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STAKE TECHNOLOGY LTD

Form 8-K/A

February 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A No. 1

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

December 4, 2002
Date of Report (Date of earliest event reported)

STAKE TECHNOLOGY LTD.
(Exact name of registrant as specified in its charter)

| | | |
|---------------------------------|-----------------------|-------------------------------|
| CANADA | 0-9989 | Not Applicable |
| (Jurisdiction of Incorporation) | (Commission File No.) | (IRS Employer I.D. Number) |

2838 Highway 7
Norval, Ontario L0P 1K0, Canada
(Address of Principle Executive Offices)

(905) 455-1990
(Registrant's telephone number, including area code)

Item 7 (a) and (b) Financials Statements is amended in its entirety as follows:

Item 7. Financial Statements and Exhibits

- (a) Financial statements of Opta Food Ingredients, Inc. ("Opta"), the business being acquired, for the year ended December 31, 2001 and the nine months ended September 30, 2002 are incorporated herein by reference to Opta's Form 10-K for the year ended December, 2001 and Opta's Form 10-Q for the nine months ended September 30, 2002, respectively, copies of which are attached hereto.
- (b) Pro Forma Consolidated Financial Statements

We have presented below unaudited pro forma financial information that reflects the purchase method of accounting. We have included this information to give you a better picture of what the combined results of operations and financial position of Stake Technology Ltd. (the "Company") and Opta might have been had the transaction occurred on an earlier date. The following unaudited pro forma consolidated financial statements give effect to the acquisition by the Company of 100% of the common shares of Opta to be accounted for by the purchase method, as follows:

1. the unaudited pro forma consolidated balance sheet as at September 30, 2002 gives effect to the acquisition as if it had occurred on that date;
2. the unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2002 and the year ended December 31, 2001 gives effect to the acquisition as if it had occurred on January 1, 2001.

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We are providing this information for illustrative purposes only. It does not necessarily reflect what the results of operations or financial position of the combined companies would have been if the transaction had actually occurred on the dates above. The pro-forma adjustments are based on preliminary estimates, available information and certain assumptions that may be revised as additional information becomes available. Since Stake and Opta were not under common control or management for all periods, historical combined results may not be comparable to, or indicative of future performance.

This information does not reflect (1) the effect of any operating income improvements that we may achieve by combining our companies, and (2) costs associated with the combining of our companies that we cannot presently estimate.

Stake Technology Ltd.
 Unaudited Pro Forma Consolidated Balance Sheet
 As at September 30, 2002
 In thousands of U.S. dollars

| | Stake Technology Ltd | Opta Food Ingredients, Inc. | Pro Forma Adjustments |
|--|-------------------------|-----------------------------------|--------------------------|
| Assets | \$ | \$ | \$ (see note 2) |
| Cash and cash equivalents | 6,808 | 8,466 | (6,543) |
| Accounts receivable - trade | 13,827 | 3,717 | -- |
| Current portion of note receivable | 1,362 | -- | -- |
| Inventories | 13,958 | 5,690 | -- |
| Other receivables and prepaid expenses | 1,299 | 361 | (43) |
| Future income taxes | 1,462 | -- | -- |
| | ----- | ----- | ----- |
| | 38,716 | 18,234 | (6,586) |
| Property, plant and equipment, net | 31,108 | 21,549 | (21,549) |
| Assets held for sale | -- | -- | 5,020 |
| Goodwill and intangibles, net | 11,943 | 1,475 | (1,475) |
| Future income taxes | -- | -- | 10,048 |
| Other assets | 1,227 | 1,176 | (147) |
| | ----- | ----- | ----- |
| | 82,994 | 42,434 | (14,689) |
| | ----- | ----- | ----- |
| Liabilities | | | |
| Bank indebtedness | 1,464 | -- | -- |
| Accounts payable and accrued liabilities | 13,895 | 2,506 | 1,400 |
| Other current liabilities | -- | -- | 1,871 |
| Current portion of long-term debt | 2,279 | 1,782 | 15,186 |
| Current portion of long-term payables | 412 | -- | -- |
| | ----- | ----- | ----- |
| | 18,050 | 4,288 | 18,457 |
| Long-term debt | 13,117 | -- | 4,684 |
| Long-term payables | 1,470 | -- | -- |
| Future income taxes | 1,790 | -- | -- |
| | ----- | ----- | ----- |
| | 34,427 | 4,288 | 23,141 |

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Shareholders' Equity

| | | | |
|---------------------------------|--------|----------|----------|
| Capital stock | 37,680 | 113 | (113) |
| Contributed surplus | 2,914 | 78,855 | (78,539) |
| Retained earnings | 6,963 | (40,720) | 40,720 |
| Currency translation adjustment | 1,010 | (102) | 102 |
| | ----- | ----- | ----- |
| | 48,567 | 38,146 | (37,830) |
| | ----- | ----- | ----- |
| | 82,994 | 42,434 | (14,689) |
| | ----- | ----- | ----- |

Stake Technology Ltd.

Unaudited Pro Forma Consolidated Statements of Operations

For the nine months ended September 30, 2002

In thousands of U.S. dollars, except per share amounts

| | Stake Technology Ltd. | Opta Food Ingredients, Inc. | Pro Forma Adjustment |
|---|--------------------------|--------------------------------|-------------------------|
| | \$ | \$ | |
| Revenues | 87,605 | 21,087 | |
| Cost of goods sold | 73,600 | 15,637 | (1,000) |
| Gross profit | 14,005 | 5,450 | 1,000 |
| Selling, general and administrative expenses | 9,416 | 3,481 | (1,000) |
| Research and development | -- | 1,302 | |
| Earnings before the following | 4,589 | 667 | 2,000 |
| Interest expense | (1,028) | (104) | (1,000) |
| Interest and other income | 233 | 126 | |
| Foreign exchange gain | 140 | -- | |
| Earnings before income taxes | 3,934 | 689 | 1,000 |
| Provision for income taxes | 680 | -- | |
| Net earnings for the period | 3,254 | 689 | |
| Earning per share - Basic | 0.08 | | |
| - Diluted | 0.07 | | |

Stake Technology Ltd.

Unaudited Pro Forma Consolidated Statements of Operations

For the year ended December 31, 2001

In thousands of U.S. dollars, except per share amounts

| | Stake Technology Ltd. | Opta Food Ingredients, Inc. | Pro Forma Adjustment |
|--|--------------------------|--------------------------------|-------------------------|
| | \$ | \$ | |

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| | | | |
|--|---------|---------|-----|
| Revenues | 89,822 | 25,027 | |
| Cost of goods sold | 77,450 | 20,511 | (2, |
| | | | |
| Gross profit | 12,372 | 4,516 | 2, |
| Selling, general and administrative expenses | 10,667 | 4,926 | (|
| Research and development | 475 | 2,788 | |
| Restructuring | -- | 161 | |
| | | | |
| Earnings (loss) before the following | 1,230 | (3,359) | 3, |
| Interest expense | (1,939) | (173) | (1, |
| Interest and other income | 520 | 399 | |
| Foreign exchange gain | 355 | 85 | |
| | | | |
| Earnings (loss) before income taxes | 166 | (3,048) | 1, |
| Provision for (recovery of) income taxes | 146 | -- | (|
| | | | |
| Net earnings (loss) for the period | 20 | (3,048) | 2, |
| | | | |
| Earnings per share - Basic | 0.00 | | |
| | 0.00 | | |

Stake Technology Ltd.

Notes to Unaudited Pro Forma Consolidated Financial Statements

In thousands of U.S. dollars

1. Basis of Presentation

These unaudited pro forma consolidated financial statements give effect to the acquisition by the Company of 100% of the outstanding common shares of Opta.

These unaudited pro forma financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and the pro forma assumptions described below. In management's opinion, these pro forma financial statements reflect all adjustments necessary to present fairly the pro forma financial position and results of operations for such periods. There are no significant differences between Canadian and U.S. GAAP in the preparation of these pro forma financial statements.

The acquisition of the common shares of Opta by the Company has been accounted for by the purchase method, which requires that the cost of the investment in Opta be allocated to the underlying assets and liabilities of Opta based on their fair values at the date of acquisition. The allocation of the purchase cost to the assets and liabilities of Opta reflected in these pro forma financial statements is based on preliminary estimates, available information and management judgment and may be revised as additional information becomes available.

2. Unaudited Pro Forma Consolidated Balance Sheet at September 30, 2002

To record the consolidation of Opta and elimination of the Company's investment in Opta we have estimated the fair value of Opta's assets as of the balance sheet date. The allocation price reflects valuation assessments of real estate anticipated to be sold and the recording of Opta's previously unrecorded tax loss carry forwards, the recoverability of which has been determined to be more

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likely than not. Management has estimated that Opta's carrying value of substantially all other assets and liabilities approximates their fair value.

The preliminary allocation of the purchase price is as follows:

| | |
|----------------------|---------|
| | \$ |
| Net working capital | 15,685 |
| Assets held for sale | 5,020 |
| Other assets | 1,029 |
| Future income tax | 10,048 |
| Long-term debt | (1,782) |
| Integration costs | (1,400) |
| | ----- |
| | 28,600 |
| | ----- |

Purchase price is comprised of:

| | |
|---|--------|
| Cash | 6,543 |
| Debt (tender Facility) | 15,186 |
| Due to Opta shareholders (7% @ 2.50) | 1,871 |
| Convertible Debenture and share purchase warrants | 5,000 |
| | ----- |
| | 28,600 |
| | ----- |

3. Unaudited Pro Forma Consolidated Statements of Operations

The unaudited pro forma consolidated statements of operations for the periods ended September 30, 2002 and December 31, 2001 give effect to the following:

- (a) Reduction of depreciation and amortization due to the write down of property, plant and equipment and elimination of goodwill and intangibles, resulting from the purchase price allocation and fair value adjustments
- (b) Interest expense associated with the tender facility at 3.42%, assuming the balance is outstanding for the period, interest expense on the convertible debenture at 5.5% plus accretion on the discount on the convertible debenture relating to the share purchase warrants and rights and higher net interest expense assumed at a rate of 3%, due to the use of cash in the acquisition of Opta.
- (c) Tax provision calculated on the combined earnings (loss) before tax of Opta and the related pro-forma adjustments at a rate of 38%.

4. Earnings (Loss) per share

The pro forma earnings (loss) per share is based on the historic weighted average number of common shares of 41,402,000 for the nine months ended September 30, 2002 and 32,456,000 for the year ended December 31, 2001.

The pro forma diluted earning (loss) per share is based on the historic weighted average number of common shares of 46,854,000 for the nine months ended September 30, 2002.

(c) Exhibits:

Exhibit No. Description

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- 2.1 Agreement and Plan of Merger dated as of October 25, 2002 among Opta Food Ingredients Inc., Stake Technology Ltd. and Stake Acquisition Corp. (incorporated by reference to Exhibit (d)(1) to Purchaser's and the Company's Schedule TO filed on November 4, 2002).
- 99.1 Press Release of Stake Technology Ltd. December 4, 2002 (incorporated by reference to Exhibit (a)(7)(i) to Purhcaser's and the Company's Amendment No. 1 to Schedule TO filed on December 4, 2002).

SIGNATURES

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

February 13, 2003

STAKE TECHNOLOGY LTD.

By: "Steven R. Bromley"

Steven R. Bromley
Executive Vice President and
Chief Financial Officer