

HAIGHTS CROSS COMMUNICATIONS INC

FORM 8-K/A (Unscheduled Material Events)

Filed 5/10/2004 For Period Ending 4/15/2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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): APRIL 15, 2004

HAIGHTS CROSS COMMUNICATIONS, INC.

(Exact name of registrant as specified in charter)

DELAWARE	333-109381	13-4087398
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS employer identification no.)

10 NEW KING STREET, SUITE 102
WHITE PLAINS, NEW YORK 10604
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code:
(914) 289-9400

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

As previously reported on Form 8-K filed with the Securities and Exchange Commission on April 19, 2004, on April 15, 2004, Hights Cross Communications, Inc., through its subsidiary Triumph Learning, LLC, acquired substantially all of the assets of Buckle Down Publishing Company, a publisher of test preparation materials for high-stakes state tests and a wholly owned subsidiary of Profiles Corporation. The consideration for the acquisition consisted of \$24.0 million in cash, which is subject to a post-closing working capital adjustment, and \$3.5 million face amount of Hights Cross Communications, Inc.'s Series C preferred stock, of which shares with a face amount of \$2.0 million were deposited in an escrow account to secure the indemnification obligations of the seller.

This Form 8-K/A amends the Current Report on Form 8-K filed on April 19, 2004 to include Item 7(a) Financial Statements of Business Acquired and Item 7(b) Pro Forma Financial Information.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements of Business Acquired.

The required financial statements of Buckle Down Publishing Company are attached hereto as Exhibit 99.1 and are incorporated in their entirety herein by reference.

(b) Pro Forma Financial Information.

The required pro forma financial information is attached hereto as Exhibit 99.2 and is incorporated in its entirety herein by reference.

(c) Exhibits.

99.1 Audited financial statements for Buckle Down Publishing Company for the fiscal years ended December 31, 2001, 2002 and 2003.

99.2 Pro forma unaudited consolidated financial statements as of and for the year ended December 31, 2003.

SIGNATURES

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

HAIGHTS CROSS COMMUNICATIONS, INC.

Date: May 10, 2004

By: /s/ Paul J. Crecca

*Paul J. Crecca
Chief Financial Officer, Executive
Vice President and Treasurer*

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Audited financial statements for Buckle Down Publishing Company for the fiscal years ended December 31, 2001, 2002 and 2003.
99.2	Pro forma unaudited consolidated financial statements as of and for the year ended December 31, 2003.

**BUCKLE DOWN
PUBLISHING COMPANY**

Financial Report
12.31.2003

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[MCGLADREY & PULLEN LOGO]

McGladrey & Pullen
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

To the Board of Directors
Buckle Down Publishing Company
Iowa City, Iowa

We have audited the accompanying balance sheets of Buckle Down Publishing Company, a wholly-owned subsidiary of Profiles Corporation, as of December 31, 2003 and 2002, and the related statements of income, stockholder's equity and cash flows for the years ended December 31, 2003, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 the financial statements referred to above present fairly, in all material respects, the financial position of Buckle Down Publishing Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years ended December 31, 2003, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

*Iowa City, Iowa
January 30, 2004*

McGladrey & Pullen, LLP is a member firm of RSM International - an affiliation of separate and independent legal entities

BUCKLE DOWN PUBLISHING COMPANY

**BALANCE SHEETS (NOTE 8)
DECEMBER 31, 2003 AND 2002**

ASSETS (NOTE 2)	2003	2002
	-----	-----
Current Assets		
Cash and cash equivalents	\$ 623,449	\$ 1,476,462
Trade receivables, less allowance for doubtful accounts 2003 and 2002 \$ 20,000	412,227	482,005
Receivables from affiliated company (Note 7)	36,410	41,664
Inventories	1,758,706	1,816,531
	-----	-----
TOTAL CURRENT ASSETS	2,830,792	3,816,662
	-----	-----
Leasehold Improvements and Equipment		
Leasehold improvements	240,332	234,777
Furniture and fixtures	440,356	413,031
Vehicles	31,969	31,969
	-----	-----
	712,657	679,777
Less accumulated depreciation	519,460	477,689
	-----	-----
	193,197	202,088
	-----	-----
	\$ 3,023,989	\$ 4,018,750
	=====	=====
 LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 160,057	\$ 175,269
Payable to an affiliated company (Note 7)	36,924	-
Accrued compensation and related withholding taxes	74,645	62,423
Accrued pension plan (Note 5)	64,598	60,459
Other accrued expenses	14,169	13,528
	-----	-----
TOTAL CURRENT LIABILITIES (NOTE 4)	350,393	311,679
	-----	-----
Commitments (Notes 3, 4 and 8)		
Stockholder's Equity		
Common stock, no par or stated value; authorized 1,000,000 shares; issued and outstanding 100,000 shares, at amounts paid in	3,825,252	2,599,377
Retained earnings (deficit) (Note 4)	(1,151,656)	1,107,694
	-----	-----
	2,673,596	3,707,071
	-----	-----
	\$ 3,023,989	\$ 4,018,750
	=====	=====

See Notes to Financial Statements.

BUCKLE DOWN PUBLISHING COMPANY

**STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001**

	2003	2002	2001
Net sales	\$ 10,558,635	\$ 9,269,895	\$ 9,941,990
Management fee from affiliate (Note 7)	153,862	135,972	117,033
	-----	-----	-----
	10,712,497	9,405,867	10,059,023
	-----	-----	-----
Expenses:			
Cost of goods sold	3,135,703	2,958,542	3,016,610
General, administrative and marketing (Notes 3, 5 and 9)	4,065,467	3,959,133	3,143,524
Bonuses (Notes 6 and 9)	784,000	-	-
Depreciation	98,042	88,317	89,245
	-----	-----	-----
	8,083,212	7,005,992	6,249,379
	-----	-----	-----
OPERATING INCOME	2,629,285	2,399,875	3,809,644
Financial income (expense):			
Interest income	11,425	28,620	49,693
Interest expense	(60)	(4,154)	(12,725)
	-----	-----	-----
NET INCOME (NOTE 4)	\$ 2,640,650	\$ 2,424,341	\$ 3,846,612
	=====	=====	=====
Earnings per common share, basic and diluted	\$ 26.41	\$ 24.24	\$ 38.47
	=====	=====	=====

BUCKLE DOWN PUBLISHING COMPANY**STATEMENTS OF STOCKHOLDER'S EQUITY
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001**

	Common Stock	Retained Earnings (Deficit)	Total
Balance, December 31, 2000	\$ 1,717,406	\$ 1,536,741	\$ 3,254,147
Capital contribution from parent company (Note 9)	440,096	-	440,096
Net income	-	3,846,612	3,846,612
Dividends (\$35.50 per share)	-	(3,550,000)	(3,550,000)
Balance, December 31, 2001	2,157,502	1,833,353	3,990,855
Capital contribution from parent company (Note 9)	441,875	-	441,875
Net income	-	2,424,341	2,424,341
Dividends (\$31.50 per share)	-	(3,150,000)	(3,150,000)
Balance, December 31, 2002	2,599,377	1,107,694	3,707,071
Capital contribution from parent company (Note 9)	1,225,875	-	1,225,875
Net income	-	2,640,650	2,640,650
Dividends (\$49.00 per share)	-	(4,900,000)	(4,900,000)
BALANCE, DECEMBER 31, 2003	\$ 3,825,252	\$(1,151,656)	\$ 2,673,596

See Notes to Financial Statements.

BUCKLE DOWN PUBLISHING COMPANY

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001**

	2003	2002	2001
	-----	-----	-----
Cash Flows from Operating Activities			
Net income	\$ 2,640,650	\$ 2,424,341	\$ 3,846,612
Adjustments to reconcile to net cash provided by operating activities:			
Bonuses to be paid by parent company	784,000	-	-
Depreciation	98,042	88,317	89,245
Loss on disposal of assets	1,586	-	-
Changes in certain working capital items:			
Trade and other receivables	75,032	(81,043)	(5,551)
Inventories	57,825	(22,139)	(199,861)
Accounts payable and accrued expenses	38,714	91,713	57,352
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,695,849	2,501,189	3,787,797
	-----	-----	-----
Cash Flows from Investing Activities			
Proceeds from sale of assets	1,065	-	-
Purchase of leasehold improvements and equipment	(91,802)	(62,052)	(45,608)
	-----	-----	-----
NET CASH (USED IN) INVESTING ACTIVITIES	(90,737)	(62,052)	(45,608)
	-----	-----	-----
Cash Flows from Financing Activities			
Cash dividends paid	(4,900,000)	(3,150,000)	(3,550,000)
Principal payments on long-term borrowings	-	(122,661)	(62,432)
Capital contribution from parent company	441,875	441,875	440,096
	-----	-----	-----
NET CASH (USED IN) FINANCING ACTIVITIES	(4,458,125)	(2,830,786)	(3,172,336)
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(853,013)	(391,649)	569,853
Cash and cash equivalents:			
Beginning	1,476,462	1,868,111	1,298,258
	-----	-----	-----
Ending	\$ 623,449	\$ 1,476,462	\$ 1,868,111
	=====	=====	=====
Supplemental Disclosures			
Cash paid during the year for interest	\$ 60	\$ 4,154	\$ 12,725

See Notes to Financial Statements.

BUCKLE DOWN PUBLISHING COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business: Buckle Down Publishing Company (the "Company"), a wholly-owned subsidiary of Profiles Corporation, creates products that analyze typical state educational standards and objectives and provide application problems in the format of standardized tests. The purpose of the Company's products and services is to help students from K-12 and schools demonstrate their attainment of state standards. The Company's materials, primarily workbooks and course materials, are sold to school districts throughout the United States.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the Company's significant accounting policies follows:

Revenue recognition: Revenues from product sales are recognized when the materials are shipped. Management fee revenue is recognized as services are performed.

Cash and cash equivalents: For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Trade receivables: Trade receivables are carried at original invoice amount plus finance charges less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables and finance charges are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The provision for doubtful accounts totaled \$8,178, \$4,391 and \$11,699 for the years ended December 31, 2003, 2002 and 2001, respectively.

Inventories: Inventories of printed materials are stated at the lower of cost (first-in, first-out method) or market. In the determination of market value, an allowance for obsolescence was provided totaling \$20,000 and none as of December 31, 2003 and 2002, respectively.

Leasehold improvements and equipment: Leasehold improvements and equipment are stated at cost. Depreciation is computed primarily by accelerated methods over the estimated useful lives, primarily three to seven years, of the assets or the term of the lease.

Product development: Product development costs are charged to expense as incurred.

Direct marketing costs: Direct marketing costs are charged to expense as incurred.

Earnings per share: Basic earnings per share have been computed by dividing net income by the weighted average outstanding common shares. Diluted earnings per share are the same as basic.

BUCKLE DOWN PUBLISHING COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 2. PLEDGED ASSETS AND LINE OF CREDIT

The Company has a line credit from Hills Bank and Trust Company, Hills, Iowa that expires April 30, 2004 and provides for borrowings of up to \$100,000. Interest is accrued at the prime rate (effective rate of 4.25% at December 31, 2003). Borrowings under the line are collateralized by substantially all assets of the Company. At December 31, 2003, there were no balances outstanding on the line of credit.

NOTE 3. LEASE COMMITMENTS

The Company leases a building and warehouse under a lease that requires monthly payments of \$14,438. The lease expires September 30, 2006.

The Company also leases certain office equipment under leases that require monthly payments of \$3,068. These leases expire at various dates from January 2004 to September 2008.

Future minimum lease commitments are: 2004 \$186,531; 2005 \$181,363; 2006 \$138,049; 2007 \$5,679 and 2008 \$686.

Rental expense for the years ended December 31, 2003, 2002 and 2001 totaled \$219,524, \$251,479 and \$257,819, respectively.

NOTE 4. INCOME TAX MATTERS AND COMMITMENTS

The Company, with the consent of its stockholder, has elected to have its income taxed under sections of the federal and state income tax laws, which provide that, in lieu of corporation income taxes, the stockholder separately accounts for the Company's items of income, deductions, losses and credits. As a result of this election, no income taxes have been recognized in the accompanying financial statements.

The Company will generally declare dividends based upon excess funds available after considering planned investing transactions. The amount of dividends to be declared in 2004 has not been determined.

NOTE 5. DEFINED CONTRIBUTION RETIREMENT PLAN

The Company has a 401(k) retirement plan that covers employees who have completed one year of service and who are at least 21 years of age. The Company may elect to make discretionary contributions under the plan. For the years ended December 31, 2003, 2002 and 2001, discretionary contributions totaled \$62,387, \$61,097 and \$52,292, respectively.

BUCKLE DOWN PUBLISHING COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DISCRETIONARY BONUSES

For the years ended December 31, 2003, 2002 and 2001, the Company approved discretionary bonuses to key employees totaling \$784,000, none and none, respectively.

NOTE 7. RELATED PARTY TRANSACTIONS

The Company has a verbal agreement with an affiliated company whereby the affiliate reimburses the Company for management services provided to the affiliate. Management services revenue totaled \$153,862, \$135,972 and \$117,033 for the years ended December 31, 2003, 2002 and 2001, respectively.

In the year ended December 31, 2003, the Company purchased \$36,924 of materials from another affiliated company. There were no purchases in 2002 or 2001.

NOTE 8. LETTER OF INTENT

In December 2003, the Company signed a letter of intent to sell substantially all assets, net of specific liabilities, of the Company. If a definitive agreement is signed, the transaction is expected to close in March or April 2004.

NOTE 9. CAPITAL CONTRIBUTIONS FROM PARENT COMPANY

For the year ended December 31, 2003, Profiles Corporation paid certain expenses on behalf of the Company, including: 1) \$784,000 for one-time discretionary bonuses to Company employees, which are separately stated on the statements of income, and 2) general, administrative and marketing expenses totaling \$441,875, including compensation of \$420,000 to the Company's president and family members. The total of \$1,225,875 has been treated as contribution to capital in the year ended December 31, 2003.

Capital contributions from Profiles Corporation for the years ended December 31, 2002 and 2001 included similar components, except that there were no discretionary bonuses.

Exhibit 99.2
**Hights Cross Communications, Inc.
Pro Forma Consolidated Financial Statements.**

The pro forma consolidated financial statements as of and for the year ended December 31, 2003 are presented as if the acquisition of Buckle Down Publishing Company ("Buckle Down") by Hights Cross Communications, Inc. (the "Company") had occurred on January 1, 2003.

The Company, through its subsidiary Triumph Learning, LLC, acquired substantially all of the assets of Buckle Down, a publisher of test preparation materials for high-stakes state tests and a wholly owned subsidiary of Profiles Corporation. The consideration for the acquisition consisted of \$24.0 million in cash, which is subject to a post-closing working capital adjustment, and \$3.5 million face amount of Hights Cross Communications, Inc.'s Series C preferred stock, of which shares with a face amount of \$2.0 million were deposited in an escrow account to secure the indemnification obligations of the seller.

The pro forma consolidated financial statements do not represent what the Company's financial position or results of operations would have been assuming completion of the Company's acquisition had occurred on January 1, 2003, nor do they project the Company's financial position or results of operations at any future date or for any future period. These pro forma consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K filed pursuant to Rule 15d-2 for the year ended December 31, 2003.

**Hights Cross Communications, Inc.
Pro Forma Consolidated Balance Sheets
December 31, 2003**

	HCC CONSOLIDATED HISTORICAL	ACQUISITION	PRO FORMA ADJUSTMENTS	HCC CONSOLIDATED PRO FORMA ADJUSTED
	----- (a)	----- (b)	-----	-----
	Dollars in Thousands			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 32,389	\$ 623	\$(24,623) (c)	\$ 8,389
Accounts receivable, net	16,459	412	-	16,871
Inventory, net	22,150	1,759	-	23,909
Direct response advertising costs - current portion, net	2,431	-	-	2,431
Royalty advances	5,342	-	-	5,342
Prepaid expenses and other current assets	2,908	37	-	2,945
	-----	-----	-----	-----
Total current assets	81,679	2,831	(24,623)	59,887
Pre-publication costs, net	28,197	-	1,414 (d)	29,611
Direct response advertising costs, net	6,504	-	-	6,504
Property and equipment, net	7,098	193	-	7,291
Goodwill	125,005	-	21,770 (e)	146,775
Other intangibles	-	-	250 (e)	250
Deferred financing costs, net	13,944	-	-	13,944
Other assets	3,095	-	-	3,095
	-----	-----	-----	-----
Total assets	\$ 265,522	\$ 3,024	\$ (1,189)	\$267,357
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 18,449	\$ 350	\$ -	\$ 18,799
Accrued interest	6,742	-	-	6,742
Deferred subscription revenue	13,272	-	-	13,272
Current portion of long term debt	1,000	-	-	1,000
	-----	-----	-----	-----
Total current liabilities	39,463	350	-	39,813
11 3/4% senior notes	140,000	-	-	140,000
Senior secured term loan	98,750	-	-	98,750
Series B senior preferred stock	109,364	-	-	109,364
Series A preferred stock	34,299	-	-	34,299
Series C preferred stock	-	-	1,485 (f)	1,485
Stockholder's equity (deficit):				
Common stock	20	3,825	(3,825)	20
Accumulated other comprehensive income	299	-	-	299
Accumulated deficit	(156,673)	(1,151)	1,151	(156,673)
	-----	-----	-----	-----
Total stockholder's equity (deficit)	(156,354)	2,674	(2,674)	(156,354)
	-----	-----	-----	-----
Total liabilities and stockholder's equity (deficit)	\$ 265,522	\$3,024	\$ (1,189)	\$267,357
	=====	=====	=====	=====

Notes to pro forma consolidated balance sheet as of December 31, 2003.

(a) Reflects the consolidated balance sheet of the Company as of December 31, 2003.

(b) Reflects the balance sheet of Buckle Down as of December 31, 2003.

(c) Reflects the \$24.0 million cash consideration provided in connection with the Asset Purchase Agreement and eliminates the \$0.6 million cash not purchased in the acquisition.

(d) Reflects the preliminary estimate for pre-publication costs in order to present Buckle Down's results consistently with the Company's accounting policies and reversal of the amounts originally expensed by Buckle Down.

(e) Reflects the preliminary net purchase price allocation to goodwill and intangible assets.

(f) Reflects the estimated fair market value of the Series C preferred stock issued in connection with the Asset Purchase Agreement.

Hights Cross Communications, Inc.
Pro Forma Consolidated Statements of Operations Year Ended December 31, 2003

	HCC CONSOLIDATED HISTORICAL	ACQUISITION	PRO FORMA ADJUSTMENTS	HCC CONSOLIDATED PRO FORMA ADJUSTED
	(a)	(b)	Dollars in Thousands	
Revenue	\$ 162,043	\$ 10,712	\$ -	\$ 172,755
Costs and expenses:				
Cost of goods sold	49,200	3,555	(965) (c)	51,790
Marketing and sales	35,463	1,416	-	36,879
Fulfillment and distribution	11,695	1,144	-	12,839
General and administrative	19,092	1,870	-	20,962
Restructuring charges	2,140	-	-	2,140
Amortization of pre-publication costs	9,137	-	885 (c)	10,022
Depreciation and amortization of property and equipment	2,224	98	-	2,322
Amortization of intangible assets	-	-	50 (d)	50
Total costs and expenses	128,951	8,083	(30)	137,004
Income from operations	33,092	2,629	30	35,751
Other (income)/expenses:				
Interest expense	19,928	-	971 (e)	20,899
Interest income	(250)	(12)	130 (f)	(132)
Amortization and write-off of deferred financing costs	5,215	-	-	5,215
Redemption premium	9,236	-	-	9,236
Other (income)/expense	113	-	-	113
Total other (income)/expense	34,242	(12)	1,101	35,331
Income (loss) before discontinued operations	\$ (1,150)	\$ 2,641	\$ (1,071)	\$ 420

Notes to pro forma consolidated income statements of operations for the year ended December 31, 2003.

(a) Reflects the consolidated statement of operations of the Company for the year ended December 31, 2003.

(b) Reflects the consolidated income statement of Buckle Down for the year ended December 31, 2003. Certain balances have been reclassified to conform to the Company's presentation.

(c) Reflects the preliminary estimate for and related amortization of pre-publication costs in order to present Buckle Down's results consistently with the Company's accounting policies and reversal of the amounts originally expensed by Buckle Down.

(d) Reflects the preliminary estimate of amortization of other intangibles obtained in the acquisition.

(e) Reflects the interest charge at 6.07% related to borrowing the purchase price for the period January 1, 2003 to August 20, 2003 at which time the Company had adequate excess cash to consummate the acquisition.

(f) Reflects the removal of interest income at 1.5% related to assumed use of excess cash for the period August 31, 2003 to December 31, 2003 related to the acquisition.

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