

Edgar Filing: TWIN DISC INC - Form 8-K

TWIN DISC INC
Form 8-K
July 21, 2005

1

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 19, 2005

Twin Disc, Incorporated

(Exact name of registrant as specified in its charter)

Wisconsin

1-7635

39-0667110

(State or other jurisdiction
of incorporation)

(Commission file
number)

(IRS Employer
Identification No.)

1328 Racine Street, Racine, Wisconsin

53403

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(262) 638-4000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 4.02 Non-Reliance on Previously Issued Financial Statements

Historically, the Company did not eliminate intercompany profit in inventory transferred or sold within the entities of the consolidated company; however, to the extent that the intercompany profit increased, the Company would record a quarterly charge to cost of sales. Given this historical method of accounting, the Company believed that its earnings were never materially overstated.

Edgar Filing: TWIN DISC INC - Form 8-K

On July 19, 2005, the Company and its Audit Committee reevaluated the Company's accounting for intercompany profit in inventory and concluded that the Company should eliminate the intercompany profit within inventory at the end of each period. Consequently, the Company has decided to restate its financial statements for the prior three fiscal years and quarters as the impact of this adjustment could be considered material. For this reason only, the Company advises that its previously issued annual and interim quarterly financial statements for each of the years ended June 30, 2004, 2003 and 2002 and the quarterly financial statements for each of the years ended September 30, 2004, December 31, 2004 and March 31, 2005 should no longer be relied on to evaluate the Company without consideration of the restatements detailed in this Form 8-K.

The Company and its Audit Committee discussed this matter with the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP.

The following table shows the impact of the restatement on the elimination of intercompany profit in inventory:

2

	As Reported -----	As Restated -----	Change -----
Balance Sheet:			
June 30, 2003			
Inventories	\$ 47,247	\$ 43,289	\$ (3,958)
Deferred income taxes	20,164	21,708	1,544
Retained Earnings	\$ 83,191	\$ 80,777	\$ (2,414)
June 30, 2004			
Inventories	\$ 52,079	\$ 48,777	\$ (3,302)
Deferred income taxes	15,668	16,955	1,287
Retained earnings	\$ 86,443	\$ 84,428	\$ (2,015)
Statement of Operations:			
June 30, 2002			
Cost of goods sold	\$ 139,146	\$ 138,788	\$ (358)
Income taxes	2,950	3,090	140
Net earnings (loss)	\$ 2,058	\$ 2,276	\$ 218
Basic earnings per share	\$ 0.73	\$ 0.81	\$ 0.08
June 30, 2003			
Cost of goods sold	\$ 144,575	\$ 144,618	\$ 43
Income taxes	(283)	(300)	(17)
Net earnings (loss)	\$ (2,368)	\$ (2,394)	\$ (26)
Basic earnings per share	\$ (0.84)	\$ (0.85)	\$ (0.01)
June 30, 2004			
Cost of goods sold	\$ 138,459	\$ 137,804	\$ (655)
Income taxes	4,709	4,964	255
Net earnings (loss)	\$ 5,243	\$ 5,643	\$ 400
Basic earnings per share	\$ 1.86	\$ 2.00	\$ 0.14

*In thousands except where per share

The following table shows the impact of the restatement on the affected components of the consolidated statements of operations for the quarters ended

Edgar Filing: TWIN DISC INC - Form 8-K

in fiscal 2005 and 2004:

September 30, 2004						
Cost of goods sold	\$ 33,607	\$ 33,730	\$ 123			
Income taxes	914	866	(48)			
Net earnings (loss)	\$ 1,152	\$ 1,077	\$ (75)			
Basic earnings per share	\$ 0.41	\$ 0.38	\$ (0.03)			
December 31, 2004						
Cost of goods sold	\$ 40,693	\$ 40,793	\$ 100	\$ 74,300	\$ 74,523	\$ 223
Income taxes	1,084	1,045	(39)	1,998	1,911	(87)
Net earnings (loss)	\$ 1,174	\$ 1,113	\$ (61)	\$ 2,326	\$ 2,190	\$ (136)
Basic earnings per share	\$ 0.41	\$ 0.39	\$ (0.02)	\$ 0.82	\$ 0.77	\$ (0.05)
March 31, 2005						
Cost of goods sold	\$ 42,352	\$ 41,761	\$ (591)	\$116,652	\$116,284	\$ (368)
Income taxes	1,158	1,388	230	3,156	3,299	143
Net earnings (loss)	\$ 1,218	\$ 1,579	\$ 361	\$ 3,544	\$ 3,769	\$ 225
Basic earnings per share	\$ 0.42	\$ 0.55	\$ 0.13	\$ 1.24	\$ 1.32	\$ 0.08

*In thousands except where per share

3

Fiscal 2004

	Quarter			Year to date		
	As	As	Change	As	As	Change
	Reported	Restated		Reported	Restated	
September 30, 2003						
Cost of goods sold	\$ 29,070	\$ 28,425	\$ (645)			
Income taxes	281	533	252			
Net earnings (loss)	\$ 171	\$ 564	\$ 393			
Basic earnings per share	\$ 0.06	\$ 0.20	\$.14			
December 31, 2003						
Cost of goods sold	\$ 31,650	\$ 31,926	\$ 276	\$ 60,720	\$ 60,351	\$ (369)
Income taxes	624	516	(108)	905	1,049	144
Net earnings (loss)	\$ 508	\$ 340	\$ (168)	\$ 679	\$ 904	\$ 225
Basic earnings per share	\$ 0.18	\$ 0.12	(0.06)	\$ 0.24	\$ 0.32	\$.08
March 31, 2004						
Cost of goods sold	\$ 35,689	\$ 35,532	\$ (157)	\$ 96,409	\$ 95,883	\$ (526)
Income taxes	1,393	1,454	61	2,298	2,503	205
Net earnings (loss)	\$ 1,776	\$ 1,872	\$ 96	\$ 2,455	\$ 2,776	\$ 321
Basic earnings per share	\$ 0.63	\$ 0.66	\$ 0.03	\$.87	\$.98	\$ 0.11
June 30, 2004						
Cost of goods sold	\$ 42,050	\$ 41,921	\$ (129)	\$138,459	\$137,804	\$ (655)
Income taxes	2,411	2,461	50	4,709	4,964	255
Net earnings (loss)	\$ 2,788	\$ 2,867	\$ 79	\$ 5,243	\$ 5,643	\$ 400
Basic earnings per share	\$ 0.99	\$ 1.02	\$ 0.03	\$ 1.86	\$ 2.00	\$ 0.14

*In thousands except where per share

The Company will restate its financial statements for the three fiscal years

Edgar Filing: TWIN DISC INC - Form 8-K

ended June 30, 2004 and the previously reported quarterly periods during the years ended June 30, 2005 and 2004, which will be reflected in the Company's amended filings of its Annual Report on Form 10-K for the year ended June 30, 2004 and quarterly reports on Form 10Q for the periods ending September 30, 2004, December 31, 2004 and March 31, 2005.

These amended filings will be made at the same time or before the filing of the Company's Annual Report on Form 10-K for the year ended June 30, 2005.

In view of this restatement, we determined that, as of June 30, 2004, September 30, 2004, December 31, 2004 and March 31, 2005, a material weakness existed in our internal control over financial reporting with respect to our accounting for intercompany profit in inventory. The Company has now improved its procedures in calculating and recording this intercompany profit elimination and related reserve. These corrective actions have been taken and the Company's management believes the identified deficiency in our disclosure controls and procedures have been remediated.

Pursuant to the requirements of Section 13 or 15(d) 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.

July 19, 2005

Twin Disc, Inc.

/s/ Fred H. Timm

Chief Accounting Officer