

KEY TECHNOLOGY INC
Form 10-Q/A
February 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 10-Q/A
Amendment No. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended March 31, 2005

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. 0-21820

KEY TECHNOLOGY, INC.
(Exact name of Registrant as specified in its charter)

Oregon
(State or jurisdiction of
incorporation or organization)

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

150 Avery Street
Walla Walla, Washington 99362
(Address of principal executive offices and zip code)

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

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

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Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares outstanding of the Registrant's common stock, no par value, on April 29, 2005 was 5,032,008 shares.

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Explanatory Note

We are filing this Amendment No. 1 on Form 10-Q/A to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (the "March 31 Form 10-Q"), which was originally filed with the Securities and Exchange Commission ("the SEC") on May 13, 2005.

We reported the decision to restate this information in a Current Report on Form 8-K which was filed with the SEC on December 29, 2005. The decision to restate was made by the Audit Committee of the Board of Directors of the Company on December 21, 2005 based on the recommendation of the Company's management. Management determined that adjustments relating to lease accounting identified by the Company's independent registered public accounting firm in connection with completing audit procedures for the year ended September 30, 2005 also affected the Company's interim financial statements and other financial information for the quarters ended March 31, 2005 and June 30, 2005. Part I of this Form 10-Q/A contains more information about this restatement in "Note 2. Restatement of Financial Statements" which accompanies the restated condensed unaudited consolidated financial statements in Item 1.

We revised our disclosure controls and procedures reports contained in our March 31 Form 10-Q by removing any qualifying language to the effectiveness of such disclosure controls and procedures and by discussing the facts and circumstances surrounding the above-described restatements and amendments. We also disclose how such restatements and amendments affected our CEO's and CFO's original conclusions regarding the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were not effective at March 31, 2005.

Accordingly, this Form 10-Q/A includes our restated financial statements for the three-month and six-month periods ended March 31, 2005 with accompanying notes.

Except for the foregoing amended information in Note 2 of Notes to the restated condensed unaudited consolidated financial statements, this Form 10-Q/A continues to describe conditions as of the date of the original filing and we have not updated the disclosures contained herein to reflect events that occurred at a later date. Other events occurring after the original filing or other disclosures necessary to reflect subsequent events have been addressed in reports filed with the SEC subsequent to the date of the original filing.

This Form 10-Q/A sets forth the original filing in its entirety; however, as a result of the items noted above, this Form 10-Q/A only amends or restates the condensed unaudited consolidated financial statements and accompanying notes of Item 1, Item 2, and Item 4 of the original filing. In each case, the amendment or restatement was made solely as a result of the items discussed in Note 2 of Notes to the restated condensed unaudited consolidated financial statements, and no other information in the original filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the original filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, the original filing has been amended to contain currently dated certifications for our Chairman of the Board of Directors and our Chief Financial Officer that are attached to this 2005 Form 10-Q/A, as Exhibits 31.1, 31.2, 32.1 and 32.2, respectively.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES

CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS

MARCH 31, 2005 AND SEPTEMBER 30, 2004

(As restated, See Note 2)

Assets	March 31, 2005	September 30, 2004
	(in thousands)	
Current assets:		
Cash and cash equivalents	\$ 10,860	\$ 8,817
Trade accounts receivable, net	8,211	9,336
Inventories:		
Raw materials	7,123	6,460
Work-in-process and sub-assemblies	6,261	4,749
Finished goods	2,643	2,424
Total inventories	16,027	13,633
Other current assets	3,861	3,216
Total current assets	38,959	35,002
Property, plant and equipment, net	4,778	5,046
Deferred income taxes	7	6
Investment in joint venture	1,544	1,914
Goodwill, net	2,524	2,524
Intangibles and other assets, net	7,452	8,022
Total	\$ 55,264	\$ 52,514
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,425	\$ 1,599
Accrued payroll liabilities and commissions	3,849	3,781
Accrued customer support and warranty costs	1,323	1,283
Other accrued liabilities	3,086	2,007
Customers' deposits	3,837	2,536
Current portion of long-term debt and capital lease obligations	1,155	1,210
Current portion of mandatorily redeemable preferred stock	1,153	1,279
Current portion of warrants	304	316
Total current liabilities	17,132	14,011
Long-term debt and capital lease obligations	1,711	2,323
Deferred income taxes	207	136
Total shareholders' equity	36,214	36,044
Total	\$ 55,264	\$ 52,514

See notes to condensed unaudited consolidated financial statements.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004
 (As restated, See Note 2)

	2005	(in thousands, except per share data)	2004
Net sales	\$ 18,269		\$ 20,761
Cost of sales	11,405		11,869
Gross profit	6,864		8,892
Operating expenses:			
Sales and marketing	3,106		3,333
Research and development	1,176		1,497
General and administrative	2,003		2,042
Amortization of intangibles	333		331
Total operating expenses	6,618		7,203
Gain on sale of assets	8		6
Earnings from operations	254		1,695
Other income (expense)	(201)		(39)
Earnings before income taxes	53		1,656
Income tax (benefit) expense	(9)		518
Net earnings	62		1,138
Assumed dividends on mandatorily redeemable preferred stock	(1)		(22)
Net earnings available to common shareholders	\$ 61		\$ 1,116
Earnings per share			
- basic	\$ 0.01		\$ 0.23
- diluted	\$ 0.01		\$ 0.22
Shares used in per share calculations - basic	5,009		4,897
Shares used in per share calculations - diluted	5,191		5,285

See notes to condensed unaudited consolidated financial statements.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE SIX MONTHS ENDED MARCH 31, 2005 AND 2004
 (As restated, See Note 2)

	2005	(in thousands, except per share data)	2004
Net sales	\$ 32,840		\$ 39,504
Cost of sales	20,671		23,557
Gross profit	12,169		15,947
Operating expenses:			
Sales and marketing	6,137		6,654
Research and development	2,516		2,635
General and administrative	3,769		3,613
Amortization of intangibles	664		661
Total operating expenses	13,086		13,563
Gain on sale of assets	13		6
Earnings (loss) from operations	(904)		2,390
Other income	226		37
Earnings (loss) before income taxes	(678)		2,427
Income tax (benefit) expense	(298)		785
Net earnings (loss)	(380)		1,642
Assumed dividends on mandatorily redeemable preferred stock	-		(32)
Net earnings (loss) available to common shareholders	\$ (380)		\$ 1,610
Earnings (loss) per share			
- basic	\$ (0.08)		\$ 0.33
- diluted	\$ (0.08)		\$ 0.31
Shares used in per share calculations - basic	5,001		4,858
Shares used in per share calculations - diluted	5,001		5,227

See notes to condensed unaudited consolidated financial statements.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED MARCH 31, 2005 AND 2004
 (As restated, See Note 2)

	2005	(in thousands)	2004
Net cash provided by operating activities	\$ 3,267		\$ 1,800
Cash flows from investing activities:			
Proceeds from sale of property	4		190
Additions to property, plant and equipment	(482)		(706)
Cash paid for acquired company, net of cash acquired	(332)		-
Net cash used in investing activities	(810)		(516)
Cash flows from financing activities:			
Repayment of long-term debt	(698)		(561)