

AZZ INC
Form 10-K/A
July 10, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

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

For the fiscal year ended February 28, 2007

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: 1-12777

AZZ incorporated

(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of
incorporation or organization)

75-0948250
(I.R.S. Employer
Identification No.)

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University Centre I, Suite 200

1300 South University Drive

Fort Worth, Texas
(Address of principal executive offices)

76107
(Zip Code)

(817) 810-0095

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 par value per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 31, 2006 (the last business day of its most recently completed second fiscal quarter), the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$153,633,396 based on the closing sale price of \$30.75 per share as reported on the New York Stock Exchange (For purposes of determining the above stated amount, only the directors, executive officers and 10% or greater shareholders of the registrant have been deemed affiliates; however, this does not represent a conclusion by the registrant that any or all such persons are affiliates of the registrant).

As of February 28, 2007, there were 11,654,164 shares of the registrant's common Stock (\$1.00 par value) outstanding, after giving effect to our two-for-one stock split, effective in the form of a share dividend on May 4, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

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Document	Parts Into Which Incorporated
Proxy Statement for the 2007 Annual Meeting of Shareholders to be held July 10, 2007	Part III

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EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of AZZ incorporated (the Company) for the fiscal year ended February 28, 2007 is being filed solely to include the report and consent of the Company's previous independent registered public accounting firm Ernst & Young LLP, which audited the financial statements of the Company for the Company's fiscal year ended February 28, 2006 and February 28, 2005. The report and consent were inadvertently omitted from the Company's Form 10-K filed on May 14, 2007 with the Securities and Exchange Commission.

Except as described above, no other changes have been made to the original Form 10-K, and this Form 10-K/A does not amend, update, or change the financial statements or any other items or disclosures in the original Form 10-K. This Form 10-K/A does not reflect events occurring after the filing of the Form 10-K or modify or update those disclosures, including any exhibits to the Form 10-K affected by subsequent events. Information not affected by the changes described above is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-K on May 14, 2007. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-K, including any amendments to those filings.

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PART II

Item 8. Financial Statements and Supplementary Data.

The Index to our Consolidated Financial Statements is found on page 4. Our Financial Statements and Notes to these Consolidated Financial Statements follow the index.

Item 15. Exhibits and Financial Statement Schedules.

A. Financial Statements

1. The financial statements filed as a part of this report are listed in the Index to Consolidated Financial Statements on page 4.

2. Financial Statements Schedules

Schedule II Valuation and Qualifying Accounts and Reserves filed as a part of this report is listed in the Index to Consolidated Financial Statements on page 4.

Schedules and compliance information other than those referred to above have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and the notes thereto.

B. Exhibits Required by Item 601 of Regulation S-K

A list of the exhibits required by Item 601 of Regulation S-K and filed as part of this report is set forth in the Index to Exhibits beginning on page 31, which immediately precedes such exhibits.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AZZ incorporated
(Registrant)

Date: 7/9/2007

By: /s/ Dana L. Perry
Dana L. Perry, Principal Financial Officer and Director

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Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, (COSO). Based on our evaluation under the framework in COSO, our management concluded that our internal control over financial reporting was effective as of February 28, 2007. Our management's assessment of the effectiveness of our internal control over financial reporting as of February 28, 2007, has been audited by BDO Seidman LLP, an independent registered public accounting firm, as stated in their report included herein. Management's assessment of and conclusion of the effectiveness of internal control over financial reporting did not include the internal controls of Witt Galvanizing, which was acquired on November 1, 2006, and which is included in the consolidated balance sheet of AZZ incorporated as of February 28, 2007, and related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. Witt Galvanizing constituted less than 10% of revenues and net income for the year then ended. Management did not assess the effectiveness of internal controls over financial reporting of Witt Galvanizing because of the timing of the acquisition, which was completed on November 1, 2007.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

AZZ incorporated

Fort Worth, Texas

We have audited the accompanying consolidated balance sheet of AZZ incorporated as of February 28, 2007 and the related consolidated statements of income, shareholders' equity, and cash flows for the year ended February 28, 2007 and the schedule listed in Item 15 of this Form 10-K. We have also audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that AZZ incorporated maintained effective internal control over financial reporting as of February 28, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). AZZ incorporated's management is responsible for these financial statements, financial statement schedule, and for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these financial statements, financial statement schedule, management's assessment and on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement and schedule. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As discussed in Note 1 to the consolidated financial statements, AZZ incorporated changed its method of accounting for share-based payment arrangements in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-based Payment*, effective March 1, 2006.

In our opinion, the consolidated financial statements and financial statement schedule referred to above present fairly, in all material respects, the financial position of AZZ incorporated at February 28, 2007 and the results of its operations and its cash flows for the period ended February 28, 2007, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management's assessment that AZZ

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incorporated maintained effective internal control over financial reporting as of February 28, 2007, is fairly stated, in all material respects, based on the COSO criteria. Furthermore in our opinion, AZZ incorporated maintained, in all material respects, effective internal control over financial reporting as of February 28, 2007, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Witt Galvanizing, which was acquired on November 1, 2006, and which is included in the consolidated balance sheets of AZZ incorporated as of February 28, 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. Witt Galvanizing constituted less than 10% of total assets as of February 28, 2007, and less than 10% of revenues and net income, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of Witt Galvanizing because of the timing of the acquisition which was completed on November 1, 2006. Our audit of internal control over financial reporting of AZZ incorporated also did not include an evaluation of the internal control over financial reporting of Witt Galvanizing.

/s/ BDO SEIDMAN, LLP
BDO SEIDMAN, LLP
Dallas, Texas

July 9, 2007

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

AZZ incorporated

We have audited the accompanying consolidated balance sheet of AZZ incorporated as of February 28, 2006 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended February 28, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15A.2 for each of the two years in the period ended February 28, 2006. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AZZ incorporated at February 28, 2006 and the consolidated results of its operations and its cash flows for each of the two years in the period ended February 28, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the financial statement schedule for each of the two years ended February 28, 2006, referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young, LLP

Fort Worth, Texas

April 14, 2006

Table of Contents**AZZ incorporated****CONSOLIDATED STATEMENTS OF INCOME**

Years ended February 28, 2007, February 28, 2006 and February 28, 2005

	2007	2006	2005
Net sales	\$ 260,343,667	\$ 187,184,093	\$ 152,427,904
Costs and expenses:			
Cost of sales	193,411,001	149,855,108	123,903,334
Selling, general, and administrative	31,948,452	23,898,755	19,622,388
Net (gain) loss from sale of or insurance settlement on property, plant and equipment	(586,001)	22,208	35,187
Interest expense	1,495,442	1,689,169	1,636,884
Other income	(524,973)	(312,346)	(344,045)
Other expenses			167,645
	225,743,921	175,152,894	145,021,393
Income before income taxes and accounting changes	34,599,746	12,031,199	7,406,511
Income tax expense	12,910,182	4,204,312	2,594,496
Income before cumulative effect of changes in accounting principles	\$ 21,689,564	\$ 7,826,887	\$ 4,812,015
Cumulative effect of change in accounting principles (net of tax of \$50,667)	85,344		
Net Income	\$ 21,604,220	\$ 7,826,887	\$ 4,812,015
Earnings per common share:			
Basic earnings per share before effect of change in accounting	\$ 1.87	\$.70	\$.44
Cumulative effect of change in accounting	\$.01		
Basic earnings per share after effect of change in accounting	\$ 1.86	\$.70	\$.44
Diluted earnings per share before effect of change in accounting	\$ 1.83	\$.69	\$.44
Cumulative effect of change in accounting	\$.01		
Diluted earnings per share after effect of change in accounting	\$ 1.82	\$.69	\$.44
Weighted average number common shares	11,599,428	11,168,156	10,888,360
Weighted average number common shares and potentially dilutive common shares	11,838,612	11,316,084	11,033,358

See accompanying notes.

Table of Contents**AZZ incorporated****CONSOLIDATED BALANCE SHEETS**

February 28, 2007 and February 28, 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,703,092	\$ 1,258,945
Accounts receivable, net of allowance for doubtful accounts of \$670,000 in 2007 and \$400,000 in 2006	50,277,554	32,007,274
Inventories	45,487,266	24,137,216
Costs and estimated earnings in excess of billings on uncompleted contracts	8,286,324	2,499,200
Deferred income taxes	4,224,294	2,093,119
Prepaid expenses and other	1,988,834	1,455,217
Total current assets	111,967,364	63,450,971
Property, plant, and equipment, at cost:		
Land	2,992,863	2,225,058
Buildings and structures	31,981,329	28,626,646
Machinery and equipment	43,183,977	36,723,494
Furniture, fixtures, software and computers	8,395,328	7,650,770
Automotive equipment	1,927,445	1,755,371
Construction in progress	4,790,693	1,027,768
	93,271,635	78,009,107
Less accumulated depreciation	(46,643,316)	(42,311,802)
Net property, plant, and equipment	46,628,319	35,697,305
Goodwill	40,962,104	40,962,104
Other assets	1,349,791	915,791
	\$ 200,907,578	\$ 141,026,171

Table of Contents**AZZ incorporated****CONSOLIDATED BALANCE SHEETS (Continued)**

February 28, 2007 and February 28, 2006

	2007	2006
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 25,316,165	\$ 15,840,980
Income tax payable	688,000	862,472
Accrued salaries and wages	5,025,508	3,620,099
Other accrued liabilities	13,716,603	5,271,731
Customer advance payment	2,900,702	2,039,386
Billings in excess of costs and estimated earnings on uncompleted contracts	2,067,945	2,398,840
Long-term debt due within one year		5,500,000
Total current liabilities	49,714,923	35,533,508
Long-term debt due after one year	35,200,000	14,375,000
Deferred income taxes	4,844,405	3,849,022
Commitments and Contingencies		
Shareholders' equity:		
Common stock, \$1 par value; 25,000,000 shares authorized; 12,609,160 shares issued at February 28, 2007 and February 28, 2006	12,609,160	12,609,160
Capital in excess of par value	11,086,703	9,608,026
Retained earnings	91,861,526	70,257,305
Cumulative other comprehensive income	28,621	44,226
Less common stock held in treasury, at cost (954,996 shares in 2007 and 1,129,500 shares in 2006)	(4,437,760)	(5,250,076)
Total shareholders' equity	111,148,250	87,268,641
	\$ 200,907,578	\$ 141,026,171

See accompanying notes.

Table of Contents**AZZ incorporated****CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended February 28, 2007, February 28, 2006 and February 28, 2005

	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 21,604,220	\$ 7,826,887	\$ 4,812,015
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,478,441	5,535,362	5,492,439
Amortization	181,203	184,304	160,437
Non-cash compensation expense	763,957	141,200	125,000
Non-cash interest expense	155,841	166,696	219,619
Provision for doubtful accounts	450,796	(596,205)	495,037
Deferred income tax expense (benefit)	(1,127,389)	477,126	735,869
Cumulative effect of change in accounting principle	85,344		
Net (gain) loss on insurance settlement or sale of property, plant and equipment	(586,001)	22,208	35,187
Effects of changes in operating assets and liabilities:			
Accounts receivable	(16,126,028)	(5,471,524)	(4,537,320)
Inventories			