

ARGAN INC
Form 8-K/A
March 15, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): October 31, 2003

Argan, Inc.

(Exact name of registrant as specified in its charter)

Formerly Puroflow Incorporated

Delaware

(State or other jurisdiction of incorporation)

001-31756

(Commission File Number)

13-1947195

(I.R.S. Employer I.D. Number)

One Church Street
Suite 302
Rockville, MD

(Address of Principal Executive Offices)

(301) 315-0027

20850

(Zip Code)

(Registrant's telephone number; including area code)

Explanatory Note:

Argan, Inc. (the "Company" or "AI") is filing this amendment (this "Amendment") to amend its Form 8-K, dated October 31, 2003, that was filed with the Commission on November 14, 2003 (the original Form 8-K as filed on November 14, 2003 is referred to herein as the "Original Form 8-K"). The purpose of this Amendment to the Original Form 8-K is to restate the unaudited condensed pro forma financial statements contained in the Original Form 8-K.

On March 11, 2004, the Company determined that there was an error in the calculation and classification of the deferred income tax liability associated with the identifiable intangible assets recorded in the purchase accounting of its acquisition of Southern Maryland Cable. The error resulted in the overstatement of the customer contractual relationships, trade name and the deferred income tax liability and the understatement of goodwill. The unaudited condensed pro forma financial statements contained in the Original Form 8-K have been restated to correct this error.

The Company has amended and restated in its entirety the unaudited condensed pro forma financial statements contained in the Original Form 8-K. This Amendment does not reflect events occurring after the filing of the Original Form 8-K, or modify or update those disclosures in any way, except as required to reflect the effects of the above-described restatement.

ITEM 2. Acquisition or Disposition of Assets:

On October 31, 2003, Argan, Inc. (AI) sold, in a cash transaction, its subsidiary, Puroflow Incorporated, to Western Filter Corporation (WFC). The sale price of approximately \$3,500,000 was satisfied in cash of which \$300,000 is being held in escrow for one year to protect WFC from any breach of representations and warranties under the Stock Purchase Agreement (Item 10.01 below). The proceeds from the sale will be used for AI's ongoing acquisition program and for working capital in expanding the business of Southern Maryland Cable, Inc., its wholly owned subsidiary which it acquired on July 17, 2003.

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits:

(b) Pro Forma Financial Information:

Unaudited pro forma condensed combined statements of operations for the fiscal years ended January 31, 2003 and 2002, respectively, and for the six months ended July 31, 2003 and unaudited pro forma condensed combined balance sheet as of July 31, 2003.

SIGNATURES

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

ARGAN, INC.

Date: March 15, 2004

BY /s/ Rainer H. Bosselmann

Rainer H. Bosselmann
Chairman of the Board and
Chief Executive Officer

The accompanying unaudited pro forma condensed combined statements of operations present the results of operations of AI as if the sale of PMD had occurred as of February 1, 2001 and the purchase of SMC had occurred on February 1, 2002. PMD is accounted for as a discontinued operation for all periods for which condensed combined proforma statements of operations are presented. The pro forma unaudited condensed combined balance sheet reflects the unaudited pro forma condensed combined financial position of AI as if the sale of PMD had occurred July 31, 2003. (See Item 2., above, for details.)

The pro forma financial data is not necessarily indicative of what the results would have been if the sale of PMD and the acquisition of SMC had occurred on the dates indicated and are not necessarily representative of the Company's financial position or results of operations for any future period. Because SMC and the Company were not under common control prior to July 17, 2003, historical combined results may not be comparable to, or indicative of, future performance.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended January 31, 2002

	AI as Reported(A)	Adjustments	Pro Forma Adjusted
Net Sales	\$7,236,000	(\$7,236,000)(1)	-----
Cost of Goods Sold	5,137,000	(5,137,000)(1)	-----
Gross Profit	2,099,000	(2,099,000)	-----
Selling General And Administrative Operating Income	1,728,000	(1,513,000)(1)	215,000
	371,000	(586,000)	(215,000)
Interest Expense	(47,000)	(47,000)(1)	-----
Other Income	2,000	(2,000)(1)	-----
Income from Cont- inuing Operations Before Tax	326,000	(541,000)	(215,000)
Provision for Income Taxes	130,000	(130,000)(1)	-----
Net Income from Continuing Operations	196,000	(411,000)	(215,000)
Loss on disposal			

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of manufacturing Subsidiary	-----	(320,000)(1)	(320,000)
Loss on discontinued Operations	(155,000)	(155,000)(1)	
Loss on Disposal Of Discontinued Operations	(560,000)	(560,000)(1)	-----
Net Income(Loss)	\$ (519,000)	\$ (16,000)	\$ (535,000)

Earnings Per Share:

Basic - Continuing Operations	\$.40	\$ (.43)
Basic - Discontinued Operations	(1.45)	(.65)
Total	\$ (1.05)	\$ (1.08)
Diluted - Continuing Operations	\$.40	\$ (.43)
Diluted - Discontinued Operations	(1.45)	(.65)
Total	\$ (1.05)	\$ (1.08)

Notes to unaudited pro forma condensed combined statement of operations

- (1) To adjust for the sale of PMD as if the transaction had occurred on February 1, 2001. The net loss on disposal of the manufacturing subsidiary was calculated on a pro forma basis utilizing PMD's July 31, 2003 net book value including estimated deal costs of \$150,000 see (7) and (8) below.
- (A) Reported on Form 10-KSB for the year ended January 31, 2003 filed with the Securities and Exchange Commission on March 20, 2003.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended January 31, 2003

	AI as Reported(B)	Proforma Adjustments	SMC Acquisition(C)	Pro Forma Adjusted
Net Sales	\$ 6,834,000	(\$6,834,000)(2)	\$8,808,000	\$8,808,000
Cost of Goods Sold	4,500,000	(4,500,000)(2)	6,939,000	6,939,000
Gross Profit	2,334,000	(2,334,000)	1,869,000	1,869,000
Selling General And Administrative	1,939,000	(1,808,000)(2)	1,566,000	1,697,000
Operating Income	395,000	(526,000)	303,000	172,000
Interest Expense	(26,000)	26,000(2)	(90,000)	(90,000)
Other Income	57,000	(57,000)(2)	17,000	17,000
Write-down of Excess and Obsolete Inventory	(250,000)	250,000(2)	-----	-----
Income from Cont- inuing Operations Before Tax	176,000	(307,000)	230,000	99,000
Provision for Income Taxes	31,000	(15,000)(2)	23,000	39,000
Net Income from Continuing Operations	145,000	(292,000)	207,000	60,000
Recovery of Excess Accrual for Disposal Of Segment	(172,000)	172,000	-----	-----
Net Income (Loss)	\$ 317,000	(\$464,000)	\$207,000	\$60,000

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Earnings Per Share(3)		
Basic - Continuing Operations	\$.29	\$.03
Basic - Discontinued Operations	\$.35	----
Total	\$.64	\$.03
Diluted - Continuing Operations	\$.29	\$.03
Diluted - Discontinued Operations	\$.35	----
Total	\$.64	\$.03

Notes to unaudited pro forma condensed combined statement of operations

- (2) To adjust for the sale of PMD as if it occurred on February 1, 2001.
- (3) The number of shares outstanding were increased to 1,798,000 to reflect the impact of the Company's private placement consummated on April 29, 2003, a portion of whose proceeds were used to acquire SMC.
- (B) Reported on Form 10-KSB for the year ended January 31, 2003 filed with the Securities and Exchange Commission on March 20, 2003.
- (C) Gives effect to the acquisition of Southern Maryland Cable, Inc. (SMC) as if the transaction had occurred on February 1, 2002. SMC was acquired on July 17, 2003. The adjustments reflecting the impact of the acquisition of SMC contained herein are the combination of the historical results of SMC and the proforma adjustments as previously reported on the Company's Form 8-K/A filed with the Securities and Exchange Commission on September 24, 2003.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended July 31, 2003

	AI as Reported (D)	Pro Forma Adjustments	SMC Acquisition(E)	Pro Forma Adjusted
Net Sales	\$4,166,000	(\$3,603,000)(4)	\$4,277,000	\$4,840,000
Cost of Goods Sold	2,979,000	(2,515,000)(4)	3,300,000	3,764,000
Gross Profit	1,187,000	(1,088,000)	977,000	1,076,000
Selling General And Administrative	1,359,000	(1,128,000)(4)	806,000	1,037,000
Operating Income (Loss)	(172,000)	40,000	171,000	39,000
Interest Expense	(12,000)	8,000(4)	(36,000)	(40,000)
Other Income	27,000	-----	16,000	43,000
Pretax (Loss) Income	(157,000)	48,000	151,000	42,000
Provision for Income Taxes	245,000	(245,000)(4)	145,000	145,000
Net (Loss) Income	\$(402,000)	293,000	\$6,000	\$(103,000)
Earnings Per Share(5): Basic and Diluted	\$(.34)			\$(.06)

Notes to unaudited pro forma condensed combined statement of operations

(4)To adjust for the sale of PMD as if it had occurred on February 1, 2001.

(5)The number of shares outstanding were increased to 1,798,000 to reflect the impact of the Company's private placement consummated on April 29, 2003, a portion of whose proceeds were used to acquire SMC.

(D) Reported on Form 10-QSB/A for the six months ended July 31, 2003 filed with the Securities and Exchange Commission on March 15, 2004.

(E) Gives effect to the acquisition of Southern Maryland Cable, Inc. (SMC) as if the transaction had occurred on February 1, 2002. SMC was acquired on July 17, 2003. The adjustments reflecting the impact of the acquisition of SMC contained herein are the combination of the historical results of SMC and the pro forma adjustments as previously reported on Form 8-K/A filed with the Securities and Exchange Commission on September 24, 2003.

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Unaudited Pro Forma Condensed Combined Balance Sheet As of July 31, 2003

	AI as Reported(F)	Pro Forma Adjustments	Pro Forma Adjusted
Cash and cash equivalents	\$5,875,000	(79,000)(6) 3,050,000(7)	\$8,846,000
Accounts receivable, net of allowance for doubtful accounts of \$35,000	2,444,000	(1,164,000)(6)	1,280,000
Estimated earnings in excess of billings	226,000	-----	226,000
Inventories	1,688,000	(1,688,000)(6)	-----
Prepaid expenses and other current assets	305,000	(181,000)(6)	124,000
Funds escrowed from Acquisition and disposition	260,000	300,000(7)	560,000
Total current assets	10,798,000	238,000	11,036,000
Leasehold improvements	469,000	(317,000)(6)	152,000
Machinery and equipment	4,720,000	(3,785,000)(6)	935,000
Trucks	615,000		615,000
Tooling and dies	413,000	(413,000)(6)	-----
	6,217,000	(4,515,000)	1,702,000
Less accumulated depreciation and amortization	3,868,000	(3,848,000)(6)	20,000
Net property and equipment	2,349,000	(667,000)	1,682,000
Contractual customer relationships	1,600,000	-----	1,600,000
Tradename	680,000	-----	680,000
Goodwill	1,548,000	-----	1,548,000
Total assets	\$16,975,000	(\$429,000)	\$16,546,000

Unaudited Pro Forma Condensed Combined Balance Sheet (continued)
As of July 31, 2003

	AI as Reported(F)	Pro Forma Adjustments	Pro Forma Adjusted
Accounts Payable	\$1,163,000	(463,000)(6)	\$700,000
Billings in excess of estimated earnings	196,000		196,000
Accrued expenses	459,000	(141,000)(6)	318,000
Accrued income taxes	96,000		96,000
Deferred income tax liability, net	128,000	195,000(6)	323,000
Current portion of long-term Debt	427,000	-----	427,000
Total current liabilities	2,469,000	(409,000)	2,060,000
Deferred income tax liability, net of current portion	939,000	312,000(6)	1,251,000
Long-term debt	531,000	(12,000)(6)	519,000
Common stock, par value \$.15 per share, authorized - 12,000,000 shares - issued 1,804,304 shares at July 31, 2003	270,000		270,000
Warrants outstanding	849,000		849,000
Additional paid-in capital	14,092,000		14,092,000
Accumulated deficit	(2,142,000)	(320,000)(8)	(2,462,000)
Treasury stock, at cost	(33,000)		(33,000)
Total stockholders' equity	13,036,000	(320,000)	12,716,000
Total liabilities and stockholders' equity	\$16,975,000	(429,000)	\$16,546,000

Notes to unaudited pro forma condensed combined balance sheet

- (6) To adjust for the sale of PMD as if it had occurred on July 31, 2003.
- (7) To reflect the proceeds of the sale of PMD of \$3,500,000, of which \$300,000 is being held in escrow. Cash proceeds have been reduced by \$150,000 in employee and legal deal related costs.
- (8) To adjust the net assets for the sale of PMD based on July 31, 2003 net book value including deal related costs in (7) above.
- (F) Reported on Form 10-QSB/A for the six months ended July 31, 2003 filed with the Securities and Exchange Commission on March 15, 2004.