

ABLEST INC
Form 10-Q
November 07, 2005

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

**þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 25, 2005**

or

**o 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 1-10893

Ablest Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

65-0978462

(I.R.S. Identification No.)

1901 Ulmerton Road, Suite 300

Clearwater, Florida 33762

(727) 299-1200

(Address, including zip code, and telephone number, including area code, of principal executive offices)

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 whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

The number of outstanding shares of the registrant's Common Stock at September 25, 2005 was 2,892,368.

ABLEST INC.
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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ABLEST INC.
Condensed Balance Sheets
(amounts in thousands except share and per share data)

| | September 25, 2005 (Unaudited) | December 26, 2004 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 3,305 | \$ 1,357 |
| Accounts receivable, net | 16,993 | 16,783 |
| Prepaid expenses and other current assets | 448 | 160 |
| Current deferred tax asset | 1,369 | 1,369 |
| Total current assets | 22,115 | 19,669 |
| Property, plant and equipment, net | 583 | 543 |
| Deferred tax asset | 2,506 | 3,208 |
| Goodwill | 1,283 | 1,283 |
| Other assets | 45 | 40 |
| Total assets | \$ 26,532 | \$ 24,743 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 639 | \$ 378 |
| Accrued insurance | 1,924 | 3,069 |
| Accrued wages | 3,056 | 1,989 |
| Other current liabilities | 617 | 425 |
| Total current liabilities | 6,236 | 5,861 |
| Other liabilities | 209 | 117 |
| Total liabilities | 6,445 | 5,978 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS EQUITY | | |
| Preferred stock of \$.05 par value; 500,000 shares authorized, none issued or outstanding at September 25, 2005 and December 26, 2004 | 168 | 167 |

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Common stock of \$.05 par value; 7,500,000 shares authorized,
3,350,097 and 3,334,344 shares issued and outstanding including shares
held in treasury at September 25, 2005 and December 26, 2004,
respectively

| | | |
|--|---------------|---------------|
| Additional paid-in capital | 5,288 | 5,172 |
| Retained earnings | 16,741 | 15,536 |
| Treasury stock at cost; 457,729 shares held at September 25, 2005 and December 26, 2004 | (2,110) | (2,110) |
| Total stockholders' equity | 20,087 | 18,765 |
| Total liabilities and stockholders' equity | \$ 26,532 | \$ 24,743 |

See accompanying Notes to Financial Statements

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ABLEST INC.
Condensed Statements of Income
(amounts in thousands except share and per share data)
(Unaudited)

| | For the Thirteen Week Periods Ended | | For the Thirty-nine Week Periods Ended | |
|--|--|-----------------------|---|-----------------------|
| | September 25, 2005 | September 26, 2004 | September 25, 2005 | September 26, 2004 |
| Net service revenues | \$ 34,873 | \$ 29,912 | \$ 98,459 | \$ 82,509 |
| Cost of services | 29,107 | 24,838 | 81,974 | 69,182 |
| Gross profit | 5,766 | 5,074 | 16,485 | 13,327 |
| Selling, general and administrative expenses | 5,177 | 4,127 | 14,541 | 12,722 |
| Operating income | 589 | 947 | 1,944 | 605 |
| Other: | | | | |
| Interest income, net | | | | 2 |
| Miscellaneous, net | 1 | | (2) | 1 |
| Other income (loss) | 1 | | (2) | 3 |
| Income before income taxes | 590 | 947 | 1,942 | 608 |
| Income tax expense | 223 | 359 | 737 | 231 |
| Net income | \$ 367 | \$ 588 | \$ 1,205 | \$ 377 |
| Basic net income per common | \$ 0.13 | \$ 0.21 | \$ 0.42 | \$ 0.13 |
| Diluted net income per common share | \$ 0.13 | \$ 0.20 | \$ 0.41 | \$ 0.13 |
| Weighted average number of common shares used in computing net income per common share | | | | |
| Basic | 2,863,168 | 2,840,350 | 2,860,418 | 2,838,915 |
| Diluted | 2,930,644 | 2,926,233 | 2,922,079 | 2,917,838 |

See accompanying Notes to Financial Statements

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ABLEST INC.
Condensed Statements of Cash Flows
(amounts in thousands)
(Unaudited)

| | For the Thirty-nine Week Periods Ended | |
|---|---|-----------------------|
| | September 25, 2005 | September 26, 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income from continuing operations | \$ 1,205 | \$ 377 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 243 | 374 |
| Loss on disposal of property, plant and equipment | | 5 |
| Deferred income taxes | 702 | |
| Stock compensation | 326 | 236 |
| Changes in assets and liabilities (see below) | (245) | 4 |
| Net cash provided by operating activities | 2,231 | 996 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (283) | (270) |
| Net increase in cash | 1,948 | 726 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,357 | 1,614 |
| CASH AND CASH EQUIVALENTS END OF PERIOD | \$ 3,305 | \$ 2,340 |
| Changes in continuing operations assets and liabilities providing (using) cash: | | |
| Accounts receivable, net | \$ (210) | \$ (549) |
| Prepaid expenses and other current assets | (288) | 21 |
| Other assets | (5) | |
| Accounts payable | 261 | 190 |
| Accrued insurance | (1,145) | (204) |
| Accrued wages | 1,067 | 471 |
| Other current liabilities | 192 | 164 |
| Other liabilities | (117) | (89) |
| Total change in assets and liabilities providing (using) cash | \$ (245) | \$ 4 |

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

1. COMPANY BACKGROUND

Ablest Inc. (Company) offers staffing services in the United States. Staffing services are principally provided through 55 service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, industrial, information technology, finance and accounting needs of their customers. Positions often filled include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accountant, financial analyst and internal auditor. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States for interim financial information, the instructions to Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 26, 2004. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

All adjustments, consisting of only normal recurring adjustments, considered necessary for fair presentation have been reflected in these condensed financial statements. The operating results for the thirteen and thirty-nine week periods ended September 25, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending December 25, 2005.

In order to maintain consistency and comparability between periods presented, certain amounts may have been reclassified from the previously reported consolidated financial statements to conform with the financial statement presentation of the current period.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents at September 25, 2005 and December 26, 2004.

Revenue Recognition

The Company s revenues are derived from providing staffing services to its customers. Substantially all revenue is billed on a direct cost plus markup basis. Revenue is recognized at the time the service is performed. In addition, the Company bills revenues under piecework contracts and permanent placement services. Piecework contracts are billed to the customer on a cost per unit basis versus an hourly basis. Revenue from piecework contracts is recognized at the time service is performed. Permanent placement services are fee-based services to recruit and fill regular staff positions for customers. Revenue from permanent placement services is recognized when a candidate begins full-time employment.

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

Allowance for Doubtful Accounts

The Company must make estimates of the collectibility of accounts receivables. Management analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in the customer's payment tendencies when evaluating the adequacy of the allowance for doubtful accounts.

Self-Insurance Reserves

The Company is self-insured for the deductible amount of its general liability and workers' compensation coverages. To derive an estimate of the Company's ultimate claims liability, established loss development factors are applied to current claims information. An independent actuary is engaged annually to provide an estimate of ultimate liability and to determine loss development factors going forward. The calculated ultimate liability is then reduced by cumulative claims payments to determine the required reserve. Management evaluates the accrual on a quarterly basis and adjusts it as needed to reflect the required reserve calculation. Whereas management believes the recorded liabilities are adequate, there are inherent limitations in the estimation process whereby future actual losses may differ from projected loss rates, which could materially affect the financial condition and results of operations of the Company.

Goodwill and Other Intangible Assets

The Company has adopted Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill.

The first phase screens for impairment; while the second phase (if necessary), measures the impairment. The Company screened for impairment during the first quarter of 2002, the year of adoption, and fourth fiscal quarters of 2003 and 2004 and found no instances of impairment of its recorded goodwill. No impairment losses were recognized by the Company during the periods ended September 25, 2005 or September 26, 2004.

At September 25, 2005, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives.

Impairment of Long-Lived Assets

The Company has adopted Financial Accounting Standards No. 144, (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and also requires a company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment losses were recognized by the company during the periods ended September 25, 2005 or September 26, 2004.

Income Taxes

Income taxes are accounted for by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss and credit carryforwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, management considers, within each taxing

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

jurisdiction, whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the years in which the deferred tax assets are deductible, management provided valuation allowances as needed for those deferred tax assets that were not expected to be realized.

Income Per Common Share

Basic income per common share is computed by using the weighted average number of common shares outstanding. Diluted income per share is computed by using the weighted average number of common shares outstanding plus the dilutive effect, if any, of stock options.

Use of Estimates and Assumptions

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

Stock Option Plans

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of the grant if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards No. 123 (SFAS No. 123) Accounting for Stock Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123. Amounts in the disclosure below are presented in thousands, except share data:

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

| | For the Thirteen Week Periods Ended | | For the Thirty-nine Week Periods Ended | |
|--|--|-----------------------|---|-----------------------|
| | September 25, 2005 | September 26, 2004 | September 25, 2005 | September 26, 2004 |
| Net income, as reported | \$ 367 | \$ 588 | \$ 1,205 | \$ 377 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effects. | 36 | 20 | 130 | 50 |
| Deduct: Total stock-based employee compensation expense determined under fair value methods for all awards, net of related tax effects | 44 | 26 | 155 | 67 |
| Net income, pro forma | \$ 358 | \$ 582 | \$ 1,179 | \$ 360 |
| Net income per share: | | | | |
| Basic, as reported | \$ 0.13 | \$ 0.21 | \$ 0.42 | \$ 0.13 |
| Diluted, as reported | \$ 0.13 | \$ 0.20 | \$ 0.41 | \$ 0.13 |
| Basic, pro forma | \$ 0.13 | \$ 0.21 | \$ 0.41 | \$ 0.13 |
| Diluted, pro forma | \$ 0.12 | \$ 0.20 | \$ 0.40 | \$ 0.12 |
| Weighted average number of common shares in computing net income per common share | | | | |
| Basic | 2,863,168 | 2,840,350 | 2,860,418 | 2,838,915 |
| Diluted | 2,930,644 | 2,926,233 | 2,922,079 | 2,917,838 |

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (SFAS 123 (R)). SFAS 123 (R) replaces FASB Statement

No. 123 Accounting for Stock-Based Compensation, and supersedes APB Opinion No 25 Accounting for Stock Issued to Employees. The statement establishes standards for accounting for share-based payment transactions. Share-based payment transactions are those in which an entity exchanges its equity instruments for goods or services, or in which an entity incurs liabilities in exchange for goods or services, which are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant date (with limited exceptions). That cost will be recognized in the entity's financial statements over the period during which the employee is required to provide services in exchange for the award. The Company had been required to adopt SFAS 123(R) in the first quarter of fiscal 2006, however, as of November 3, 2005, the Board of Directors of the Company have accelerated the vesting of all unvested stock options. By accelerating the vesting of these options, the Company will have no obligations outstanding which would require compensation expense under SFAS 123(R) to be recorded.

In May 2005, the FASB issued SFAS No. 154 Accounting Changes and Error corrections. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements and changes the

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

requirements of the accounting for and reporting of a change in accounting principle. SFAS No. 154 also provides guidance on the accounting for and reporting of error corrections. The provisions of this statement are applicable for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. The Company does not believe that adoption of SFAS No. 154 will have a material impact.

In June 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements, which requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. EITF No. 05-6 is effective for periods beginning after June 29, 2005. The Company does not expect the provisions of this consensus to have a material impact on the Company's financial position or results of operations.

4. SHORT-TERM BORROWINGS

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the \$7,500,000 Committed Revolving Credit Facility (Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank's prime rate or the thirty, sixty or ninety day LIBOR (as defined in the agreement) plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter's EBITDA, as defined in the agreement. During the third quarter of 2005 the Company had no borrowings against the Facility and was in compliance with all covenants. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

5. STOCKHOLDERS' EQUITY

The changes in stockholders' equity for the thirty-nine week period ended September 25, 2005 are summarized as follows. Amounts are presented in thousands, except share data.

| | Common stock | Additional paid-in capital | Retained earnings | Treasury Shares | Treasury stock | Total stockholders equity |
|----------------------------------|-----------------|----------------------------------|----------------------|--------------------|-------------------|---------------------------------|
| Balance at December 26, 2004 | \$ 167 | \$ 5,172 | \$ 15,536 | 457,729 | \$ (2,110) | \$ 18,765 |
| Net income (loss) | | | 1,205 | | | 1,205 |
| Restricted Stock Plan | 1 | 116 | | | | 117 |
| Balance at September 25, 2005 | \$ 168 | \$ 5,288 | \$ 16,741 | 457,729 | \$ (2,110) | \$ 20,087 |

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Statements made in this Quarterly Report on Form 10-Q, other than those concerning historical information, should be considered forward-looking and are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. This notice is intended to take advantage of the safe harbor provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. These forward-looking statements (such as when we describe what will, may or should occur, what we plan, intend, estimate, believe or anticipate will occur, and other similar statements) include, but are not limited to, statements regarding future revenues and operating results; future prospects; anticipated benefits of proposed (or future) new branches, products or services; growth; the capabilities and capacities of our business operations and information systems; financing needs or plans; any financial or other guidance and all statements that are not based on historical fact, but rather reflect our current expectations concerning future results and events. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including, but not limited to, statements about our business plans. The ultimate correctness of these forward-looking statements is dependent upon a number of known and unknown risks and events, and is subject to various uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance or achievements expressed or implied by these statements. The following important factors, among others, could affect future results and events, causing those results and events to differ materially from those expressed or implied in our forward-looking statements: business conditions and competitive factors in our customers' industries, our ability to successfully expand into new markets and offer new service lines, the availability of qualified personnel, the non-exclusive, short-term nature of our customers' commitments, economic and political conditions and unemployment levels in the United States and other countries, increases in payroll related costs, including state unemployment insurance and workers compensation insurance, obsolescence or impairment of our information systems, our ability to successfully invest in and implement information systems, the cost of and our ability to comply with Section 404 of the Sarbanes-Oxley Act of 2002, liabilities under our self-insurance program, and other factors that we may not have currently identified or quantified.

All forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q, and we do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur or which we hereafter become aware of. You should read this document and the documents that we incorporate by reference into this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Critical Accounting Policies

The preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions affecting the amounts and disclosures reported within those financial statements. These estimates are evaluated on an ongoing basis by management and generally affect revenue recognition, collectibility of accounts receivable, workers' compensation costs, income taxes and goodwill. Management's estimates and assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. However, actual results under circumstances and conditions different than those assumed could result in differences from the estimated amounts in the financial statements.

The Company's critical accounting policies are described in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and in the notes to the consolidated financial statements in the Company's previously filed Annual Report on Form 10-K for the fiscal year ended December 26, 2004. There were no changes to these policies during the thirty-nine week period ended September 25, 2005.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION****Results of Operations:**

The following discussion compares the quarter ended September 25, 2005 to the quarter ended September 26, 2004, and September 25, 2005 year to date to September 26, 2004 year to date and should be read in conjunction with the Condensed Financial Statements, including the related notes thereto, appearing elsewhere in this Report.

Revenues increased to \$34.9 million and \$98.5 million for the quarter and year to date periods ended September 25, 2005 as compared to \$29.9 million and \$82.5 million for the quarter and year to date periods ended September 26, 2004, respectively. Branches opened in 2004 and 2005 contributed approximately one-half of the increase. The addition of several large industrial clients and greater staffing requirements from existing clients also played a role in the overall growth.

Gross profit was \$5.8 million and \$16.5 million for the third quarter and year to date periods of 2005 compared to \$5.1 million and \$13.3 million for the same respective periods in 2004, an increase of \$700 thousand or 13.7% for the quarter to date period and \$3.2 million or 24.0% for the year to date period. The improvement in year to date gross profit is mainly attributable to the increased revenue and to lower cost for workers' compensation self-insurance claims. While workers' compensation self-insurance expense increased in the third quarter by \$260 thousand, the year to date expense decreased by \$340 thousand, as compared to the same periods of the previous year. The year to date decrease in workers' compensation expense, as compared to 2004, is primarily due to an adjustment made in the first quarter of 2004 that increased the expense. The adjustment was based on an actuarial study completed at that time. Gross profit as a percentage of revenue was 16.5% for the current year's quarter as compared to 17.0% for the prior year's quarter, as result of the increase in workers' compensation expense.

Selling, general and administrative expenses increased by \$1.1 million, or 25.4%, and \$1.8 million, or 14.3%, to \$5.2 million and \$14.5 million for the quarter and year to date periods ended September 25, 2005, respectively, as compared to the same periods ended September 26, 2004. Approximately one half of the year to date increase is attributable to the newly opened locations referenced above. Also during the period, the Company and its former Chief Financial Officer entered into a Settlement Agreement and Complete and Permanent Release, dated September 22, 2005 (the Release Agreement), pursuant to which, the Company agreed to pay severance in the amount of \$290 thousand, which accounts for 26.4% of the increase. Higher compensation costs associated with the increased earnings also caused these costs to increase.

Other income, net did not change materially from the previous year.

Income tax expense of \$223 thousand was recorded for the quarter ended September 25, 2005, as compared to \$359 thousand for the quarter ended September 26, 2004. The effective tax rate remained unchanged at 38%. Income tax expense of \$737 thousand was recorded for the year to date period ended September 25, 2005, as compared to expense of \$231 thousand for the year to date period ended September 26, 2004.

Liquidity and Capital Resources:

The quick ratio was 3.3 to 1 and 3.1 to 1 at September 25, 2005 and December 26, 2004, respectively, and the current ratio was 3.5 to 1 and 3.4 to 1, for the same respective periods. The primary source of funding is generated from results of operations. Net working capital increased by \$2.1 million to \$15.9 million for the current year to date period as a result of operations. Contributing to this was an increase of \$2.0 million in cash and a decrease of \$1.1 million in accrued insurance, offset by an increase in accrued wages of \$1.1 million. Reference should be made to the Statement of Cash Flows, which details the sources and uses of cash.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Capital expenditures year-to-date were approximately \$283 thousand. Subsequent to September 25, 2005 the Company has purchased approximately \$600 thousand, and plans to purchase approximately an additional \$1 million over the next twelve months, of new front and back office software and the related required hardware.

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the \$7,500,000 Committed Revolving Credit Facility (Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank's prime rate or the thirty, sixty or ninety day LIBOR plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter's EBITDA, as defined in the agreement. The Company had no borrowings during the period ended September 25, 2005. Subsequently, however, the Company utilized \$1 million of the Facility on October 13, 2005. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

Material Commitments

The Company's contractual cash obligations as of September 25, 2005 are summarized in the table below:

| | Payable during 2005 | Payable 2006 - 2007 | Payable 2008 - 2010 | Payable after 2010 | Total |
|--------------------------|---------------------------|---------------------------|---------------------------|--------------------------|-----------------|
| Operating leases (1) | \$ 252 | \$ 2,092 | \$ 1,474 | \$ 724 | \$ 4,542 |
| Capital expenditures (2) | 787 | 145 | | | 932 |
| Other liabilities (3) | 290 | | | | 290 |
| Total | \$ 1,329 | \$ 2,237 | \$ 1,474 | \$ 724 | \$ 5,764 |

(1) Includes minimum lease payment obligations for equipment and real property leases in effect as of September 25, 2005.

(2) Purchase obligations for capital expenditure projects in progress.

- (3) Obligation to former CFO for severance agreement. See Results of Operations, in Management s Discussion and Analysis of Results of Operations and Financial Condition

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company does not believe that its exposure to fluctuations in interest rates is material.

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation, as of the end of the period covered by this quarterly report of the effectiveness of our disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have each concluded that our disclosure controls and procedures are effective and sufficient to ensure that we record, process, summarize, and report information required to be disclosed by us in our periodic reports

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filed under the Securities Exchange Act within the time periods specified by the Securities and Exchange Commission's rules and forms.

Subsequent to the date of their evaluation, there have not been any significant changes in the Company's internal controls or in other factors to the Company's knowledge that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events.

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PART II
OTHER INFORMATION

ITEM 1. LEGAL
PROCEEDINGS

Not applicable.

ITEM 2. UNREGISTERED
SALES OF
EQUITY
SECURITIES
AND USE OF
PROCEEDS

Not applicable.

ITEM 3. DEFAULTS
UPON SENIOR
SECURITIES

Not applicable.

ITEM 4. SUBMISSION
OF MATTERS
TO A VOTE
OF SECURITY
HOLDERS

Not applicable

ITEM 5. OTHER
INFORMATION

Not applicable

ITEM 6. EXHIBITS

Exhibits

- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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

ABLEST INC.

By: */s/ Charles H. Heist*
Charles H. Heist
Chairman, Chief Financial Officer and
Treasurer
(On behalf of the Registrant and as
Principal
Financial Officer)

Date: November 7, 2005

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Exhibit Index

| Exhibit Number | Description of Document |
|-------------------|--|
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
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