustment, net of tax					746		746
Total comprehensive income							6,505
Issuance of common stock upon exercise of stock options	11,837		67				67
Issuance of stock for Employee Stock Purchase Plan	6,918		45				45
Balance at September 30, 2003	4,785,961	\$	9,568	\$	20,729	\$	(78) \$ 30,219

See notes to consolidated financial statements.

KEY TECHNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE YEARS ENDED SEPTEMBER 30, 2003

(In thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	\$ 5,759	\$ (1,955)	\$ (4,924)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Loss from sale of discontinued operation, net of tax			2,145
(Earnings) loss from discontinued operation, net of tax		(39)	436
(Gain) loss on sale of assets	(4)		