

AIR T INC
Form 10-Q
February 08, 2007

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

FORM 10-Q

(Mark one)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 31, 2006

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 0-11720

Air T, Inc.
(Exact name of registrant as specified in its charter)

Delaware 52-1206400
(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

Post Office Box 488, Denver, North Carolina 28037
(Address of principal executive offices, including zip code)

(704) 377-2109
(Registrant's telephone number, including area code)

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 X No _____

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__X__

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

2,661,209 shares of Common Stock, par value of \$.25 per share were outstanding as of February 8, 2007. There is only one class of common stock outstanding.

AIR T, INC.
AND
SUBSIDIARIES

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Item 1. Financial Statements

AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended		Nine Months Ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Operating Revenues:				
Overnight air cargo	\$ 8,844,879	\$ 10,549,955	\$ 26,067,138	\$ 32,469,364
Ground equipment	8,549,652	12,864,831	22,132,307	26,297,588
	17,394,531	23,414,786	48,199,445	58,766,952
Operating Expenses:				
Flight-air cargo	4,457,557	5,085,348	12,945,381	14,041,163
Maintenance-air cargo	3,041,183	4,019,817	9,251,179	13,477,674
Ground equipment	6,832,895	10,641,270	16,561,498	21,788,198
General and administrative	2,384,078	2,330,762	6,780,723	6,889,038
Depreciation and amortization	153,815	188,121	478,611	509,772
	16,869,528	22,265,318	46,017,392	56,705,845
Operating Income	525,003	1,149,468	2,182,053	2,061,107
Non-operating Expense (Income)				
Expense:				
Interest, net	85,003	62,209	117,020	122,024
Deferred retirement expense	5,250	5,250	15,750	15,750
Investment income and other	(60,197)	(24,774)	(179,213)	(92,949)
	30,056	42,685	(46,443)	44,825
Earnings Before Income Taxes	494,947	1,106,783	2,228,496	2,016,282
Income Tax Expense	191,188	431,555	826,875	799,196
Net Earnings	\$ 303,759	\$ 675,228	\$ 1,401,621	\$ 1,217,086
Basic and Diluted Net Earnings Per	\$ 0.11	\$ 0.25	\$ 0.52	\$ 0.46

Share

Weighted Average Shares Outstanding:

Basic	2,667,932	2,671,293	2,670,173	2,671,293
Diluted	2,668,249	2,671,714	2,670,539	2,671,793

See notes to condensed consolidated financial statements.

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AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2006 (Unaudited)	March 31, 2006 (Note)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,222,119	\$ 2,702,424
Marketable securities	894,060	807,818
Accounts receivable, less allowance for doubtful accounts of \$431,342 at December 31, 2006 and \$481,837 at March 31, 2006	8,890,463	8,692,971
Income taxes receivable	292,707	108,553
Notes and other non-trade receivables-current	36,303	104,086
Inventories, net	10,040,591	5,705,591
Deferred tax assets	710,240	576,640
Prepaid expenses and other	282,481	334,064
Total Current Assets	23,368,964	19,032,147
Property and Equipment	7,952,765	9,076,063
Less accumulated depreciation	(5,895,654)	(5,907,520)
Property and Equipment, net	2,057,111	3,168,543
Deferred Tax Assets	152,022	194,996
Cash Surrender Value of Life Insurance Policies	1,274,119	1,231,481
Notes and Other Non-Trade Receivables-Long Term	221,574	214,653
Other Assets	50,406	81,537
Total Assets	\$ 27,124,196	\$ 23,923,357
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 5,367,087	\$ 5,354,713
Accrued expenses	1,799,523	2,411,262
Current portion of long-term debt and obligations	183,476	186,492
Total Current Liabilities	7,350,086	7,952,467
	77,002	50,577

Capital Lease Obligations (less current portion)		
Long-Term Debt (less current portion)	3,652,267	712,883
Deferred Retirement Obligations (less current portion)	670,863	707,388
Stockholders' Equity:		
Preferred stock, \$1 par value, authorized 50,000 shares, none issued	-	-
Common stock, par value \$.25; authorized 4,000,000 shares; 2,661,209 and 2,671,293 shares		
issued and outstanding	665,302	667,823
Additional paid in capital	7,037,270	6,939,357
Retained earnings	7,574,181	6,840,383
Accumulated other comprehensive income, net	97,225	52,479
Total Stockholders' Equity	15,373,978	14,500,042
Total Liabilities and Stockholders' Equity	\$ 27,124,196	\$ 23,923,357

Note: The balance sheet at March 31, 2006 has been derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2006.

See notes to condensed consolidated financial statements.

AIR T, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended	
	December 31,	
	2006	2005
Cash flows from operating activities:		
Net earnings	\$ 1,401,621	\$ 1,217,086
Adjustments to reconcile net earnings to net cash used in operating activities:		
Change in accounts receivable and inventory reserves	123,529	20,813
Depreciation and amortization	478,611	509,772
Increase in cash surrender value of life insurance	(42,638)	(82,000)
Deferred tax provision	(90,626)	166,793
Net periodic pension cost	6,909	(50,658)
Warranty reserve	(48,206)	135,917
Stock option expense	185,864	-
Change in assets and liabilities which provided (used) cash:		
Accounts receivable	(146,997)	(5,336,785)
Notes receivable	60,862	127,350
Income taxes receivable/payable	(225,650)	541,316
Inventories	(3,730,991)	(770,747)
Prepaid expenses and other	82,714	(477,469)
Accounts payable	12,374	430,901
Accrued expenses and other current liabilities	(640,653)	