

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

MEASUREMENT SPECIALTIES INC

Form 10-K/A

November 12, 2002

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

FORM 10-K/A
(Amendment No. 1)

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended March 31, 2002

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 number 1-11906

MEASUREMENT SPECIALTIES, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY (State or other jurisdiction of incorporation or organization) 80 LITTLE FALLS ROAD, FAIRFIELD, NEW JERSEY (Address of principal executive offices)	22-2378738 (I.R.S. Employer Identification No.) 07004 (Zip Code)
---	--

Registrant's telephone number, including area code (973) 808-1819
Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, NO PAR VALUE	AMERICAN STOCK EXCHANGE

Securities registered under Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

At November 5, 2002, the average market value of the voting stock held by non-affiliates was approximately \$16,128,703 based on the closing price of the registrant's common stock on the American Stock Exchange on November 5, 2002.

At November 5, 2002, 11,912,958 shares of common stock were outstanding.

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Explanatory Note

This Amendment No. 1 on Form 10-K/A (the "Amendment") amends the Annual Report on Form 10-K of Measurement Specialties, Inc. (the "Company") for the fiscal year ended March 31, 2002, previously filed on October 28, 2002 (the "Original 10-K"). The Company has filed this Amendment solely to amend the Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2002, 2001 and 2000 contained in the Original 10-K. The line items in the Consolidated Statements of Cash Flows that have been amended are as follows: (i) "Goodwill and other impairments," (ii) "Provision for warranty," (iii) "Loss on disposal of assets" (this line has been removed), (iv) "Accounts receivable, trade," (v) "Inventories," (vi) "Other assets," (vii) "Accounts payable, trade," and (viii) "Accrued expenses and other liabilities." This Amendment makes no other changes to the Original 10-K.

This Amendment contains only the consolidated financial statements of the Company for the years ended March 31, 2002, 2001, and 2000 and as of March 31, 2002 and 2001 and should be read in conjunction with the information set forth in the Original 10-K, as well as the Company's quarterly report on Form 10-Q for the three months ended June 30, 2002, filed on October 29, 2002 and any subsequent reports filed pursuant to the Securities Exchange Act of 1934.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following financial statements and schedules are filed at the end of this report, beginning on page F-1. Other schedules are omitted because they are not required or are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Document	Pages
Report of Independent Certified Public Accountants	F-1
Consolidated Statements of Operations for the Years Ended March 31, 2002, 2001 and 2000	F-2
Consolidated Balance Sheets as of March 31, 2002 and 2001	F-3 to F-4
Consolidated Statements of Shareholders' Equity for the Years Ended March 31, 2002, 2001 and 2000	F-5
Consolidated Statements of Cash Flows for the Years Ended March 31, 2002, 2001 and 2000	F-6
Notes to Consolidated Financial Statements	F-7 to F-36
Schedule II - Valuation and Qualifying Accounts, for the Years Ended March 31, 2002, 2001 and 2000	S-1

(c) Exhibits

Exhibit 23.1 Consent of Grant Thornton LLP.

SIGNATURES

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MEASUREMENT SPECIALTIES, INC.

By: /s/ Frank Guidone

November 5, 2002

Frank Guidone
Chief Executive Officer

I, Frank Guidone, certify that:

1. I have reviewed this annual report on Form 10-K of Measurement Specialties, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 5, 2002

/s/ Frank Guidone

Name: Frank Guidone
Title: Chief Executive Officer

I, John P. Hopkins, certify that:

1. I have reviewed this annual report on Form 10-K of Measurement Specialties, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 5, 2002

/s/ John P. Hopkins

Name: John P. Hopkins

Title: Chief Financial Officer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Measurement Specialties, Inc.

We have audited the accompanying consolidated balance sheets of Measurement Specialties, Inc. and Subsidiaries (a Delaware corporation) as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Measurement Specialties, Inc. and Subsidiaries as of March 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the accompanying consolidated financial statements as of and for the year ended March 31, 2001 have been restated. The effect of the restatement is disclosed in Note 3.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company incurred a net loss of \$29,047,000 during the year ended March 31, 2002 and anticipates incurring additional losses for the next several quarters. Additionally, the Company was in default of certain financial covenants in its credit agreement and the Company and its lenders have entered into a forbearance agreement which expires November 1, 2002 or earlier. These factors, among others, as discussed in Note 1 to the financial statements, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") on April 1, 2001. In addition, as disclosed in notes 2, 4 and 7, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") on April 1, 2001.

We have also audited Schedule II for each of the three years in the period ended March 31, 2002. In our opinion, this schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information therein.

GRANT THORNTON LLP
New York, New York
October 9, 2002

F-1

MEASUREMENT SPECIALTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	FOR THE YEAR ENDED MARCH 31,		
	2002	2001	2000
		AS RESTATED NOTE 3	
Net sales	\$ 132,619	\$ 101,975	\$ 59,341
Cost of goods sold	97,611	66,938	34,122
Gross profit	35,008	35,037	25,219
Operating expenses (income):			
Selling, general and administrative	44,464	29,541	16,450
Research and development	6,591	5,082	3,122
Customer funding of research and development	(1,784)	(4,132)	(1,122)
Goodwill and other impairments	7,479	--	--
Restructuring and other costs	1,413	--	--
Total operating expenses	58,163	30,491	17,572
Operating income (loss)	(23,155)	4,546	7,647
Interest expense, net of interest income of \$33, \$20, and \$99 in 2002, 2001, and 2000, respectively	2,681	2,634	--
Other (income) expense	441	(293)	--
Income (loss) before provision for income taxes and cumulative effect of accounting change	3,122	2,341	--
Income (loss) before provision for income taxes and cumulative effect of accounting change	(26,277)	2,205	7,647

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Provision for income taxes	2,522	1,008	1
	-----	-----	-----
Income (loss) before cumulative effect of accounting change	(28,799)	1,197	5
Cumulative effect of accounting change, net of taxes	(248)	--	
	-----	-----	-----
Net income (loss)	\$ (29,047)	\$ 1,197	\$ 5
	=====	=====	=====
Earnings (loss) per common share - Basic			
Income (loss) before cumulative effect of accounting change	(2.74)	0.15	
Cumulative effect of accounting change	(0.02)	--	
	-----	-----	-----
Net income (loss)	\$ (2.76)	\$ 0.15	\$
	=====	=====	=====
Earnings (loss) per common share - Diluted			
Income (loss) before cumulative effect of accounting change	\$ (2.74)	\$ 0.13	\$
Cumulative effect of accounting change	(0.02)	--	
	-----	-----	-----
Net income (loss)	\$ (2.76)	\$ 0.13	\$
	=====	=====	=====
Weighted average number of common and common equivalent shares outstanding:			
Basic	10,531	8,144	7
	=====	=====	=====
Diluted	10,531	9,045	8
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-2

MEASUREMENT SPECIALTIES, INC.
CONSOLIDATED BALANCE SHEETS

	MARCH 31,	
(\$ IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	2002	2001
-----	-----	-----
ASSETS		AS RESTATED NOTE 3

CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,542	\$ 593
Accounts receivable, trade, net of allowance for doubtful accounts of \$1,004 and \$914, respectively	19,914	14,902
Inventories	22,969	24,362

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Deferred income taxes	--	2,129
Refundable income taxes	1,146	--
Prepaid expenses and other current assets	2,477	1,137
	-----	-----
TOTAL CURRENT ASSETS	51,048	43,123
	-----	-----
PROPERTY AND EQUIPMENT	35,851	29,598
Less accumulated depreciation and amortization	17,506	12,529
	-----	-----
	18,345	17,069
	-----	-----
OTHER ASSETS:		
Goodwill, net of accumulated amortization of \$483 and \$963, respectively	8,265	11,412
Trademark	9,549	--
Deferred income taxes	--	2,055
Other assets, net	2,405	3,820
	-----	-----
	20,219	17,287
	-----	-----
TOTAL ASSETS	\$89,612	\$77,479
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-3

MEASUREMENT SPECIALTIES, INC.

CONSOLIDATED BALANCE SHEETS

	MARCH 31,	
(\$ IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	2002	2001
-----	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		AS RESTATED NOTE 3

CURRENT LIABILITIES:		
Current portion of long term debt	\$ 32,758	\$ 36,736
Accounts payable	19,252	13,713
Accrued compensation	2,070	2,529
Accrued acquisition costs	--	604
Accrued expenses and other current liabilities	7,287	4,999
	-----	-----
TOTAL CURRENT LIABILITIES	61,367	58,581
	-----	-----
OTHER LIABILITIES:		
Long term debt, net of current portion	249	--
Other liabilities	1,169	1,181
	-----	-----
	1,418	1,181
	-----	-----

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

TOTAL LIABILITIES	62,785	59,762
	-----	-----
COMMITMENTS AND CONTINGENCIES		
Shareholders' equity		
Serial preferred stock;		
221,756 shares authorized; none outstanding	--	--
Common stock, no par; 20,000,000 shares authorized;		
shares issued and outstanding 11,864,958 and		
8,333,340, respectively	5,502	5,502
Additional paid-in capital	42,346	3,769
Accumulated (deficit) retained earnings	(20,586)	8,461
Other comprehensive loss	(435)	(15)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	26,827	17,717
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 89,612	\$ 77,479
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-4

MEASUREMENT SPECIALTIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
FOR THE YEARS ENDED MARCH 31, 2002, 2001, AND 2000

(\$ IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	Common stock	Additional paid-in capital	Retained Earnings (Accumulated Deficit)	Other Comprehensive Income
-----	-----	-----	-----	-----
Balance, April 1, 1999	\$ 5,502	\$ 308	\$ 1,733	\$
Comprehensive income, March 31, 2000:				
Net income	--	--	5,531	
Comprehensive income				
Tax benefit on exercise of options	--	610	--	
652,266 common shares issued upon exercise of options	--	1,124	--	
	-----	-----	-----	-----
Balance, March 31, 2000	5,502	2,042	7,264	
Comprehensive income, March 31, 2001:				
Net income, as restated (Note 3)	--	--	1,197	
Currency translation adjustment	--	--	--	
Comprehensive income, as restated (Note 3)				
Tax benefit on exercise of options	--	924	--	
353,500 common shares issued upon exercise of options	--	803	--	
	-----	-----	-----	-----

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Balance, March 31, 2001, as restated (Note 3)	5,502	3,769	8,461
Comprehensive income, March 31, 2002:			
Net (loss)	--	--	(29,047)
Currency translation adjustment	--	--	--
Comprehensive (loss)			
Reversal of tax benefit on exercise of options	--	(1,534)	--
2,530,000 common shares issued in secondary offering, net of expenses	--	30,874	--
503,692 common shares issued upon acquisition	--	6,800	--
182,434 common shares issued upon exercise of options	--	429	--
315,492 common shares issued in private placement	--	2,008	--
	-----	-----	-----
BALANCE, MARCH 31, 2002	\$ 5,502	\$ 42,346	\$ (20,586)
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

F-5

MEASUREMENT SPECIALTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	MARCH 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		AS RESTATED NOTE 3
Net income (loss)	\$ (29,047)	\$ 1,197
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,977	2,841
Deferred rent	126	178
Goodwill and other impairments	7,124	--
Provision for writedown of assets	458	--
Provision for doubtful accounts	1,158	698
Provision for warranty	85	380
Reversal of tax benefit on exercise of options	(1,534)	--
Deferred income taxes	2,650	(947)
Tax benefit on exercise of stock options	--	924
Net changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable, trade	(903)	(3,227)
Inventories	8,882	(11,322)
Prepaid expenses and other current assets	(1,375)	(455)
Other assets	1,646	(513)
Accounts payable, trade	(5,343)	3,757
Accrued expenses and other liabilities	1,156	762

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Net cash (used in) provided by operating activities	(9,940)	(5,727)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,366)	(5,653)
Purchases of intangible assets	--	(40)
Acquisition of businesses, net of cash acquired	(10,669)	(17,408)
Net cash used in investing activities	(13,035)	(23,101)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under bank line of credit agreement	23,632	14,736
Repayments under bank line of credit agreement	(14,935)	--
Repayments under capital lease obligations	(597)	--
Proceeds from long term debt	--	25,000
Repayments of long term debt	(13,836)	(13,000)
Payment of deferred financing costs	(231)	--
Proceeds from exercise of options and warrants	429	803
Proceeds from issuance of common stock, net of expenses	32,882	--
Net cash provided by (used in) financing activities	27,344	27,539
Effect of exchange rates	(420)	--
Net change in cash and cash equivalents	3,949	(1,289)
Cash and cash equivalents, beginning of year	593	1,882
Cash and cash equivalents, end of year	\$ 4,542	\$ 593
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 2,818	\$ 2,409
Taxes	621	817
Non-cash transactions:		
Common stock issued in connection with acquisition	6,800	--
Capital lease obligation for equipment	2,007	--

The accompanying notes are an integral part of these consolidated financial statements.

F-6

Notes to Consolidated Financial Statements

MARCH 31, 2002

(\$ IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS AND LIQUIDITY:

Description of business:

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Measurement Specialties, Inc., a New Jersey Corporation, ("MSI" or "the Company") is a designer and manufacturer of sensors and sensor-based consumer products. The Company produces a wide variety of sensors that use advanced technologies to measure precise ranges of physical characteristics, including pressure, motion, force, displacement, angle, flow and distance. The Company has a Sensor segment and a Consumer Products segment. The Sensor segment designs and manufactures sensors for leading original equipment manufacturers for electronic, automotive, medical, military and industrial applications. Sensor products include pressure sensors, custom microstructures and accelerometers. The Consumer Products segment designs and manufactures sensor based consumer products which are sold to leading retailers and distributors in both the United States and Europe. Consumer products include bathroom and kitchen scales, tire pressure gauges, and distance estimators (see Note 17).

Current Developments:

In February 2002, the Company, at its own initiative, contacted the staff of the SEC after discovering that our former Chief Financial Officer made the misrepresentation to senior management, the Board and our auditors that a waiver of our covenant default under our credit agreement had been obtained when the lenders had, in fact refused to grant such a waiver. Since February 2002, the Company and a Special Committee formed by our Board of Directors have been cooperating with the staff of the SEC. In June 2002, the staff of the Division of Enforcement of the SEC informed the Company that it is conducting a formal investigation relating to matters reported in our quarterly report on Form 10-Q for the quarter ended December 31, 2001. We cannot predict how long the SEC investigation will continue or its outcome.

Liquidity and Going Concern:

The Company has incurred a net loss of approximately \$29,047 for the year ended March 31, 2002, and anticipates incurring additional losses for the next several quarters. From September 30, 2001 through March 31, 2002, the Company was in default of certain financial covenants in its credit agreement and as a result of the restatement of previously issued financial statements the Company was also in default of certain financial covenants for earlier periods. The Company sought, but did not obtain, a waiver of such events of default from its lenders. As described in Note 8, the Company and its lenders have entered into a forbearance agreement which expires November 1, 2002 or earlier.

As a result of the significant losses for the last several reporting periods and the Company's inability to make the required payments under the Company's loan agreement, management and the Board of Directors approved a restructuring program with the aim of reducing costs, streamlining operations and generating cash to repay the Company's lenders. As of March 31, 2002, excluding the effects of Terrailon and Schaevitz UK, the Company has reduced its workforce by 138 employees as compared to its workforce as of June 30, 2001. Additionally, as of September 30, 2002, the Company has reduced its workforce by an additional 49 employees as compared to its workforce as of March 31, 2002. In addition, the Company (i) discontinued its operations in the United Kingdom, (ii) sold the assets related to its silicon wafer fab manufacturing

F-7

operations in Milpitas, California, which were part of the Company's IC Sensors division for approximately \$5,250 in July 2002, and (iii) sold all of the outstanding stock of Terrailon Holdings Limited, the Company's European subsidiary, that it purchased in August 2001, for approximately \$22,300. Approximately \$2,282 of the purchase price will be held in escrow until January 24, 2003 to secure payment of certain purchase price adjustments, if any (see Note 20).

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

The Company is currently in the process of responding to the claims made in the class action lawsuit (see Note 16). The Company intends to defend the foregoing lawsuit vigorously, but cannot predict the outcome and is not currently able to evaluate the likelihood of its success or the range of potential loss, if any. However, if the Company were to lose this lawsuit, the judgment would likely have a material adverse effect on its consolidated financial position, results of operations and cash flows. The Company has Directors and Officers insurance policies that provide an aggregate coverage of \$10,000, for the period during which the lawsuit was filed, but cannot evaluate at this time whether such coverage will be available or adequate to cover losses, if any, arising out of this lawsuit.

The Company is also subject to a formal investigation conducted by the Division of Enforcement of the United States Securities and Exchange Commission related to matters reported in the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2001. The United States Attorney for the District of New Jersey is also conducting an inquiry into the matters being investigated by the SEC. In addition, the trading of the Company's common stock on the American Stock Exchange ("AMEX") has been suspended and the Company has received a letter from the AMEX indicating that the Company is no longer in compliance with AMEX listing requirements. The Company has appealed this determination.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has been pursuing and will continue to pursue, among other initiatives, i) refinancing existing bank debt, ii) seeking additional sales opportunities within its core business, iii) reducing expenses to a level that would provide the Company with sufficient cash flow to meet its obligations, iv) additional equity investments, v) sales of assets and/or vi) a combination of any of the foregoing. Although there can be no assurances that the Company will be able to achieve any of the foregoing initiatives, the financial statements included in this report do not contain any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation:

The consolidated financial statements include the accounts of MSI and its wholly-owned subsidiaries (the "Subsidiaries"): Measurement Limited, organized in Hong Kong ("ML"); Jingliang Electronics (Shenzhen) Co. Ltd. ("JL"), organized in the People's Republic of China ("China"); IC Sensors Inc. ("IC Sensors"); Measurement Specialties, U.K. Limited ("Schaevitz, UK"), organized in the United Kingdom; and Terrailon Holdings Limited, organized in Ireland, and its wholly-owned subsidiaries ("Terrailon"); all collectively referred to as the "Company." As discussed in Note 4, on August 7, 2001, the Company acquired the stock of Terrailon Holdings Limited; on February 14, 2000, acquired the stock of IC Sensors from PerkinElmer Inc.; and on August 4, 2000, acquired certain assets and assumed certain liabilities of the Schaevitz Sensors business based in Virginia and the United Kingdom (collectively "Schaevitz") from TRW Components, Inc. (TRW). Results of operations of acquired subsidiaries are included in the consolidated results of operations from their date of acquisition. All significant intercompany balances and transactions have been eliminated.

Use of estimates:

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

F-8

Cash equivalents:

The Company considers highly liquid investments with maturities of up to three months, when purchased to be cash equivalents.

Fair value of financial instruments and derivative financial instruments:

Cash equivalents and short-term debt are carried at cost, which approximates fair value due to the short-term nature of such instruments.

During the year ended March 31, 2002, an aggregate of \$315 was reflected in the income statement relating to the interest rate swap. Of such amounts, \$248 was reflected as a cumulative effect of adoption of an accounting principle and \$67 was reflected as interest expense.

During the year ended March 31, 2002, \$50 was reflected as a reduction of cost of goods sold for the value of the foreign currency options and contracts that do not qualify for hedges.

Inventories:

Inventories are stated at the lower of cost or estimated market value. The FIFO (first-in, first-out) method is utilized to determine cost for the Company's inventories.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, generally three to ten years. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives of the assets. Normal maintenance and repairs of property and equipment are expensed as incurred. Renewals, betterments and major repairs that materially extend the useful life of property and equipment are capitalized.

Income taxes:

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of existing assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Tax benefits from early disposition of the stock by employees of incentive stock options and from exercise of non-qualified stock options are credited to additional paid-in capital.

Foreign currency translation and transactions:

The functional currency of the Company's foreign operations is the applicable local currency. The foreign subsidiaries' assets and liabilities are translated into United States dollars using exchange rates in

F-9

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

effect at the balance sheet date and their operations are translated using the average exchange rates prevailing during the year. The resulting translation adjustments are recorded as a component of other comprehensive income (loss).

Realized foreign currency transaction gains and losses are included in operations.

Intangible assets:

Goodwill represents the excess of cost over the net tangible and identifiable assets of acquired businesses. Effective April 1, 2001, goodwill and certain identifiable intangible assets with indefinite useful lives, primarily trademarks, are no longer being amortized in accordance with SFAS No. 142, as more fully described below under Recent Accounting Pronouncements. Other identifiable intangible assets with finite useful lives are amortized over a period of 3 to 5 years.

Revenue recognition:

Revenue is recorded when products are shipped, at which time title generally passes to the customer. Certain consumer products may be sold with a provision allowing the customer to return a portion of products not sold to third party customers. Upon shipment, the Company provides for allowances for returns and warranties based upon historical and estimated return rates.

The company utilizes manufacturing representatives as sales agents for certain of the Company's products. Such representatives do not receive orders directly from customers, take title to or physical possession of products, or invoice customers. Accordingly, revenue is recognized upon shipment to the customer.

Certain consumer products are sold under "private label" arrangements with various distributors. Such products are manufactured to the distributor's specifications. The Company is not responsible for the ultimate sale to third party customers and therefore records revenue upon shipment to the distributor.

Classification of certain costs

Shipping and handling costs are recorded in cost of sales. Promotional and other consideration provided to customers is reflected as a reduction in revenue.

Advertising Costs:

Advertising costs are included in selling, general and administrative expenses and are expensed when the advertising or promotion is published or presented to customers. Advertising expenses for the years ended March 31, 2002, 2001 and 2000 were approximately \$1,243, \$967 and \$735, respectively.

Research and development:

Research and development expenditures are expensed as incurred. Customer funding is recognized as a reduction in research and development expense when earned.

Warranty reserve:

F-10

The Company's products generally are marketed under warranties to end users of up to ten years. The Company provides for estimated product warranty obligations at the time of sale, based on its historical warranty claims experience and assumptions about future warranty claims. This estimate is susceptible to

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

changes in the near term based on introductions of new products, product quality improvements and changes in end user application and/or behavior.

Comprehensive income (loss):

Comprehensive income (loss) consists of net earnings or loss for the period and the impact of unrealized foreign currency translation adjustments.

Stock based compensation:

As permitted by SFAS No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), the Company has elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations ("APB 25") in accounting for its employee stock options. Under APB 25, when the exercise price of the employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recorded. The Company has presented the additional pro forma disclosures required by SFAS 123, in Note 15.

Derivative Instruments:

The Company utilizes derivative financial instruments to reduce interest rate and foreign currency risks. The Company does not hold or issue derivative financial instruments for trading purposes. In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was amended in June 2000 by SFAS No. 138. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged. The Company adopted SFAS 133, as amended, as of April 1, 2001. The cumulative effect of the adoption of the accounting principle was \$248. The fair value of the swap at March 31, 2002 was included in accrued expenses.

The Company manages exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of forward exchange contracts or currency options. The Company enters into forward exchange contracts and foreign currency options to hedge anticipated transactions. Gains and losses on forward exchange contracts are charged to cost of sales because they do not qualify as hedges. The fair value of the contracts held at March 31, 2002 are included in prepaid expenses and other current assets.

Pro forma income before cumulative effect of change in accounting principle, net income (loss) and related diluted earnings per common share amounts as if SFAS 133 had been in effect for the years ended March 31, 2001 and 2000 are as follows:

F-11

	For the Year Ended March 31,	
	2001	2000

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

	-----	-----
Net income		
As reported	\$ 1,197	\$ 5,531
Pro forma	949	5,526
Net income per diluted share		
As reported	\$ 0.15	\$ 0.73
Pro forma	0.12	0.73

Reclassifications:

Certain reclassifications have been made to conform prior years to the current year's presentation.

Recent accounting pronouncements:

On July 29, 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred, rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. SFAS 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company is currently evaluating the impact of this standard.

The Company's current policy is to accrue restructuring and other costs at commitment date of a plan in accordance with the provisions of Emerging Issues Task Force ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity" and Staff Accounting Bulletin No. 100, "Restructuring and Impairment Charges." Accordingly, the Company has provided for certain restructuring costs during the year ended March 31, 2002 and expects to provide for additional costs during the first quarter of fiscal 2003 (see notes 4 and 20).

In 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections." The Statement rescinds SFAS No. 4 which required all gains and losses from extinguishment of debt to be aggregated and, when material, classified as an extraordinary item net of related income tax effect. SFAS No. 145 also amends Statement 13 to require that certain lease modifications having economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The Company is required to implement this standard for transactions occurring after May 15, 2002 and do not expect this Statement will have a material effect on our financial position or results of operations. The Company will implement the provisions related to the rescission of SFAS No. 4 in the first quarter of fiscal 2003.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The standard retains the previously existing accounting requirements related to the recognition and measurement of the impairment of long-lived assets to be held and used while expanding the measurement requirements of long-lived assets to be disposed of by sale to include discontinued operations. It also expands on the previously existing reporting requirements for discontinued operations to include a component of an entity that either has

been disposed of or is classified as held for sale. The Company is required to implement SFAS No. 144 on April 1, 2002. The Company does not expect this standard to have a material impact on its consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard addresses financial accounting and reporting for obligations associated with retirement of tangible long-lived assets and the associated assets' retirement costs. The Company is required to implement SFAS No. 143 on April 1, 2003. The Company does not expect this standard to have a material impact on its consolidated financial position or results of operations.

The Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), effective April 1, 2001. Under SFAS 142, goodwill is not amortized but is tested for impairment on an annual basis. The impairment test is a two step process. The first step identifies potential impairment by comparing an entity's fair value (including goodwill) to its carrying amount. If the entity's carrying amount exceeds its fair value, a second step is performed which compares the fair value of the entity's goodwill to the carrying amount of that goodwill. If the carrying amount of goodwill exceeds the fair value, an impairment loss is recognized. Upon adoption, any impairment loss identified is presented as a change in accounting principle and recorded as of the beginning of the fiscal year of adoption. After adoption, any impairment loss recognized is recorded as a charge to income from operations. In connection with its restructuring program, the Company performed additional impairment tests, which resulted in an impairment charge of \$7,194 for the quarter ended March 31, 2002. Refer to Note 7, Goodwill for further discussions of the impact of SFAS 142 on the Company's financial position and results of operations.

The Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), effective July 1, 2001. SFAS 141 addresses the accounting and reporting requirements for business combinations. This statement requires that all business combinations be accounted for under the purchase method, as well as some additional disclosures. SFAS 141 is effective for all business combinations completed after June 30, 2001.

In April 2001, the Company adopted EITF No. 00-09 "Consideration Given by a Vendor to a Customer," which specified the accounting for and classification of coupons and promotional items. Accordingly, volume rebates and co-operative advertising costs are classified as reductions in revenue. Previously, these costs were included in sales and marketing expense. The financial statements for the applicable periods in the year ended March 31, 2001 have been reclassified to conform to the current period's classifications.

3. RESTATEMENT:

Based on the advice of its auditors and discussion with the Securities and Exchange Commission, the Company determined it was necessary to conduct a thorough re-examination of its historical determination of inventory values and cost of goods sold. As a result of additional procedures employed, a number of errors in the Company's historical inventory valuation relating to the absorption of manufacturing costs were discovered. Each of the Company's business units experienced various types of calculation and application errors. These errors varied by quarter, type and cause. The errors and causes thereof are included in the following general categories:

- Failure to analyze and account for standard cost variances properly and on a timely basis;

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

- Failure to use readily available accounting and costing records to determine manufacturing costs;
- Inclusion of inappropriate expenses in inventory cost pools;
- Apparent mathematical errors (including amounts used in calculations that could not be reconciled to our underlying accounting records);
- Failure to adjust inventories to the lower of cost or market; and
- Use of inconsistent parameters to determine cost pools that relate to inventory at each reporting period.

Accordingly, the Company has restated its financial statements for the fiscal year ended March 31, 2001 and the Company's previously issued selected financial information for each of the quarterly periods in the fiscal year ended March 31, 2001 and the first three quarters in the fiscal year ended March 31, 2002. The effect of the restatement was a reduction of our previously reported inventory values and operating income and a corresponding increase to costs of goods sold aggregating approximately \$8,200 for the fiscal year ended March 31, 2001.

In connection with the restatement and due in part to the cessation of operations of Arthur Andersen LLP, the previous auditors of our financial statements for the fiscal year ended March 31, 2001, the Company requested our current auditors to conduct a reaudit of the financial statements for the fiscal year ended March 31, 2001. The reaudit resulted in the following additional adjustments: reclassification of certain costs included in selling, general, and administrative expenses to revenue for \$1,009; acceleration of amortization of deferred financing costs relating to the company's bank loan in the amount of \$667; expensing of

F-13

unallocated acquisition costs of \$439; straight-lining of lease expense in accordance with SFAS No. 13 in the amount of \$178; and certain other adjustments. As a result of all the above adjustments, the Company recalculated its tax provision resulting in a benefit of \$1,821.

	FISCAL YEAR ENDED MARCH 31, 2001	
	----- AS PREVIOUSLY REPORTED -----	AS RESTATED -----
Consolidated statements of operations data:		
Sales	\$103,095	\$101,975
Cost of goods sold	58,782	66,938
Gross profit	44,313	35,037
Selling, general and administrative expenses	29,232	29,541
Income before provision for income taxes	11,790	2,205
Provision for income taxes	2,829	1,008
Net income	8,961	1,197
Earnings per common share		
Basic	\$ 1.10	\$ 0.15
Diluted	0.99	0.13

Consolidated balance sheet data:

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Accounts receivable, net	\$ 14,935	\$ 14,902
Inventories	31,868	24,362
Deferred income taxes, current	2,180	2,129
Goodwill	12,606	11,412
Other assets	3,894	3,820
Accrued expenses and other current liabilities	6,221	4,999
Accrued compensation	2,579	2,529
Other liabilities	1,003	1,181
Accumulated retained earnings	16,225	8,461
Stockholders' equity	25,481	17,717

See Note 19, Quarterly Financial Information (Unaudited) for selected restated quarterly information for fiscal 2001 and fiscal 2002.

4. ACQUISITIONS/DISPOSITIONS:

Terraillon. In August 2001, the Company acquired all of the outstanding shares of Terraillon Holdings Limited ("Terraillon"), a European manufacturer of branded consumer bathroom and kitchen scales. As a result of the acquisition, the Company expected to add new technologies, diversify our product mix, and expand distribution channels. The acquisition was accounted for as a purchase, and accordingly, the consolidated financial statements include operations of Terraillon from the date of acquisition. The aggregate purchase price was \$17,468 and included \$10,320 in cash, the issuance of 503,692 in shares of restricted Company common stock valued at \$6,800 based on the closing market price on the date of acquisition of \$13.50 per share, and closing costs of \$348. The purchase price allocation of assets purchased and liabilities assumed was based on management's estimate of fair values at the date of

F-14

acquisition. The excess of the purchase price over the net assets acquired of \$13,551 was assigned to indefinite life trademarks of \$9,477 and to goodwill of \$4,074 in accordance with SFAS No. 141. All of the intangibles have been allocated to the consumer segment. The Company financed the acquisition through the use of proceeds of an underwritten offering of its common stock, which is described in Note 9. Included in the liabilities assumed below is a liability of approximately \$1,404 for severance and related costs from the closure of Terraillon's manufacturing plant in Sligo, Ireland. All employees at such facility were terminated in November, 2001. At March 31, 2002, there is no remaining liability. The Company is obligated to file a registration statement to register the resale of the 503,692 restricted shares issued to the seller.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	\$ 13,868	
Property, plant, and equipment	2,338	
Trademark	9,477	
Goodwill	4,074	

Total assets acquired	29,757	

Current liabilities (including		
severance liability of \$1,404)	12,289	

Net assets acquired	\$ 17,468	

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

=====

The value assigned to the trademark was based upon a third-party valuation and is not subject to amortization.

The following unaudited pro forma consolidated results of operations for the period assumes the Terrailon acquisition had occurred as of April 1, 2000, giving effect to purchase accounting adjustments. The pro forma data is for informational purposes only and may not necessarily reflect results of operations had Terrailon been operated as part of the Company since April 1, 2000.

F-15

	Year Ended March 31,	
	2002	2001
		As Restat Note 3
		(unaudited)
Net sales	\$ 146,877	\$ 144,7
Net (loss) before cumulative effect of change in accounting principle	\$ (29,394)	\$ (5
Cumulative effect of change in accounting principle	(248)	--
Net (loss)	\$ (29,642)	\$ (5
(Loss) per common share - basic		
(Loss) before cumulative effect of accounting change	\$ (2.79)	\$ (0.
Cumulative effect of accounting change	(0.02)	--
Net (loss)	\$ (2.81)	\$ (0.
(Loss) per common share - diluted		
(Loss) before cumulative effect of accounting change	\$ (2.79)	\$ (0.
Cumulative effect of accounting change	(0.02)	--
Net (loss)	\$ (2.81)	\$ (0.

In September 2002, the Company sold the stock of Terrailon (see Subsequent Events, Note 20).

Schaevitz. In August 2000, the Company acquired Schaevitz(TM) Sensors ("Schaevitz") from TRW Components, Inc. Schaevitz designs and manufacturers a variety of tilt, displacement, and pressure transducers and transmitters in the United States and Europe which are sold worldwide. The acquisition was accounted for as a purchase, and accordingly, the consolidated financial statements include operations of Schaevitz from the date of acquisition. The aggregate cash paid was \$17,860 (including payment to TRW Components Inc. of \$16,775 and closing costs of \$1,085). The excess of the purchase price over the net assets acquired (principally goodwill) of \$6,998 was being amortized over 15 years (prior to implementation of SFAS 142, as more fully described in Note 1). The

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

transaction was financed with a term loan issued by a syndicate of lending institutions led by the Company's principal bank. Net assets acquired were \$10,862, consisting of the fair value of assets acquired of \$13,991 less liabilities assumed of \$3,129.

The following unaudited pro forma consolidated results of operations for the period assumes the Schaevitz acquisition had occurred as of April 1, 1999, giving effect to purchase accounting adjustments. The pro forma data is for informational purposes only and may not necessarily reflect results of operations had Schaevitz been operated as part of the Company since April 1, 1999.

F-16

	YEAR ENDED MARCH 31, 2001	2000
	-----	-----
	AS RESTATED NOTE 3	

	(unaudited)	
Net sales	\$110,933	\$ 83,801
Net income (loss)	479	4,855
Earnings (loss) per common share		
Basic	\$ 0.06	\$ 0.64
	=====	=====
Diluted	\$ 0.05	\$ 0.56
	=====	=====

At March 31, 2002, as a result of the planned liquidation of Schaevitz UK, we recorded an impairment charge of \$3,062 relating to goodwill allocated to the Schaevitz UK operation. In addition, based upon the results of the tests defined in SFAS 142, goodwill in the amount of \$3,625 (see Note 7) remaining from this acquisition was determined to be impaired and written off during the fourth quarter of fiscal 2002.

IC Sensors. On February 14, 2000, the Company acquired IC Sensors, Inc. from PerkinElmer, Inc. IC Sensors designs, manufactures and markets micromachined silicon pressure sensors, accelerometers and microstructures. The acquisition was accounted for as a purchase, and accordingly, the consolidated financial statements include the operations of IC Sensors from the date of acquisition. The aggregate cash paid was \$12,368 (including payment to PerkinElmer of \$12,000 and closing costs of \$368). The excess of the purchase price over the net assets acquired (principally goodwill) of \$3,177 was being amortized over 15 years (prior to implementation of SFAS 142, as more fully described in Note 1). The transaction was financed with a term loan issued by a syndicate of lending institutions led by the Company's principal bank. Net assets acquired were \$9,191 consisting of the fair value of assets acquired of \$10,451 less liabilities assumed of \$1,260. In connection with the acquisition of IC Sensors Inc., the Company recorded a liability of approximately \$350 for severance and related costs. As of March 31, 2002 these costs have been paid.

The following unaudited pro forma consolidated results of operations for the period assumes the IC Sensors acquisition had occurred as of April 1, 1999, giving effect to purchase accounting adjustments. The pro forma data is for informational purposes only and may not necessarily reflect results of operations had IC Sensors been operated as part of the Company since April 1,

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

1999.

	YEAR ENDED MARCH 31, 2000
	----- (unaudited)
Net sales	\$ 70,727
Net income	1,320
Earnings per common share	
Basic	\$ 0.17
	=====
Diluted	\$ 0.15
	=====

As discussed in Note 20, the assets related to the silicon wafer fab manufacturing operations of IC Sensors were sold during July 2002.

F-17

Exeter. On January 5, 2000 the Company acquired, for cash, certain assets comprising the ultrasonic garage parking system business of Exeter Technologies, Inc. Pursuant to the acquisition agreement, the Company made an initial payment of \$625 and is required to pay additional consideration based upon future sales. The additional consideration is equal to 15% of net sales in year one, 10% in year two and 5% in year three. No payments are to be made after year three. The acquisition was accounted for under the purchase method of accounting. Net assets acquired were \$469, consisting of the fair value of the assets acquired of \$625 and liabilities assumed of \$156. Goodwill of \$956 was being amortized over 7 years prior to adoption of SFAS 142. During September 2001, we discontinued this product line and wrote off the remaining goodwill in the amount of \$779.

5. INVENTORIES

Inventories are summarized as follows:

	March 31,	
	----- 2002 -----	----- 2001 ----- As Restated Note 3 -----
Raw materials	\$ 7,367	\$ 9,431
Work in process	2,763	3,266
Finished goods	12,839	11,665
	-----	-----
	\$22,969	\$24,362
	=====	=====

6. PROPERTY AND EQUIPMENT:

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Property and equipment are summarized as follows:

	March 31,		Useful Life
	2002	2001	
Production machinery and equipment	\$ 22,017	\$ 19,582	5-7 years
Tooling costs	3,765	2,022	5-7 years
Furniture and equipment	5,537	3,694	3-10 years
Leasehold improvements	3,329	3,148	Remaining term
Construction in progress	1,203	1,152	of the lease
			-
Total	35,851	29,598	
Less: accumulated depreciation and amortization	(17,506)	(12,529)	
	\$ 18,345	\$ 17,069	
	=====	=====	

Depreciation expense was \$4,303, \$2,655, and \$1,744 for the years ended March 31, 2002, 2001, and 2000, respectively.

7. GOODWILL

F-18

The Company adopted SFAS 142 effective April 1, 2001 and discontinued amortizing goodwill. The changes in the carrying value of goodwill for the years ended March 31, 2002 and 2001 are as follows:

	SENSORS	CONSUMER	TOTAL
	-----	-----	-----
Balance as of March 31, 2000	\$ 4,687	\$ 914	\$ 5,601
Purchase business combination	6,558	--	6,558
Goodwill amortization	(612)	(135)	(747)
	-----	-----	-----
Balance as of March 31, 2001	10,633	779	11,412
Purchase business combination	--	4,074	4,074
Impairment loss	(6,415)	(779)	(7,194)
Other	(27)	--	(27)
	-----	-----	-----
Balance as of March 31, 2002	\$ 4,191	\$ 4,074	\$ 8,265
	=====	=====	=====

During the fourth quarter of fiscal 2002 and the first quarter of fiscal 2003, the Company, after considering ongoing operating losses, approved a restructuring program. As a result of the Company's evaluation of its businesses and its restructuring plan, management, with the assistance of valuation experts, performed impairment tests for the Company's reporting units and concluded that impairment charges were required for certain reporting units. The

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

impairments related primarily to the Company's Schaevitz and Schaevitz, UK reporting units. In addition to goodwill, an impairment of \$285 was provided for patents.

The following table provides comparative disclosure of adjusted net income excluding goodwill amortization expense, net of taxes, for the periods presented:

	FOR THE YEARS ENDED MARCH 31,		
	2002	2001	2000
	-----	-----	-----
		As Restated Note 3	
	-----	-----	-----
Income (loss) before cumulative effect of accounting changes, as reported	\$ (28,799)	\$1,197	\$5,531
Goodwill Amortization	--	747	146
	-----	-----	-----
Income (loss) before cumulative effect of accounting changes, as adjusted	(28,799)	1,944	5,677
Net income (loss), as reported	(29,047)	1,197	5,531
Goodwill Amortization	--	747	146
	-----	-----	-----
Net income (loss), as adjusted	\$ (29,047)	\$1,944	\$5,677
	=====	=====	=====
Income (loss) before cumulative effect of accounting change per share			
Basic, as reported	\$ (2.74)	\$ 0.15	\$ 0.73
Goodwill Amortization	--	0.09	0.02
	-----	-----	-----
Basic, as adjusted	\$ (2.74)	\$ 0.24	\$ 0.75
	=====	=====	=====
Diluted, as reported	(2.74)	0.13	0.64
Goodwill Amortization	--	0.08	0.01
	-----	-----	-----
Diluted, as adjusted	\$ (2.74)	\$ 0.21	\$ 0.65
	=====	=====	=====
Earnings (loss) per share			
Basic net income (loss) per share, as reported	\$ (2.76)	\$ 0.15	\$ 0.73
Goodwill Amortization	--	\$ 0.09	\$ 0.02
	-----	-----	-----
Net income (loss) per share, as adjusted	\$ (2.76)	\$ 0.24	\$ 0.75
Diluted net income (loss) per share, as reported	\$ (2.76)	\$ 0.13	\$ 0.64
Goodwill amortization	--	0.08	0.01
	-----	-----	-----
Diluted net income (loss) per share, as adjusted	\$ (2.76)	\$ 0.21	\$ 0.65
	=====	=====	=====

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

8. LONG-TERM DEBT:

F-19

Long-term debt is summarized as follows:

	MARCH 31,	
	2002	2001
	-----	-----
Borrowings under bank line of credit	\$20,899	\$14,736
Term loan	8,164	22,000
Bank loans - Terrailon	2,534	--
Other, principally capital lease obligations	1,410	--
	-----	-----
Total long-term debt	33,007	36,736
Less: current portion	32,758	36,736
	-----	-----
Long-term portion (foreign capital lease obligations)	\$ 249	\$ --
	=====	=====

Bank loans. In connection with the acquisition of Schaevitz, the Company repaid the then outstanding balance of a previous term loan and entered into a \$25,000 term loan agreement with a syndicate of lending institutions led by the Company's principal bank. The term loan originally bore interest at a LIBOR rate plus 3.25% (6.67% and 8.13% as of March 31, 2002 and 2001, respectively). The term loan required quarterly principal payments of \$1,000 through 2007. The term loan is collateralized by a senior security interest in substantially all of the Company's assets. Additional principal payments were required from a portion of the net proceeds of any issuance of additional equity sales. During August 2001, there was a mandatory prepayment of \$9,169 as a result of funds received in a public offering of common stock (see Note 9).

In August 2000, February 2001 and September 6, 2001, the Company renegotiated its bank line of credit. As of March 31, 2002, the maximum amount available amount under the revolving credit portion of the facility was \$23,000 which included an excess line of credit of \$6,000 which was scheduled to expire on March 31, 2002. The Company had been unable to make the mandatory payments required by the loan agreement to repay this excess amount. The Company also had availability under the revolving credit portion of the line of credit to borrow up to the Pounds Sterling equivalent of \$3,500 U.S. dollars. Borrowings under the line of credit were limited to the calculation of "availability" defined as sum of eligible Accounts Receivable and Inventory, as defined, and are collateralized by a senior security interest in substantially all the Company's domestic and U.K. assets. Borrowings bore interest at a maximum of the lesser of the bank's prime rate plus 1.00% or LIBOR plus 2.75% (7.75% as of March 31, 2002). If the Company achieved certain financial ratios (which did not occur), the lowest rate became the lesser of the bank's prime rate plus 0.50% or a LIBOR rate plus 2.25%. Upon an event of a default under the credit agreement, the interest rate became the lesser of the bank's prime rate plus 3% or LIBOR plus 4.75%. The agreement required annual payment of a commitment fee equal to 0.375% of the unutilized available balance. As of March 31, 2002, borrowings under the line of credit exceeded availability as defined above by approximately \$8,864.

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Debt covenants required the Company to maintain certain fixed charge coverage ratios and other ratios. Additionally loan agreement required the lenders' consent for the payment of dividends, acquisitions, and divestitures. Because of the Company's inability to comply with certain financial covenants contained in its credit agreement with respect to the fiscal quarters ended September 30, 2001, December 31, 2001, and March 31, 2002, events of default have occurred and are continuing under the credit agreement. The Company sought, but did not obtain, a waiver of such events of default from its lenders. Additionally, after restating the financial statements as discussed in Note 3 the Company determined that they would not have been in compliance with certain financial covenants at March 31, 2001 based on the restated results. As a result of the actual defaults under the credit agreement and the defaults that became

F-20

apparent as a result of the restatement, the Company has classified all of its outstanding debt as current as of March 31, 2002 and 2001. Further, as a result of these events the remaining deferred financing costs were fully amortized in the restated results as of March 31, 2001. Additional financing costs incurred during the year ended March 31, 2002, were reflected as interest expense.

In April 2002, the Company entered into a forbearance agreement with its lenders that upon extension expired June 21, 2002 and signed an additional forbearance agreement on July 2, 2002, pursuant to which the lenders agreed to forbear from exercising the rights and remedies available to them under the credit agreement as a result of the Company's defaults until the earlier of November 1, 2002 or (i) the Company's breach or violation of the provisions of the forbearance agreement, (ii) the institution of bankruptcy proceedings under the federal bankruptcy laws, or (iii) the occurrence of additional defaults under the credit agreement (the time period between July 2, 2002 and the termination of the lenders' obligation to forbear from the exercise of their rights is referred to herein as the "forbearance period"). The Company is required under the forbearance agreement to, among other things, comply with certain strict financial covenants, actively seek purchasers for certain assets, continue to make required term loan payments, pledge certain unencumbered assets in favor of the lenders and issue the lenders a warrant to purchase up to 4.99% of the Company's common stock. The warrant was issued in July 2002, and subsequently 50% was canceled on October 1, 2002. The balance of the warrant will be canceled if the company's obligations to the lenders are repaid in full on or before November 1, 2002. The forbearance agreement also provides that the Company's borrowings will bear interest at a rate equal to the lenders' prime rate plus 3%, which rate will increase by an additional 2% in the event of a default under the forbearance agreement.

In connection with the execution of the forbearance agreement, the lenders agreed to extend additional credit under the revolving credit facility as well as allow the Company to apply the proceeds from the sale/liquidation of certain assets against amounts outstanding under the revolving credit facility (rather than against amounts outstanding under the term loan as otherwise required by the credit agreement).

Subject to the Company's continued compliance with its terms, the forbearance agreement permitted the Company to maintain an over advance under the revolving credit facility of up to \$9.0 million until July 31, 2002, after which time the Company's permitted over advance was reduced to \$8.0 million. As a result of the sale of Terrailon and the application of the proceeds of the sale to amounts outstanding under the revolving credit facility, the over advance under the revolving credit facility was eliminated.

Under the forbearance agreement, the deadline for repayment of the term loan and revolving credit facility has been changed to November 1, 2002.

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

As of March 31, 2002, the weighted average short-term interest rate on the revolving credit facility was 7.2%. The average amount outstanding under this agreement during the year ended March 31, 2002 was \$18,873.

Terraillon. At March 31, 2002, Terraillon had short-term debt obligations of approximately \$2,534 with various French bank facilities pursuant to which there was an unsecured overdraft facility of FRF 2.5 million and a factoring agreement (collateralized by factored accounts receivable) with a limit of FRF 20 million. These obligations are not subject to bank covenants, but are callable with 60 days notice. Accordingly, they are included in the current portion of long-term debt in the financial statements. As of March 31, 2002 the weighted average short term interest rate on the above borrowings was 6.2%.

Capital lease obligations. During the year ended March 31, 2002, the Company entered into capital lease obligations which had an aggregate principal balance of \$2,007. Monthly payments aggregate \$54 and interest ranges from 7.35% to 9.0% per annum. Maturity dates for these leases range from April 2003 through December 2004. At March 31, 2002, equipment under capital lease was \$2,007 and

F-21

accumulated depreciation was \$449. Most of the capital leases contain certain cross-default provisions and therefore the capital leases are classified as current as of March 31, 2002.

Summary. The aggregate contractual maturities of long-term debt as of March 31, 2002 (which is classified as current on such date) are as follows:

FISCAL YEAR	PRINCIPAL REPAYMENTS
2003	\$27,984
2004	4,547
2005	471
2006	5

Total	\$33,007
	=====

The above schedule of principal repayments includes \$353, \$380, and \$211 for capital leases for IC Sensors for the fiscal years ended 2003, 2004, and 2005, respectively. A portion of this operation, along with the capital leases, was sold as of July, 2002 (see Note 20).

The carrying amounts of the Company's debt instruments approximate fair value as defined under SFAS No. 107 due to the short maturity of such instruments.

Interest rate swap. As a hedge of its interest rate risk associated with the term loan, the Company entered into two Interest Rate Swap Agreements (the "Swaps"). As of March 31, 2002, the Swaps have an initial notional amount of \$14,000 and mature June 2004. The Swaps require the Company to pay a fixed rate of 6.98% (an effective rate of 10.23%) and receive a floating rate of 6.75% (an effective weighted-average floating rate of 10.0%). The notional reduction of the Swaps is as follows:

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

FISCAL YEAR	NOTIONAL REDUCTION (MILLIONS)
2003	2.0
2004	2.0
2005	3.0

As discussed in Note 1, the Company adopted SFAS 133 as of April 1, 2001. The fair value of the outstanding interest rate swap agreements at March 31, 2001 was \$248, or \$0.02 per share, representing the amount that would be payable by the Company if the interest rate swaps were terminated at such date. As of March 31, 2002, the fair market value of the swap of \$315 is included in accrued expenses.

9. SHAREHOLDERS' EQUITY:

The Company is authorized to issue 21,200,000 shares of capital stock, of which 221,756 shares have been designated as serial preferred stock and 20,000,000 shares have been designated as common stock. Each share of common stock has one vote. The Board of Directors has not designated 978,244 authorized shares of preferred stock.

F-22

In December 2001, the Company issued 314,081 shares of its newly issued, unregistered shares of common stock in connection with a private placement with a member of the Board of Directors. The purchase price was \$2,000 or \$6.37 per share, which was an eight percent discount from the average closing price for the twenty trading days preceding December 24, 2001, the effective date of the purchase. These monies which were received in January 2002 were used to fund operations and repay debt. The Company is required to file a registration statement on Form S-3 to register the resale of these shares following the first anniversary from the effective date or as soon as it shall become eligible to use such form.

In August 2001, the Company completed an underwritten offering of 2,530,000 shares of its common stock, including the exercise of the overallotment option. The stock was priced at \$13.50 per share resulting in proceeds of \$30,874, net of underwriting discount of \$2,201 and expenses of \$1,080. Of the proceeds, \$10,669 was used to fund the Terraillon acquisition (see Note 2), and \$9,169 was used to repay outstanding principal on the term loan.

JL is subject to certain Chinese government regulations, including currency exchange controls, which limit cash dividends and loans to ML and MSI. At March 31, 2002 and 2001, JL's restricted net assets approximated \$9,476 and \$6,281, respectively.

10. BENEFIT PLANS:

Defined contribution plans:

MSI has a qualified defined contribution plan under section 401(k) of the Internal Revenue Code. Substantially all of its U.S. employees are eligible to participate after completing three months of service. Participants may elect to contribute a portion of their compensation to the plan. Until April 1, 2002, MSI

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

matched a portion of participants' contributions, at which time the Company decided to suspend the Company's contribution to the 401(k) program. For the years ended March 31, 2002, 2001, and 2000, matching participants' contributions were \$598, \$463, and \$164, respectively. At the discretion of the Board, the Company may make profit sharing contributions. No profit sharing contributions were made for fiscal 2002, 2001, or 2000. Terraillon also maintained defined contribution plans in France and Ireland.

Defined benefit plans:

MSI provides a contributory defined benefit retirement plan for certain Schaevitz United Kingdom employees. As a result of the Company's decision to put its Schaevitz, UK operations in liquidation in the first quarter of fiscal year 2003, the Company will be required to concurrently account for the termination of the retirement plan (see Note 20, Subsequent Events).

The following tables set forth reconciliations of the beginning and ending balances of the benefit obligation, fair value of plan assets, funded status and amounts recognized in the Consolidated Balance Sheets included in other assets related to the defined benefit plans.

F-23

	YEAR ENDED MARCH 31, 2002	2001
	-----	-----
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	\$ 2,862	\$ --
Service cost	285	142
Interest cost	171	115
Benefits paid	(413)	--
Plan participants' contributions	--	37
Acquisition	--	3,458
Actuarial (gain) loss	345	(890)
	-----	-----
Benefit obligation at end of year	\$ 3,250	\$ 2,862
	=====	=====
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	\$ 5,737	\$ --
Actual return on plan assets	(834)	(74)
Benefits paid	(413)	--
Acquisition	--	5,774
Plan participants' contributions	827	37
	-----	-----
Fair value of plan assets at end of year	\$ 5,317	\$ 5,737
	=====	=====
RECONCILIATION OF FUNDED STATUS:		
Funded status	\$ 2,067	\$ 2,678
Unrecognized net actuarial loss (gain)	242	(548)
	-----	-----
Net amount recognized	\$ 2,309	\$ 2,130
	=====	=====

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

At March 31, 2002 and 2001, the net funded status of \$2,309 and \$2,130, respectively, is included in other assets in the consolidated balance sheet.

The assumptions used in determining the projected benefit obligations were as follows:

	YEAR ENDED MARCH 31, 2002	2001
	-----	-----
Weighted-average assumed discount rate	5.9%	6.0%
Expected long-term rate of return on assets used in determining net periodic pension cost	7.3%	7.5%
Rate of compensation increase used to measure the projected benefit obligation	5.0%	4.0%

The net periodic pension cost included the following components:

F-24

	YEAR ENDED MARCH 31, 2002	2001
	-----	-----
Service cost	\$ 285	\$ 142
Interest cost	171	115
Expected return on plan assets	(428)	(267)
	-----	-----
Net periodic pension cost	\$ 28	\$ (10)
	=====	=====

11. RELATED PARTY TRANSACTIONS:

The Company paid approximately \$15 in legal fees to a member of its board of directors during each of the years ended March 31, 2002, 2001 and 2000.

In September 2001, the Company loaned \$125 to a member of its board of directors. The loan, which was subsequently memorialized by a Promissory Note dated August 1, 2002, accrues interest at a rate of 6% per year. Bimonthly payments of principal and interest in the amount of \$1,000 are payable until September 15, 2006. The entire unpaid balance of principal and accrued interest under the note is due and payable on September 15, 2006. The loan is included in other assets.

The Company sublets a residence used by employees in China from an officer and director under a month to month arrangement. Rent expense was approximately \$6,000 for each of the fiscal years ended March 31, 2002, 2001 and 2000.

12. RESTRUCTURING AND OTHER COSTS:

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

During the quarter ended March 31, 2002, management and the Board of Directors approved a plan of reduction of workforce and a reduction of operating capacity at certain locations. The reduction in workforce consisted of approximately 106 employees in the consumer and sensor segments, in addition to the corporate offices. These costs consist of severance costs and the writedown of fixed assets which amounted to \$1,413. As of March 31, 2002 the remaining unpaid balance of accrued severance costs was \$85 and is included in accrued expenses and other current liabilities in the consolidated balance sheet. All other previous amounts provided for have been paid.

Additionally, the Company recorded the following costs:

	March 31, 2002
Write-downs of fixed assets	\$ 458
Severance	955

Total	\$1,413
	=====

13. INCOME TAXES:

Income (loss) before income taxes and the cumulative effect of accounting change consists of the following:

	2002	2001	2000
		AS RESTATED	
		NOTE 3	

Domestic	\$ (24,004)	\$ (533)	\$ 2,384
Foreign	(2,273)	2,738	4,904
	-----	-----	-----
	\$ (26,277)	\$ 2,205	\$ 7,288
	=====	=====	=====

The income tax provision (benefit) consists of the following:

	2002	2001	2000
		AS RESTATED	
		NOTE 3	

CURRENT			
Federal	\$ (132)	\$ 1,139	\$ 939
Foreign	59	691	670
State	(55)	125	140

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Total	(128)	1,955	1,749
DEFERRED			
Federal	\$ 1,689	\$ (769)	\$ 55
Foreign	120	(65)	(47)
State	841	(113)	--
Total	2,650	(947)	8
	\$ 2,522	\$ 1,008	\$ 1,757
	=====	=====	=====

Differences between the federal statutory income tax rate and the effective tax rates are as follows:

	2002	2001	2000
	-----	-----	-----
		As Restated Note 3	
	-----	-----	-----
Statutory tax rate	(34.0)%	34.0%	34.0%
Effect of foreign taxes	3.1	(13.8)	(14.3)
State taxes and other	(0.1)	0.4	4.4
Other nondeductible	--	25.1	--
Valuation allowance	40.6	--	--
	-----	-----	-----
	9.6%	45.7%	24.1%
	=====	=====	=====

The Company's share of cumulative undistributed earnings of its foreign subsidiaries were approximately \$7,100 and \$9,373 at March 31, 2002 and 2001 (as restated), respectively. No provision has been made for U.S. or additional foreign taxes on the undistributed earnings of foreign subsidiaries because such earnings are expected to be reinvested indefinitely in the subsidiaries' operations. It is not practical to estimate the amount of additional tax that might be payable on these foreign earnings in the event of

F-26

distribution or sale. However, under existing law, foreign tax credits would be available to substantially reduce, or in some cases, eliminate U.S. taxes payable.

Pursuant to current Chinese tax policies, JL qualifies for a special state corporate tax rate of 15 percent. Additionally, because JL has agreed to operate in China for a minimum of ten years, a tax holiday (which expired on March 31, 1998) was available for two years, and a 50 percent tax rate reduction to 7.5 percent (which expired on March 31, 2001) was available for the three years thereafter. In July 2001, JL was granted and treated as an advanced technology enterprise. As a result, JL is entitled to a 50 percent tax rate reduction to 7.5 percent for the following three years. The Hong Kong corporate tax rate, at which ML's earnings are taxed, is 16 percent.

The significant components of the net deferred tax assets consist of the following:

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

	YEAR ENDED MARCH 31,	
	2002	2001
		As Restated Note 3
CURRENT DEFERRED TAX ASSETS (LIABILITIES):		
Accrued expenses	\$ 574	\$ 488
Inventory	1,622	682
Accounts receivable allowance	641	785
Other	144	174
Valuation allowance	(2,981)	--
Total	\$ --	\$ 2,129
LONG-TERM DEFERRED TAX ASSETS (LIABILITIES):		
Basis difference in acquired property and equipment	\$ 2,648	\$ 2,648
Net operating loss carryforward	7,639	--
Other	(254)	(93)
Valuation allowance	(10,034)	(500)
Total	\$ --	\$ 2,055

The Company has a pretax loss for financial reporting purposes. Recognition of deferred tax assets will require generation of future taxable income. As there can be no assurance that the Company will generate earnings in future years, the Company has established a valuation allowance on deferred tax assets of approximately \$13,015 and \$500 as of March 31, 2002 and 2001, respectively.

The Company has federal net operating loss carryforwards of approximately \$13,390, which expire beginning in fiscal year 2022. The utilization of these net operating loss carryforwards may be significantly limited under the Internal Revenue Code as a result of ownership changes due to the Company's stock and other equity offerings.

The Company has net operating loss carryforwards for state tax purposes of approximately \$6,760 which expire beginning in fiscal years ending 2010.

F-27

The Company has current year net operating losses from its foreign operations of approximately \$9,300 which begin to expire in 2007.

A portion of the Company's deferred tax valuation allowance, when reduced, will be allocated to additional paid in capital (\$2,153).

14. PER SHARE INFORMATION:

Basic per share information is computed based on the weighted-average common shares outstanding during each period. Diluted per share information additionally considers the shares that may be issued upon exercise or conversion of stock options, less the shares that may be repurchased with the funds received from their exercise. Potentially dilutive securities are not included in earnings per share for the year ended March 31, 2002, as their inclusion

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

would be antidilutive.

The following is a reconciliation of the numerators and denominators of basic and diluted EPS computations:

	INCOME (LOSS) (NUMERATOR)	WEIGHTED AVERAGE SHARES (000) (DENOMINATOR)	PER-SHARE AMOUNT
	-----	-----	-----
March 31, 2002			
Basic per share information	\$ (29,047)	10,531	\$ (2.76)
Effect of dilutive securities	--	--	
	-----	-----	
Diluted per-share information	\$ (29,047)	10,531	\$ (2.76)
	=====	=====	
MARCH 31, 2001			
Basic per share information	\$ 1,197	8,144	\$ 0.15
Effect of dilutive securities	--	901	
	-----	-----	
Diluted per-share information	\$ 1,197	9,045	\$ 0.13
	=====	=====	
MARCH 31, 2000			
Basic per share information	\$ 5,531	7,612	\$ 0.73
Effect of dilutive securities	--	1,084	
	-----	-----	
Diluted per-share information	\$ 5,531	8,696	\$ 0.64
	=====	=====	

For the year ended March 31, 2002, an aggregate of 446,000 options were excluded from the earnings per share calculation because the effect would be antidilutive. No options were excluded in the years ended March 31, 2001 or 2000.

15. STOCK OPTION PLANS:

Options to purchase up to 1,828,000 common shares may be granted under MSI's 1995 Stock Option Plan and its predecessor plan (together the "1995 Plan"), until its expiration on September 8, 2005. Shares issuable under 1995 Plan grants which expire or otherwise terminate without being exercised become available for later issuance. All shares eligible for grant were issued prior to April 1, 1999.

Options to purchase up to 1,500,000 shares may be granted under the Company's 1998 Stock Option Plan, (the "1998 Plan") until its expiration on October 19, 2008. Shares issuable under 1998 Plan grants which expire or otherwise terminate without being exercised become available for later issuance. The aggregate

numbers of shares available for grants of options under the 1998 Plan were 661,558 and 639,008 as of March 31, 2002 and March 31, 2001, respectively. A

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

total of 728,438 and 818,692 options to purchase shares were outstanding at March 31, 2002 and March 31, 2001, respectively.

Options under all Plans generally vest over service periods of up to five years, and expire no later than ten years from the date of grant. Options may, but need not, qualify as "incentive stock options" under section 422 of the Internal Revenue Code. Tax benefits are recognized upon nonqualified exercises and disqualifying dispositions of shares acquired by qualified exercises. There were no changes in the exercise prices of outstanding options, through cancellation and reissuance or otherwise, for 2002, 2001, or 2000.

A summary of the status of stock options as of March 31, 2002, 2001, and 2000 and changes during the years ended on those dates is presented below:

	NUMBER OF SHARES		WEIGHTED-AVERAGE EXERCISE PRICE
	OUTSTANDING	EXERCISABLE	OUTSTANDING
March 31, 1999	1,658,200	988,532	1.88
Granted at market	130,450		6.42
Forfeited	(52,000)		2.23
Exercised	(652,266)		1.75

MARCH 31, 2000	1,084,384	601,400	2.50
Granted at market	466,600		15.67
Forfeited	(13,800)		8.81
Exercised	(337,300)		2.33

MARCH 31, 2001	1,199,884	458,044	7.60
Granted at market	222,300		15.10
Forfeited	(190,080)		11.53
Exercised	(182,434)		2.35

MARCH 31, 2002	1,049,670	514,660	9.39
	=====		

Summarized information about stock options outstanding at March 31, 2002 follows:

Number of underlying shares		Exercise		Weighted-average Exercise price	
Outstanding	Exercisable	Price Range		Outstanding	Exercisable
475,570	337,700	\$ 1.38	\$ 6.19	\$ 2.21	\$ 9.39
58,000	32,200	\$ 8.34	\$12.63	\$ 8.96	\$ 11.53
516,100	144,760	\$14.19	\$24.88	\$16.06	\$ 15.10
	-----			-----	-----
1,049,670	514,660			\$ 9.39	\$ 9.39
	=====			=====	=====

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Had the Company adopted the fair value based method for employee stock options at grant dates, the Company's pro forma net income (loss) for 2002, 2001, and 2000 would have been reduced to \$(29,186), (\$(2.77) per basic share and \$(2.77) per diluted share), \$187 (\$0.02 per basic share and \$0.02 per diluted share), and \$5,257 (\$.69 per basic share and \$.60 per diluted share), respectively. Based on calculations using the Black-Scholes option pricing model, the weighted-average fair value of options granted in 2002, 2001, and 2000 at the date of grant was \$9.03, \$7.93, and \$3.68 per share, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model

F-29

(single grant assumption with straight-line amortization) with the following weighted-average assumptions:

	2002 -----	2001 -----	2000 -----
Expected volatility	90.0%	53.0%	63.0%
Risk-free interest rate	4.9%	5.8%	5.9%
Dividend yield	--	--	--
Expected life in years	5.0	5.0	5.0

16. COMMITMENTS AND CONTINGENCIES:

LEASES. The Company leases certain property and equipment under noncancellable operating leases expiring on various dates through July 2011. Rent expense, including real estate taxes, insurance and maintenance expenses associated, with net operating leases approximated \$3,032 for 2002, \$1,864 for 2001, and \$1,050 for 2000. At March 31, 2002, total minimum rentals under leases with initial or remaining noncancellable lease terms of more than one year were:

YEAR ENDING MARCH 31, -----	
2003	\$ 2,789
2004	1,803
2005	1,501
2006	1,106
2007	884
Thereafter	

Approximately \$353 of such lease commitments in 2003, \$380 in 2004, and \$211 in 2005, ceased when the Company sold the assets relating to its silicon wafer manufacturing facility in Milpitas, CA in July 2002. The lease for this facility was assumed by the buyer of these assets. See Note 20.

LEGAL. Class Action Lawsuits. On March 20, 2002, a class action lawsuit was filed on behalf of purchasers of the Company's common stock in the United States District Court for the District of New Jersey against Measurement Specialties

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

and certain of the Company's present and former officers and directors. The complaint was subsequently amended to include the underwriters of the Company's August 2001 public offering and the Company's former auditors. The lawsuit alleges violations of the federal securities laws including, among other things, that the registration statement related to the Company's August 2001 public offering and the Company's periodic SEC filings misrepresented or omitted material facts and that certain of the Company's officers made false or misleading statements of material fact. The lawsuit seeks an unspecified award of money damages. After March 20, 2002, nine additional similar class actions were filed in the same court. The ten lawsuits have been consolidated into one case under the caption In re: Measurement Specialties, Inc. Securities Litigation, 02 Civ. No. 1071 (D.N.J.). Plaintiffs filed a Consolidated Amended Complaint on September 12, 2002. The Company must file a responsive pleading by November 11, 2002.

The Company is currently in the process of responding to the claims made in the class action lawsuit, and intends to defend the foregoing lawsuit vigorously, but cannot predict the outcome and is not currently able to evaluate the likelihood of success or the range of potential loss, if any. However, if the Company were to lose this lawsuit, judgment would likely have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. The Company maintains Directors and Officers insurance policies that provide an aggregate coverage of \$10,000 for the period during which the claims were filed, but cannot evaluate at this time whether such coverage will be available or adequate to cover losses, if any, arising out of this litigation.

F-30

SEC Investigation. In February 2002, the Company, at its own initiative, contacted the staff of the SEC after discovering that the Company's former Chief Financial Officer misrepresented to senior management, the Board and the Company's auditors that a waiver of the covenant default under the Company's credit agreement had been obtained when, in fact, the lenders refused to grant such a waiver. Since February 2002, the Company and a Special Committee formed by its Board of Directors have been cooperating with the staff of the SEC. In June 2002, the staff of the Division of Enforcement of the SEC informed the Company that it is conducting a formal investigation relating to matters reported in the Company's quarterly report on Form 10-Q for the quarter ended December 31, 2001. The Company cannot predict how long the SEC investigation will continue or its outcome.

United States Attorney Inquiry.

The Company has also learned that the Office of the United States Attorney for the District of New Jersey is conducting an inquiry into the same matters that are being investigated by the SEC. The Company cannot predict how long the United States Attorney's inquiry will continue or its outcome.

Other Litigation.

In re Service Merchandise Company, Inc. (Service Merchandise Company, Inc. v. Measurement Specialties, Inc.), United States Bankruptcy Court for the Middle District of Tennessee, Nashville Division, Case No. 399-02649, Adv. Pro. No. 301-0462A

The Company is currently a the defendant in a lawsuit filed in March 2001 by Service Merchandise Company, Inc. ("SMC") and its related debtors (collectively, the "Debtors") in the context of the Debtors' Chapter 11 bankruptcy proceedings. The Bankruptcy Court entered a stay of the action in May 2001, which was lifted in February 2002. Citing 11 U.S.C. Section 547(b), the action alleges that the

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Company received \$645 from one or more of the Debtors during the ninety (90) day period before the Debtors filed their bankruptcy petitions, that the transfers were to the Company's benefit, were for or on account of an antecedent debt owed by one or more of the Debtors, made when one or more of the Debtors were insolvent, and that the transfers allowed the Company to receive more than it would have received if the cases were cases under Chapter 7 of the United States Bankruptcy Code. The action seeks to disgorge the sum of \$645 from the Company. It is not possible at this time to predict the outcome of the litigation or estimate the extent of any damages that could be awarded in the event that the Company is found liable to the estates of SMC or the other Debtors.

Robert L. DeWelt v. Measurement Specialties, Inc. et al., United States District Court, District of New Jersey, Civil Action No. 02-CV-3431.

On July 17, 2002, the Company's former acting Chief Financial Officer and general manager of the Company's Schaevitz Division, filed a lawsuit against the Company and certain of its officers and directors. The lawsuit alleges a claim for constructive wrongful discharge and violations of the New Jersey Conscientious Employee Protection Act. The former Chief Financial Officer seeks an unspecified amount of compensatory and punitive damages. The Company has filed a Motion to Dismiss for which a hearing is scheduled on November 12, 2002. At this early point in the litigation, we cannot predict its outcome.

Terraillon Stock Purchase. On or about July 23, 2002, Hibernia Capital Partners I, ilp and Hibernia Capital Partners II, ilp filed a lawsuit against the Company in the High Court of Dublin. The Plenary Summons states that plaintiffs seek a declaration that the plaintiffs entered into the share purchase agreement on June 7, 2001 for the sale of their shares in Terraillon Holdings Limited to Measurement Specialties as a result of an operative misrepresentation and misstatement. Plaintiffs further seek damages for misrepresentation and/or breach of contract and/or breach of warranty and costs of the proceedings. On August 9, 2002, the Company entered an Appearance, which is the equivalent of the acceptance of service of process. On August 22, 2002, plaintiffs filed a Statement of Claim, which is the equivalent of a Complaint. The Company is still engaged in the initial pleadings process wherein

F-31

plaintiffs' claims and our defenses will be set forth in detail. The Company intends to defend the foregoing lawsuit vigorously, but cannot predict the outcome and are not currently able to evaluate the likelihood of success or the range of potential loss, if any.

The Company has other litigation occurring in the normal course of its business. The Company does not believe that this litigation will have a material effect on financial position or results of operations.

17. SEGMENT INFORMATION:

The Company's reportable segments are strategic business units that operate in different industries and are managed separately. Management has organized the business based on the nature of the products and services. For a description of the products and services included in each segment, see Note 1.

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies.

The Company has no material intersegment sales.

At March 31, 2002 the foreign subsidiaries' total assets aggregated \$53,108 of which \$5,431 was in the United Kingdom, \$27,985 was in France and Ireland, \$5,239 was in Hong Kong and \$14,453 was in China. At March 31, 2001 the foreign

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

subsidiaries' total assets aggregated \$24,935 of which \$9,796 was in the United Kingdom, \$4,789 was in Hong Kong and \$10,350 in China. The Company is potentially subject to the risks of foreign currency transaction and translation losses, which might result from fluctuations in the values of the Hong Kong dollar and the Chinese renminbi. The foreign subsidiaries' operations reflect intercompany transfers of costs and expenses, including interest on intercompany trade receivables, at amounts established by the Company.

The following is information related to industry segments:

F-32

	2002 -----	2001 ----- As Restated Note 3 -----
Net sales:		
Consumer Products	\$ 76,395	\$ 53,027
Sensors	56,224	48,948
	-----	-----
Total	\$ 132,619	\$ 101,975
	=====	=====
 Operating income		
Consumer Products	\$ 4,487	\$ 9,089
Sensors	(18,655)	916
	-----	-----
Total segment operating income (loss)	(14,168)	10,005
Unallocated expenses	(8,987)	(5,459)
	-----	-----
Total operating income (loss)	(23,155)	4,546
Interest expense, net of interest income	(2,681)	(2,634)
Other (expense) income	(441)	293
	-----	-----
Income (loss) before taxes and cumulative effect of accounting change	\$ (26,277)	\$ 2,205
	=====	=====
 Depreciation and amortization:		
Consumer Products	\$ 1,430	\$ 1,018
Sensors	3,547	1,823
	-----	-----
Total	\$ 4,977	\$ 2,841
	=====	=====
 Segment assets:		
Consumer Products	\$ 43,617	\$ 19,229
Sensors	43,801	55,425
Unallocated	2,194	2,825
	-----	-----
Total	\$ 89,612	\$ 77,479
	=====	=====
 Capital expenditures:		
Consumer Products	\$ 687	\$ 1,455
Sensors	1,679	4,198

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Total	----- \$ 2,366 =====	----- \$ 5,653 =====
-------	----------------------------	----------------------------

Unallocated assets consist mainly of cash and other assets not attributable to any reportable segment. Unallocated expenses consist of general corporate expenses.

Geographic information for revenues, based on country of origin, and long-lived assets which included property, plant and equipment, goodwill and other intangibles, net of related depreciation and amortization follows:

F-33

	2002 -----	2001 ----- As Restated -----	2000 -----
Net sales:			
Germany	\$ 15,453	\$ 11,046	\$ 9,835
France	15,193	1,394	846
Other Europe	15,184	14,279	5,011
Other	16,994	9,155	1,351
United States	69,795	66,101	42,954
	-----	-----	-----
Total	\$132,619 =====	\$101,975 =====	\$ 59,997 =====

Long-lived assets by jurisdiction are as follows:

	2002 -----	2001 ----- As Restated -----	2000 -----
Hong Kong	\$ 2,013	\$ 1,447	\$ 707
China	7,451	6,686	1,936
France	14,390	--	--
United Kingdom	2,070	5,887	--
United States	12,640	20,336	16,038
	-----	-----	-----
Total	\$38,564 =====	\$34,356 =====	\$18,681 =====

18. CONCENTRATIONS:

Financial instruments which potentially subject the Company to significant concentrations of credit risk are principally are cash trade accounts receivable and interest rate swaps and foreign currency options and forwards.

The Company generally maintains its cash and cash equivalents at major financial

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

institutions in the United States, United Kingdom, France, Hong Kong and China. Cash held in foreign institutions amounted to \$930 and \$487 at March 31, 2002 and 2001, respectively. The Company periodically evaluates the relative credit standing of financial institutions considered in its cash investment strategy.

Accounts receivable are concentrated in United States and European distributors and retailers of consumer products. To limit credit risk, the Company evaluates the financial condition and trade payment experience of customers to whom credit is extended. The Company generally does not require customers to furnish collateral, though certain foreign customers furnish letters of credit.

The Company manufactures the substantial majority of its sensor products, and most of its sensor subassemblies used in its consumer products, in leased premises located in Shenzhen, China. Sensors are also manufactured at the Company's United States facilities located in Virginia, California, and Pennsylvania and its Slough, United Kingdom facility. Additionally, certain key management, sales and support activities are conducted at leased premises in France and Hong Kong. Substantially all of the Company's consumer products are assembled in China, primarily by a single supplier, River Display, Ltd. ("RDL"), although the Company is utilizing alternative Chinese assemblers. There are no agreements which would require the Company to make minimum payments to RDL, nor is RDL obligated to maintain capacity available for the Company's benefit, though the Company accounts for a significant portion of RDL's revenues. Additionally, most of the Company's products contain key components which are obtained from a limited number of sources. These concentrations in external and foreign sources of supply present risks of interruption for reasons beyond the Company's control, including, with respect to China, political, economic and legal uncertainties.

F-34

A United States manufacturer and distributor of electric housewares accounted for 10% and 19% of total net sales for the fiscal years ended March 31, 2001 and 2000, respectively. A German distributor of diversified housewares accounted for 10% and 14% of total net sales for the fiscal years ended March 31, 2001 and 2000, respectively. Both customers are in the Company's Consumer Products segment. There were no customers who accounted for more than 10% of total sales for the year ended March 31, 2002.

19. QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Presented below is a schedule of selected restated quarterly operating results (see Note 3).

	FIRST QUARTER ENDED JUNE 30 -----	SECOND QUARTER ENDED SEPT. 30 -----	THIRD QUARTER ENDED DEC. 31 -----	FOURTH Q ENDED MA -----
YEAR ENDED MARCH 31, 2002				
AS REPORTED				
Net sales	\$25,871	\$34,868	\$43,022	\$29,777
Gross profit	10,699	8,682	420	7,420
Net income (loss)	1,351	(3,811)	(11,346)	(18,777)
Income (loss)				
EPS basic	0.16	(0.37)	(0.98)	(0.98)
EPS diluted	0.15	(0.37)	(0.98)	(0.98)
AS RESTATED				

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

Net sales	\$25,658	\$34,399	\$42,190	\$30
Gross profit	6,718	7,991	11,838	8
Net income (loss)	(2,545) (2)	(5,835)	(1,935)	(18)
Income (loss)				
EPS basic	(0.29)	(0.57)	(0.17)	(
EPS diluted	(0.29)	(0.57)	(0.17)	(

YEAR ENDED MARCH 31, 2001

AS REPORTED				
Net sales	\$16,302	\$28,237	\$34,330	\$24
Gross profit	7,511	11,999	13,936	10
Net income (loss)	1,196	2,816	3,148	1
Income (loss)				
EPS basic	0.30	0.35	0.38	
EPS diluted	0.27	0.32	0.35	

AS RESTATED				
Net sales	\$16,154	\$28,277	\$34,438	\$23
Gross profit	5,369	11,689	10,087	7
Net income (loss)	(1,703)	1,821	213	
Income (loss)				
EPS basic	(0.43)	0.23	0.03	
EPS diluted	(0.43)	0.21	0.02	

F-35

(1) Not previously reported.

(2) Includes cumulative effect of accounting change.

Earnings per share are computed independently for each of the quarters presented, on the basis described in Note 14. The sum of the quarters may not be equal to the full year earnings per share amounts.

20. SUBSEQUENT EVENTS (UNAUDITED):

During June 2002, the Board of Directors approved a second restructuring program with the aim of reducing costs, streamlining operations and generating cash to repay the Company's Lenders. In connection with this restructuring program, the Company has taken the following actions:

UK Operations. The Company placed its United Kingdom subsidiary, Schaevitz, UK, into receivership on June 5, 2002 pursuant to the terms of a Mortgage Debenture dated February 28, 2001, as the Company was no longer in a position to support its losses. The receiver's function was to dispose of Schaevitz, UK's business and assets for the best price possible. The book debt recoveries and sale proceeds were applied in settlement of the receiver's remuneration, costs and expenses, the preferential creditors' claims, (i.e. the claims of the Inland Revenue, Customs & Excise and employee claims up to certain statutory limits) and then to (i) claims by our lenders in accordance with UK insolvency legislation (the Insolvency Act 1986) and (ii) priority arrangements. Schaevitz, UK's landlord has a potential dilapidations claim of up to 350,000 pounds sterling (approximately \$549,000 United States dollars based on market exchange rates as of October 8, 2002) against Schaevitz, UK that arose on the expiration of the lease of 543/544 Ipswich Road Trading Estate, Slough, Berkshire, England on June 23, 2002. The Company is currently in negotiations with the landlord regarding this matter.

IC Sensors. In July 2002, the Company sold the assets related to its silicon

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

wafer fab manufacturing operation in Milpitas, California to Silicon Microstructures, Inc. (SMI), a wholly-owned subsidiary of Elmos Semiconductor AG. The wafer fab operation was formerly part of the Company's IC Sensors division. The price paid by SMI for the assets was approximately \$5,250, consisting of approximately \$3,370 in cash and \$1,880 in prepaid credit for products and services, subject to reduction under certain circumstances. Approximately \$1,000 of the cash purchase price was used to satisfy an outstanding equipment lease obligation. The prepaid credits for products and services, if utilized, will be accounted for as a component of our wafer costs. The estimated gain on this sale is approximately 150, net of tax.

Terraillon. In September 2002, we sold all of the outstanding stock of Terraillon Holdings Limited, a European manufacturer of branded consumer bathroom and kitchen scales, to Fukuda (Luxembourg) S.a.r.l., an investment holding company incorporated in Luxembourg, for approximately \$22,300. Approximately \$2,282 of the purchase price will be held in escrow until January 24, 2003 to secure payment of certain purchase price adjustments, if any. The estimated gain on this sale is approximately \$1,500, net of tax.

Corporate Revitalization Partners. In May 2002, the Company retained Corporate Revitalization Partners (CRP) to conduct its ongoing operational/financial restructuring efforts. In June 2002, Frank Guidone, Managing Director of CRP, became the Company's chief executive officer. As of October 8, 2002, the Company has incurred \$1,200 in consulting fees to CRP (excluding the success fees described in the following sentence). In addition to consulting fees based on hours billed by CRP consultants, there is a "success fee" consisting of \$50 and a warrant exercisable to purchase 43,860 shares of the Company's common stock (at an exercise price of \$2.28 per share) that is payable upon the occurrence of each of the following three events:

- the successful negotiation and execution of an extended forbearance agreement with the Company's lenders (this agreement has been executed);
- the Company's compliance as of September 30, 2002 with the terms of the forbearance agreement with its lenders (the Company was in compliance with the forbearance agreement as of September 30, 2002); and
- the repayment of all amounts due to the Company's existing senior lenders and refinancing of the Company's debt on or before November 1, 2002.

F-36

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
YEAR ENDED MARCH 31, 2002, 2001, AND 2000

Col. A	Col. B	Col. C	Col. D
Description	Balance at Beginning Of Period	Additions	Deductions

Edgar Filing: MEASUREMENT SPECIALTIES INC - Form 10-K/A

		(1) Charged to Costs and Expenses	(2) Charged to Other Accounts -- Describe	

Year ended March 31, 2002*				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 914	\$ 1,158	\$ --	\$
Sales return reserve	337	876	--	
Inventory allowance	2,628	3,762	--	
Valuation allowance for deferred taxes	500	12,515	--	

Year ended March 31, 2001*				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 318	\$ 698	\$ --	
Sales return reserve	80	380	--	
Inventory allowance	2,897	(269)	--	
Valuation allowance for deferred taxes	500	--	--	

Year ended March 31, 2000				
Deducted from asset accounts:				
Allowance for doubtful accounts	\$ 326	\$ (8)	\$ --	\$
Sales return reserve	63	17	--	
Inventory allowance	1,195	1,702	--	
Valuation allowance for deferred taxes	--	500	--	

- (a) Bad debts written off, net of recoveries
(b) Actual returns received

* As Restated