

ABLEST INC  
Form 10-K  
March 07, 2005

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-K**

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

**For the fiscal year ended December 26, 2004**

**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)*

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

**Title of Each Class**

**Name of Each Exchange on Which Registered**

Common Stock, par value \$.05 per share

American Stock Exchange

**Securities registered pursuant to Section 12(g) of the Exchange 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES  NO

The aggregate market value of the Registrant's common shares held by non-affiliates as of the last day of the Registrant's most recently completed second fiscal quarter was approximately \$4,100,000. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of common shares of the Registrant outstanding at December 31, 2004 was 2,876,615.

#### **Documents Incorporated by Reference**

Portions of the registrant's definitive Proxy Statement for the 2005 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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Ex-32.1: Section 906 Certification of President and CEO

Ex-32.2: 906 Certification of VP, CFO, Secretary and Treasurer

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**Table of Contents****PART I****ITEM 1. *Business*****General**

Ablest Inc. ( Company ) offers staffing services in the United States. Staffing services are principally provided through 49 service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, industrial and information technology 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 and technical writing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

The staffing services business is highly competitive with few barriers to entry. There are numerous local, regional and national firms principally engaged in offering such services. The primary competitive factors in the staffing services field are quality of service, reliability of personnel and price.

**Operations**

The table below is a summary of information relating to the Company's operations for each of the last three fiscal years. The discontinued operation note refers to the Company's former industrial maintenance operations.

(Amounts in thousands)	December 26, 2004	December 28, 2003	December 29, 2002
Revenues from Unaffiliated Customers:			
Staffing Services	\$ 116,353	\$ 104,048	\$ 101,193
Discontinued Operations			
Operating Income			
Staffing Services	1,372	1,061	566
Discontinued Operations		72	119
Identifiable Assets:			
Staffing Services	24,743	22,579	19,216
Discontinued Operations			

*Working Capital.* By virtue of the nature of the Company's business, the attainment and maintenance of high levels of working capital is not required.

*Backlog.* In view of the fact that the Company's services are primarily furnished pursuant to purchase orders or on a call basis, backlog is not material.

*Employees.* The ongoing staffing business comprises approximately 6,050 persons, 147 of which were full time at December 26, 2004. The Company considers its employee relations to be satisfactory.

**Discontinued Operations**

Prior to March 13, 2000, the Company operated as C. H. Heist Corp. with two service segments: Staffing Services and Industrial Maintenance.

On March 13, 2000, the Company sold substantially all of the assets of its United States industrial maintenance business and the stock of its Canadian subsidiary, C. H. Heist, Ltd., to Onyx Industrial Services, Inc. ( Onyx ).

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For the 2001 fiscal year, the Company's industrial maintenance business was reported as a discontinued operation. See the notes to the Financial Statements included under Item 8 to this report on Form 10-K for additional information on the discontinued operations. Effective December 31, 2001, reserves relating to the industrial maintenance business are no longer reported separately.

Also on March 13, 2000 and following the sale of the Company's industrial maintenance business to Onyx, the Company reincorporated in Delaware, changed its name to Ablest Inc. and became a pure-play staffing services company.

On January 1, 2001, Ablest Service Corp., Milestone Technologies Inc. and P.L.P. Corp. (part of the discontinued operations) merged into Ablest Inc. to form a single operating company under the Ablest Inc. name.

**ITEM 2. *Properties***

The Company currently leases 13,724 square feet of office space in Clearwater, Florida that serves as its corporate headquarters. Forty-seven additional facilities are leased under rental agreements and under terms and conditions prevailing in the various service locations. The Company considers all of its offices and facilities suitable and adequate for servicing its customers.

**ITEM 3. *Legal Proceedings***

The Company is subject, from time to time, to claims encountered in the normal course of business. In the opinion of management, the resolution of all pending matters will not have a material adverse effect on the Company's financial condition or liquidity.

**ITEM 4. *Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders of the Company during the fourth quarter of fiscal 2004.

**PART II**

**ITEM 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

**Market for Registrant's Common Stock**

The Company's common stock trades on the American Stock Exchange under the symbol AIH .

**Price Range of Common Stock**

The following table presents the quarterly high and low sales price of our common stock as reported by the American Stock Exchange during each quarter of the years ended December 26, 2004 and December 28, 2003:

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	2004		2003	
	High	Low	High	Low
1 <sup>st</sup> Quarter	\$ 9.80	\$ 5.01	\$ 5.85	\$ 4.70
2 <sup>nd</sup> Quarter	8.95	5.15	5.05	4.60
3 <sup>rd</sup> Quarter	7.08	5.25	6.95	5.17
4 <sup>th</sup> Quarter	7.62	5.95	5.70	4.95



**Table of Contents****Number of Common Shareholders**

On February 15, 2005, there were 491 holders of record of our common stock.

**Dividends**

Our current policy is to retain all of our earnings to finance the growth and development of our business. Consequently, we do not anticipate paying cash dividends on our common shares in the foreseeable future.

**Equity Compensation Plan Information**

The following table provides information about the Company's common stock that may be issued upon the exercise of options, warrants, rights and restricted stock under all existing equity compensation plans as of December 26, 2004, including the 1991 Stock Option Plan, 2000 Independent Directors' Stock Option Plan and 2002 Restricted Stock Plan.

## Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan category	(a)	(b)	(c)
Equity compensation Plans approved by Security holders	54,000	\$ 4.50	274,053
Equity compensation Plans not approved by security holders		\$	
Total	54,000	\$ 4.50	274,053

**ITEM 6. Selected Financial Data**

The selected financial data presented below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's consolidated financial statements and notes thereto.

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Fiscal Year Ended December	2004	2003	2002	2001	2000
(Amounts in thousands, except per share data)					
Net service revenues	\$ 116,353	\$ 104,048	\$ 101,193	\$ 87,042	\$ 103,435
Net income (loss) from continuing operations	883	\$ 2,883	608	(5,120)	592
Income (loss) per common share from continuing operations:					
basic	0.31	1.01	0.21	(1.75)	0.21
diluted	0.30	0.99	0.21	(1.75)	0.21
Total assets	24,743	22,579	19,216	17,212	24,759
Long-term debt					

The following summarizes quarterly operating results:

2004 Quarters	1st	2nd	3rd	4th
(Amounts in thousands, except per share data)				
Net service revenues	\$ 25,770	\$ 26,827	\$ 29,912	\$ 33,844
Gross profit	3,629	4,624	5,074	5,088
Operating income (loss)	(708)	366	947	767
Net income (loss) from continuing operations	(441)	230	588	506
Income (loss) per common share, basic				
Continuing operations	\$ (0.16)	\$ 0.08	\$ 0.21	\$ 0.18
Discontinued operations				
	\$ (0.16)	\$ 0.08	\$ 0.21	\$ 0.18
Income (loss) per common share, diluted				
Continuing operations	\$ (0.16)	\$ 0.08	\$ 0.20	\$ 0.17
Discontinued operations				
	\$ (0.16)	\$ 0.08	\$ 0.20	\$ 0.17
2003 Quarters	1st	2nd	3rd	4th
(Amounts in thousands, except per share data)				
Net service revenues	\$ 23,239	\$ 24,264	\$ 26,668	\$ 29,877
Gross profit	4,123	3,714	4,557	5,319
Operating income (loss)	(122)	(116)	558	741
Net income (loss) from continuing operations	(69)	(72)	350	2,674
Income (loss) per common share, basic				
Continuing operations	\$ (0.02)	\$ (0.03)	\$ 0.12	\$ 0.94
Discontinued operations				0.02
	\$ (0.02)	\$ (0.03)	\$ 0.12	\$ 0.96
Income (loss) per common share, diluted				
Continuing operations	\$ (0.02)	\$ (0.03)	\$ 0.12	\$ 0.92
Discontinued operations				0.02
	\$ (0.02)	\$ (0.03)	\$ 0.12	\$ 0.94



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**ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

**Forward-looking Statements**

Statements made in this Annual Report on Form 10-K, 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, material 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 Annual Report on Form 10-K are made only as of the date of this Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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.

**History of the Company**

On March 13, 2000, C.H. Heist Corp., sold substantially all of the assets of its United States industrial maintenance business and the stock of C. H. Heist Corp.'s wholly owned Canadian subsidiary, C.H. Heist, Ltd., to Onyx Industrial Services, Inc. Taken together, these operations comprised substantially all of the assets of C. H. Heist Corp.'s industrial maintenance operations. Included in the sale was C. H. Heist Corp.'s administrative and warehousing facility in Buffalo, New York. Also on March 13, 2000, C. H. Heist Corp. merged into a newly formed company, Ablest Inc., and reincorporated in the State of Delaware.

On January 1, 2001, the Company's subsidiaries Ablest Service Corp. (a Delaware corporation), Milestone Technologies, Inc. (an Arizona corporation) and PLP Corp. (an Alabama corporation) were formally merged into



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Ablest Inc. (a Delaware corporation), to form a single operating company under the Ablest Inc. name. The outstanding shares of the merging corporations were cancelled and no shares of Ablest Inc. were issued in exchange. The outstanding shares of Ablest Inc. remain outstanding and were not affected by the merger.

For financial reporting purposes, the Company's former industrial maintenance business is reported as a discontinued operation. The following discussions and analysis of operations and financial condition pertain to the Company's staffing services business, which constitutes the continuing operations. A separate section labeled "Discontinued Operations" is included at the end of this discussion and pertains to the disposal of the industrial maintenance business.

## **Overview**

We derive our revenues from providing clerical, industrial and technical staffing services in the United States. We currently provide our staffing services principally through 49 service locations in the Eastern United States and selected Southwestern markets. We fill positions in 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 and technical writing, among others. We do not service any specific industry or field; instead, our services are provided to a broad-based customer list.

Substantially all of our revenues are driven by hours billed and billing rates. Our billing rates are generally negotiated and invoiced on a per-hour basis. Accordingly, as we place temporary employees, we record revenue based on their hours worked. Our gross margins are determined by deducting temporary employee pay, related taxes, benefits and other direct placement costs such as drug screens, background and reference checks. 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.

Customer demand for our employment services depends significantly on the overall strength of the labor market. Improving economic growth typically results in increased demand for labor, resulting in greater demand for our services. Correspondingly, during periods of weak economic growth or economic contraction, the demand for our services typically declines.

Due to the dependence of the staffing industry growth on economic factors, the inherent difficulty in forecasting the direction and strength of the economy and the short-term nature of staffing assignments, it is difficult to forecast future demand for our services with any certainty. As a result, we monitor a number of economic indicators, as well as recent business trends, in an effort to predict demand for temporary staffing services. Based upon these anticipated trends, we determine whether changes in personnel or other adjustments to our business are appropriate.

Historically, our business has expanded through both internal growth of existing branch offices and opening new branch offices. During 2004, we opened four new branch office locations and focused on increasing revenues of existing branch offices. During 2005, we intend to open strategically located branches that we believe will enhance our current customer relationships as well as facilitate establishing new ones. We also intend to explore offering additional lines of service within the staffing industry at existing and new branches. Internal development of new branch locations will require start-up capital. However, we believe that the amount of capital required to open new branches is less than the amount of capital required to consummate acquisitions. We cannot assure you that we will successfully open new branches or that, if opened, such branches will result in any material revenues or contribute positively to our earnings.

We continue to try to improve our gross margins by working closely with our customers to minimize costs associated with workers' compensation claims. We have implemented safety training and education programs at



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all branch locations and key customer locations. We also review the risk profiles of certain clients to assess the potential workers' compensation claims liabilities as compared to their potential profitability level. In addition, we expanded our return-to-work closely monitoring each employee's injury status to enable them to return to work as soon as medically advisable. We attempt to manage unemployment insurance costs through aggressive claim adjudication and actively offering displaced employee's alternative job assignments. Additionally, in 2005 we implemented a new incentive compensation program for our staff associates, which we believe will result in improved pricing and costing decisions. The new plan compensates associates for achieving return on revenue target levels as well as higher profit levels. We cannot assure you that our continued efforts to manage workers' compensation claims and unemployment insurance costs or our new compensation plan will result in increased operating margins.

The Company is currently evaluating replacement of its existing management information systems with an enterprise-wide, fully integrated solution designed to support future growth of the Company. Implementation of a new management information system would require a significant investment in software, hardware, outside consultant assistance and internal personnel resources. Although we believe this technology initiative would increase productivity, improve operating efficiencies and lower long-term operating costs, there is no assurance that such an initiative would yield its intended results. The failure to implement new management information systems or, if implemented, delays in completing or an inability to successfully complete implementation of a new management information system could adversely affect our growth plans, operations, liquidity and financial condition.

***For the fiscal year ended December 26, 2004, compared to December 28, 2003.***

Fiscal Year 2004 was comprised of 52 weeks, as was fiscal 2003.

**Results of Operations:**

Net service revenues totaled \$116.4 million for fiscal 2004 as compared to \$104.0 million for fiscal 2003. Net service revenue increased \$12.3 million, or 11.8%, due to the addition of several large industrial customers as well as expanding services to pre-existing customers. The opening of 4 new branches added \$5.4 million in revenues, with information technology related revenue increasing by \$345,000.

Gross profit was \$18.4 million for fiscal 2004 and \$17.7 million for fiscal 2003. Gross profit increased \$700,000, despite higher state unemployment costs of \$900,000, and an increase in workers' compensation self-insurance of \$950,000 over the prior year.

Selling, general and administrative expenses increased by \$390,000 or 2.3%, to \$17.0 million for fiscal 2004 as compared to fiscal 2003. Of this increase, \$235,000 was attributable to our new branch openings. The company continues to closely manage expense levels and leverage its cost structure as business volume increases.

Other income (expense), net, decreased to \$26,000 in fiscal 2004 from \$53,000 in fiscal 2003. This decrease is partly due to a \$29,000 reduction in interest expense as the Company had no borrowings against its revolving credit facility in fiscal 2004.

The effective tax rate for fiscal 2004 was 36.8%, which resulted in tax expense of \$515,000. This is compared to our fiscal 2003 tax benefit of \$1.7 million which included the reversal of a previously provided deferred tax asset valuation allowance in the amount of \$2.4 million. The effective tax rate for fiscal 2003 without the deferred tax asset valuation allowance reversal would have been 51.6%.

**Discontinued Operations:**

At December 28, 2003, there were no reserves relating to the industrial maintenance business.

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***For the fiscal year ended December 28, 2003, compared to December 29, 2002.***

Fiscal Year 2003 was comprised of 52 weeks, as was fiscal 2002.

**Results of Operations:**

Net service revenues totaled \$104.0 million for fiscal 2003 as compared to \$101.2 million for fiscal 2002. Net service revenue increased \$2.9 million due to the addition of several large industrial and clerical customers as well as account penetration in others. Information technology services continue to be especially hard hit by reduced corporate spending for these services in particular.

Gross profit was \$17.7 million for fiscal 2003 and \$18.4 million for fiscal 2002. Gross profit decreased \$700,000 primarily due to an increase in workers' compensation self-insurance of \$950,000.

Selling, general and administrative expenses decreased by \$1.2 million, or 6.6%, to \$16.7 million for fiscal 2003 as compared to fiscal 2002. The decrease reflects containment of costs and management of staff levels as the Company continues to align services with business volume. During 2003, the Company closed two offices that were not performing to expectation and consolidated three other offices into one location. These and other office closings and realignments accounted for a \$900,000 reduction in selling, general and administrative expenses in fiscal 2003 as compared to fiscal 2002.

Other income (expense), net, decreased by \$207,000 to \$53,000 in fiscal 2003 as compared to fiscal 2002. This decrease is due to the receipt in fiscal 2002 of \$211,000 from the Canadian workers' compensation board for settlement of claims previously funded by the Company.

The effective tax rate for fiscal 2003 is a benefit of 146.9%. The tax benefit of \$1.7 million reported for fiscal 2003 includes the reversal of a previously provided deferred tax asset valuation allowance in the amount of \$2.4 million. The effective tax rate for fiscal 2003 without the deferred tax asset valuation allowance reversal is an expense of 51.6%. This is compared to fiscal 2002 tax expense of \$268,000, including a refund of \$201,000 for the Company's 1998 amended federal income tax return, and an effective tax rate of 28.4%.

**Discontinued Operations:**

Adjustment to loss on sale of discontinued operations, net of income taxes, was \$45,000 for fiscal 2003. Reserves for potential environmental and other exposures that are no longer needed based on the Company's determination of the liability status totaled \$72,000. Income tax expense related to this income was \$27,000.

**Critical Accounting Policies and Estimates:**

The Company has identified the policies below as critical to the Company's business operations and the understanding of its results of operations. For a detailed discussion on the application of these and other accounting policies, see the notes to the Financial Statements in Item 8 of this Annual Report on Form 10-K. Note that the preparation of this Annual Report on Form 10-K requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

(a) Allowance for Doubtful Accounts

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

(b) 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 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.

(c) Goodwill

In July 2001, the Financial Accounting Standards Board issued 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. At December 26, 2004, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives. The Company adopted SFAS No. 142 effective December 31, 2001, the first day of fiscal 2002. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase, required to be completed by June 30, 2002, screens for impairment; while the second phase (if necessary), required to be completed by December 29, 2002, measures the impairment. Factors included in the impairment analysis include expected revenue and EBITDA growth rates, working capital needs, discount rates and earnings multiples. These assumptions are based on management's best estimate of the current and expected economic environment. As prescribed, the Company screened for impairment of goodwill during the fourth fiscal quarters of 2003 and 2004 and found no instances of impairment of its recorded goodwill.

(d) Deferred Tax Assets

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 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, the Company has determined that the tax asset will be realizable.

**Liquidity and Capital Resources:**

The quick ratio was 3.1 to 1 and 3.2 to 1 at December 26, 2004 and December 28, 2003, respectively, and the current ratio was 3.4 to 1 and 3.5 to 1, for the same respective periods. The primary source of funding is generated from results of operations. Net working capital increased by \$1.9 million during fiscal 2004 as a result of operations. Contributing to this was an increase in accounts receivable of \$3.0 million due to the higher level of revenue being generated during this period. This was offset by a decrease in cash of \$257,000 and an increase in accrued expenses of \$1.0 million. Reference should be made to the Statement of Cash Flows, which details the

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sources and uses of cash.

On August 13, 2003, the Company signed a two-year \$7,500,000 Committed Revolving Credit Facility ( Facility ) with Manufacturers and Traders Trust Company ( M&T ). 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 200 basis points. The Facility expires on August 12, 2005 and is renewable for one year with the consent of both parties. The Company believes that the facility will be renewed and will be sufficient to cover foreseeable operational funding requirements in 2005. 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 fiscal 2004 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.

**Material Commitments:**

The Company's contractual cash obligations as of December 26, 2004 are summarized in the table below:

(Amounts in thousands)

	Payable during 2005	Payable 2006 - 2008	Payable 2008 - 2010	Payable after 2010	Total
Operating leases	\$ 1,165	\$ 866	\$ 27	\$	\$ 2,058

**ITEM 7A. *Quantitative and Qualitative Disclosure About Market Risk***

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

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**ITEM 8. *Financial Statements and Supplemental Data***

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The financial statements of the registrant required to be included in Item 8 are listed below:	
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Statements of Stockholders' Equity for the years ended December 26, 2004, December 28, 2003 and December 29, 2002	17
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**Report of Independent Registered Certified Public Accounting Firm**

To the Board of Directors and Shareholders  
of Ablest Inc.:

In our opinion, the accompanying balance sheets and the related statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Ablest Inc. at December 26, 2004 and December 28, 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2004 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP  
Tampa, Florida  
March 3, 2005

**Table of Contents****ABLEST INC.  
Balance Sheets**

(Amounts in thousands, except share and per share data)

	December 26, 2004	December 28, 2003
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,357	\$ 1,614
Accounts receivable, net	16,783	13,778
Prepaid expenses and other current assets	160	213
Current deferred tax asset	1,369	1,085
<b>Total current assets</b>	<b>19,669</b>	<b>16,690</b>
Property, plant and equipment, net	543	647
Deferred tax asset	3,208	3,920
Goodwill, net	1,283	1,283
Other assets	40	39
<b>Total assets</b>	<b>\$ 24,743</b>	<b>\$ 22,579</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 378	\$ 326
Accrued expenses and other current liabilities	5,483	4,438
<b>Total current liabilities</b>	<b>5,861</b>	<b>4,764</b>
Other liabilities	117	89
<b>Total liabilities</b>	<b>5,978</b>	<b>4,853</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock of \$.05 par value; 500,000 shares authorized , none issued or outstanding at December 26, 2004 and December 28, 2003		
Common stock of \$.05 par value; 7,500,000 shares authorized, 3,334,344 and 3,308,929 shares issued and outstanding including shares held in treasury at December 26, 2004 and December 28, 2003, respectively	167	165
Additional paid-in capital	5,172	5,018
Retained earnings	15,536	14,653

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Treasury stock at cost; 457,729 shares held at both December 26, 2004 and December 28, 2003	(2,110)	(2,110)
Total stockholders' equity	18,765	17,726
Total liabilities and stockholders' equity	\$ 24,743	\$ 22,579

See accompanying Notes to Financial Statements

**Table of Contents****ABLEST INC.  
Statements of Income**

(Amounts in thousands, except share and per share data)

	For the Fifty-two Week Periods Ended		
	December 26, 2004	December 28, 2003	December 29, 2002
Net service revenues	\$ 116,353	\$ 104,048	\$ 101,193
Cost of services	97,938	86,335	82,806
Gross profit	18,415	17,713	18,387
Selling, general and administrative expenses	17,043	16,652	17,821
Operating income	1,372	1,061	566
Other:			
Interest income (expense), net	1	(30)	15
Miscellaneous, net	25	83	245
Other income	26	53	260
Income from continuing operations before income taxes	1,398	1,114	826
Income tax expense (benefit)	515	(1,769)	218
Net income from continuing operations	883	2,883	608
Discontinued operations:			
Adjustment to loss on sale of discontinued operations, net of income taxes		45	69
Net income	\$ 883	\$ 2,928	\$ 677
Basic net income per common share:			
Continuing operations	\$ 0.31	\$ 1.01	\$ 0.21
Discontinued operations	\$	0.02	0.02
Basic net income per common share	\$ 0.31	\$ 1.03	\$ 0.23

Diluted net income per common share:				
Continuing operations	\$	0.30	\$	0.21
Discontinued operations			0.02	0.02
Diluted net income per common share	\$	0.30	\$	0.23
Weighted average number of common shares used in computing net income per common share				
Basic		2,839,272	2,848,821	2,887,191
Diluted		2,921,853	2,902,470	2,887,230

See accompanying Notes to Financial Statements

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**ABLEST INC.**  
**Statements of Stockholders Equity**

(Amounts in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unearned restricted stock	Receivable from stock sales	Total stockholders equity
Balance at December 29, 2002	\$ 165	\$ 4,936	\$ 11,725	\$ (1,955)	\$	\$	\$ 14,871
Net income			2,928				2,928
Restricted stock plan		82					82
Stock repurchase program				(155)			(155)
Balance at December 28, 2003	\$ 165	\$ 5,018	\$ 14,653	\$ (2,110)	\$	\$	\$ 17,726
Net income			883				883
Restricted stock plan	1	86					87
Executive stock awards plan	1	68					69
Balance at December 26, 2004	\$ 167	\$ 5,172	\$ 15,536	\$ (2,110)	\$	\$	\$ 18,765

See accompanying Notes to Financial Statements.

**Table of Contents****ABLEST INC.  
Statement of Cash Flows**

(Amounts in thousands)

	December 26, 2004	For the Fifty-two Week Periods Ended	
		December 28, 2003	December 29, 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income from continuing operations	\$ 883	\$ 2,883	\$ 608
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	461	513	642
Amortization of intangible assets			
Intangible asset impairment			
Stock compensation	273	89	130
Loss (gain) on disposal of property, plant and equipment	13	9	44
Deferred income taxes	428	(1,783)	(67)
Changes in assets and liabilities (next page)	(1,945)	(1,548)	197
 Net cash provided by operating activities of continuing operations	 113	 163	 1,554
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property, plant and equipment	(370)	(297)	(173)
Cash transfer from discontinued operations			
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings		2,000	6,100
Repayment of short-term borrowings		(2,000)	(6,100)
Purchase of treasury shares		(155)	(199)
 Net cash provided by (used in) financing activities of continuing operations		 (155)	 (199)
 Net (decrease) increase in cash from continuing operations	 (257)	 (289)	 1,182
Net increase (decrease) in cash from discontinued operations		45	(131)
Less amount transferred to continuing operations			200
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 (257)	 (244)	 1,251

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,614	1,858	607
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 1,357	\$ 1,614	\$ 1,858



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**ABLEST INC.**  
**Statement of Cash Flows, continued**

(Amounts in thousands)

	December 26, 2004	For the Fifty-two Week Periods Ended	
		December 28, 2003	December 29, 2002
Changes in continuing operations assets and liabilities providing (using) cash:			
Accounts receivable, net	\$ (3,005)	\$ (2,139)	\$ (1,407)
Prepaid expenses and other current assets	53	83	(59)
Other assets	(1)	7	267
Accounts payable	52	70	(70)
Accrued expenses and other current liabilities	928	423	1,393
Other liabilities	28	8	73
Total change in continuing operations assets and liabilities providing (using) cash	\$ (1,945)	\$ (1,548)	\$ 197
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest	\$ 1	\$ 40	\$ 28
Income Taxes	28	22	21
	\$ 29	\$ 62	\$ 49

See accompanying Notes to Financial Statements

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**ABLEST INC.  
Notes to Financial Statements**

**1. Company Background**

Ablest Inc. ( Company ) offers staffing services in the United States. Staffing services are principally provided through 49 service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, industrial and information technology 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 and technical writing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

**2. Significant Accounting Policies**

***Fiscal Year***

The Company s fiscal year ends on the last Sunday of December. The financial statements include 52 weeks for the years ended December 26, 2004, December 28, 2003 and December 29, 2002.

***Cash Equivalents***

All highly liquid investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents at December 26, 2004 and December 28, 2003.

***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

***Property, Plant and Equipment***

Property, plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the respective assets on the straight-line method. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset. Estimated useful lives generally range from three to seven years.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions and major replacements or betterments that increase capacity or extend useful lives are added to the cost of the asset. Upon sale or retirement of the asset, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in other income (expense), net in the accompanying statements of operations.

***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.

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**ABLEST INC.  
Notes to Financial Statements, continued**

***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 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.

At December 26, 2004, 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 for the fiscal years ended 2004, 2003 or 2002.

***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 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.

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**ABLEST INC.**  
**Notes to Financial Statements, continued**

***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 thousands, except per share data)	December 26, 2004	For the Years Ended	
		December 28, 2003	December 29, 2002
Net income, as reported	\$ 883	\$ 2,928	\$ 677
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	117	89	189
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(146)	(106)	(228)
Pro forma net income	\$ 854	\$ 2,911	\$ 638
Basic net income per common share			
As reported	\$ 0.31	\$ 1.03	\$ 0.23
Pro forma	0.30	1.02	0.22
Diluted net income per common share			
As reported	\$ 0.30	\$ 1.01	\$ 0.23
Pro forma	0.29	1.00	0.22



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**ABLEST INC.**  
**Notes to Financial Statements, continued**

The preceding pro forma results were calculated with the use of the Black-Scholes option pricing model. The various factors used for options granted are as follows:

	December 26, 2004	December 28, 2003	December 29, 2002
Risk-free interest rate	2.64%	4.17%	3.83%
Dividend yield			
Expected life	10 Years	10 Years	10 Years
Volatility	4.6%	34.2%	40.7%

***Fair Value of Financial Instruments***

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, receivables, accounts payable and accrued liabilities, approximate fair value because of their short maturities.

***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 is required to adopt SFAS 123 (R) in the third quarter of fiscal 2005, and has not currently evaluated the impact of adoption on its overall results of operations or financial position.

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

**3. Discontinued Operations**

On March 13, 2000, the Company completed the sale of substantially all of the assets of the Company's U.S. industrial maintenance operations and all the stock of its Canadian subsidiary, C. H. Heist, Ltd., to Onyx. Taken together, these operations comprised substantially all of the Company's industrial maintenance business. The Asset Sale and Purchase Agreement between C. H. Heist Corp. and Onyx (the Agreement) included certain



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**ABLEST INC.**  
**Notes to Financial Statements, continued**

other provisions, which resulted in additional disposition costs for the Company. Such costs included environmental remediation at certain specific industrial maintenance branches, reimbursement of any uncollectible accounts receivable acquired by Onyx and the payment of certain severance costs.

A summary of the operating results of discontinued operations are shown below:

(Amounts in thousands)	For the Years Ended		
	December 26, 2004	December 28, 2003	December 29, 2002
Income from discontinued operations before income tax expense	\$	\$ 72	\$ 119
less: Income tax expense		27	50
Income from discontinued operations	\$	\$ 45	\$ 69

**4. Allowance for Doubtful Accounts**

The following table sets forth the allowance for doubtful accounts roll-forward for the past two fiscal years.

(Amounts in thousands)	December 26, 2004	December 28, 2003
Balance, beginning of year	\$ 246	\$ 291
Additions charged to cost and expense	257	194
Accounts receivable written-off	(218)	(239)
Balance, end of year	\$ 285	\$ 246

**5. Property, Plant and Equipment**

A summary of property, plant and equipment follows:

(Amounts in thousands)	December 26, 2004	December 28, 2003
Office furniture and equipment	\$ 5,189	\$ 5,082
Leasehold improvements	329	323
	\$ 5,518	\$ 5,405
less: Accumulated Depreciation	4,975	4,758
	\$ 543	\$ 647

Depreciation expense for the years ended December 26, 2004, December 28, 2003 and December 29, 2002 was \$461,000, \$513,000 and \$642,000 respectively.

## **6. Goodwill**

Effective in 2002, the company adopted SFAS No.142 Goodwill and Other Intangible Assets . SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives are no longer amortized, but rather are evaluated for impairment by applying a fair-value based test. During fiscal years 2002, 2003 and 2004, the

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Notes to Financial Statements, continued**

Company performed tests for impairment, in accordance with the standard, and found no instance of such.

**7. Accrued Expenses and Other Current Liabilities**

A summary of accrued expenses and other current liabilities follows:

(Amounts in thousands)	December 26, 2004	December 28, 2003
Payroll and other compensation	\$ 2,164	\$ 1,815
Insurance	3,069	2,442
Other	250	181
Accrued expenses and other current liabilities	\$ 5,483	\$ 4,438

**8. Indebtedness**

On August 13, 2003, the Company signed a two-year \$7,500,000 Committed Revolving Credit Facility ( Facility ) with Manufacturers and Traders Trust Company ( M&T ). 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 London Interbank Offered Rate ( LIBOR ) plus 200 basis points. The Facility expires on August 12, 2005 and is renewable for one year with the consent of both parties. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio, among others. 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 fiscal 2004 the Company had no borrowings against the Facility and was in compliance with all covenants.

**9. Stock Option Plans**

The Company has reserved 100,000 common shares for issuance in conjunction with its 2000 Independent Directors Stock Option Plan, (the Directors Plan ). The purpose of the Directors Plan is to strengthen the alignment of interest between the independent directors and the shareholders of Ablest Inc. through increased ownership by the independent directors of the Company's common stock. The Directors Plan provides for the granting of options to purchase 6,000 shares of common stock on the date of the respective directors' election to the Board of Directors (the Board ) and for the granting of options to purchase 1,500 common shares each time director is re-elected to the Board. The price per share deliverable upon exercise is equal to 100% of the fair market value of the shares on the date the option is granted. The initial grant of options to purchase 6,000 common shares is exercisable in three equal, annual installments on the first, second and third anniversary of the grant thereof. All subsequent grants are exercisable on the first anniversary of the grant thereof. The term of each grant is 10 years from the date it is granted.

A summary of stock option activity for the Director's Plan follows:

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Notes to Financial Statements, continued**

	Stock Options	Weighted Average Exercise Price
Outstanding at December 30, 2001	30,000	\$ 4.97
Granted	6,000	4.10
Outstanding at December 29, 2002	36,000	\$ 4.83
Granted	6,000	4.60
Outstanding at December 28, 2003	42,000	\$ 4.79
Granted	6,000	\$ 8.00
Outstanding at December 26, 2004	48,000	\$ 4.19
Options exercisable at December 26, 2004	42,000	\$ 4.79

At December 26, 2004, the range of exercise prices for options issued under the Director's Plan was \$4.10 to \$8.00, and the weighted average contractual life of the options was 5.47 years.

In August 2000, the Board approved the Ablest Inc. Option to Ownership Program, (the Program). The Program provides for the surrendering of stock options issued under the Company's 1991 Stock Option Plan and the Company's 1996 Leveraged Stock Option Plan and the purchase of restricted common stock of the Company through delivery of a full recourse promissory note in an amount equal to the aggregate purchase price of the common stock issued. The per share purchase price of the common stock issued was equal to the fair market value of the common stock on October 9, 2000 (the effective date of the Program). The number of common shares issued to each Program participant was based on a conversion factor determined by calculating the fair value of the various option grants previously issued, using the Black-Scholes Method, divided by the fair market price of the common stock available to purchase. A total of 234,716 option shares were surrendered and 55,313 common shares issued. The shares issued under the Program are accounted for under variable plan accounting, as defined in SFAS No. 123. As such, additional compensation expense of \$22,000 was recorded in fiscal 2001 to reflect increase in the fair value of the common shares issued. In fiscal 2002, the Company forgave a \$22,000 promissory note related to approximately 5,000 shares earned in 2002 under the Program.

The Company had reserved 375,000 common shares for issuance in conjunction with its 1991 Stock Option Plan (the Plan). The Plan provided for the granting of incentive stock options and/or non-qualified options to officers and key employees to purchase shares of common stock at a price not less than the fair market value of the stock on the dates options were granted. Such options were exercisable at such time or times as may be determined by the Compensation Committee of the Board and generally expired no more than ten years after grant. Options vest and became fully exercisable six months after the grant date. In the year ended December 31, 2000, 58,336 options were converted to common shares under the Option to Ownership Program.

A summary of stock option activity for the Plan follows:

**Table of Contents****ABLEST INC.  
Notes to Financial Statements, continued**

	Stock Options	Weighted Average Exercise Price
Outstanding at December 30, 2001	41,479	\$ 8.02
Canceled or expired	(17,479)	8.77
Outstanding at December 29, 2002	24,000	\$ 7.48
Outstanding at December 28, 2003	24,000	\$ 7.48
Canceled or expired	(18,000)	7.78
Outstanding at December 26, 2004	6,000	\$ 6.94
Options exercisable at December 26, 2004	6,000	\$ 6.94

At December 26, 2004, the exercise price for options issued under the Plan was \$6.94, and the weighted average contractual life of the options was 0.94 year.

**10. Incentive Plans**

In 2002 the Company implemented a Restricted Stock Plan ( the Plan ). The purpose of the Plan is to promote the long-term growth and profitability of the Company by providing executive officers and certain other key employees of the Company with incentive to improve stockholder values, contribute to the success of the Company and enabling the Company to attract, retain and reward the best available persons for positions of substantial responsibility. An aggregate of 250,000 shares of common stock of the Company (hereinafter the shares ) may be issued pursuant to the Plan. The maximum number of restricted shares that may be granted to any single individual in any one calendar year shall not exceed 25,000 shares. With respect to each grant of restricted shares under the Plan, one-third of the subject shares will become fully vested on the first anniversary of the date of grant, another one-third of the subject shares will become vested on the second anniversary of the date of grant, and the final one-third of the subject shares will become vested on the third anniversary of the date of grant. The Plan commenced effective the first day of fiscal 2002, and received approval by the holders of a majority of the Company's outstanding common stock in fiscal 2002. Unless previously terminated, the Plan shall terminate at the close of business on the last day of fiscal year 2006. In fiscal 2003, the Company expensed \$89,000 for 17,000 shares. In fiscal 2004, the Company expensed \$117,400 for approximately 16,000 shares.

In 2004 the Company implemented an Executive Stock Awards Plan. The purpose of which is to promote the long-term growth and profitability of the Company by providing executive officers with incentives to improve stockholder value and contribute to the success of the Company. An aggregate of 135,000 shares of common stock of the Company may be issued, with the maximum number issued to any single individual in a calendar year capped at

30,000 shares. The Executive Stock Awards Plan provides for an initial grant of shares, effective as of January 1, 2004 and subsequent grants for 2004, 2005 and 2006 subject to performance targets set for each year by the Compensation Committee. Shares will vest on January 1 of the year following the grant. During 2004 the Company expensed \$69,000 for 13,500 restricted shares earned by executive officers pursuant to initial granting of shares. No subsequent grants were awarded for fiscal 2004.

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**ABLEST INC.**  
**Notes to Financial Statements, continued**

**11. Income Taxes**

The components and allocation of the total provision for income tax (benefit) expense are as follows:

(Amounts in thousands)	December 26, 2004	December 28, 2003	December 29, 2002
Income tax expense (benefit):			
Federal	\$ 459	\$ (1,825)	\$ 227
State, current	\$ (30)	\$ 14	
State, deferred	86	69	41
	\$ 515	\$ (1,742)	\$ 268
Continuing operations	\$ 515	\$ (1,769)	\$ 218
Discontinued operations		27	50
	\$ 515	\$ (1,742)	\$ 268

The source of aggregate income before income taxes is as follows:

(Amounts in thousands)	December 26, 2004	December 28, 2003	December 29, 2002
Income before income taxes:			
Continuing operations	\$ 1,398	\$ 1,114	\$ 826
Discontinued operations		72	119
	\$ 1,398	\$ 1,186	\$ 945

Actual income taxes differ from the expected taxes (computed by applying the U.S. Federal corporate tax rate of 34% to (loss) earnings before income taxes) as follows:

(Amounts in thousands)	December 26, 2004	December 28, 2003	December 29, 2002
Computed expected tax expense	\$ 475	\$ 403	\$ 321
Adjustments resulting from:			
State tax, net of Federal tax benefit	\$ 55	83	41
Meals and entertainment	32	28	30
Change in estimate for tax benefit, other	(48)	98	77
Refund of 1998 amended income tax return			(201)



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Valuation allowance			(2,354)		
	\$	515	\$	(1,742)	\$ 268
Effective tax rate		36.8%		-146.9%	28.4%

The tax effects of temporary differences that give rise to the aggregate deferred tax assets and liabilities are as follows:

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**ABLEST INC.**  
**Notes to Financial Statements, continued**

(Amounts in thousands)	December 26, 2004	December 28, 2003
Deferred tax assets and liabilities:		
Allowance for doubtful accounts	\$ 108	\$ 93
Accrued insurance expense	1,162	927
Accumulated depreciation of plant and equipment	124	100
Accumulated amortization of other assets	685	744
Foreign tax and other credit carryforwards	180	180
AMT Tax Paid	60	
Operating loss carryforwards	2,159	2,897
Other	99	64
Net deferred tax assets	\$ 4,577	\$ 5,005

In assessing the realizability of deferred tax assets, management considers, within each taxing 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, the company has determined that the tax asset will be realizable.

**12. Employee Benefit Plans**

The Company maintains a qualified defined contribution plan covering all employees in the United States. The Company matches the contributions of participating employees, with a maximum contribution limit, on the basis of the percentages specified in the plan. The matching contributions were approximately \$183,000, \$176,000 and \$198,000 for the years ended December 26, 2004, December 28, 2003 and December 29, 2002, respectively.

**13. Lease Commitments**

The Company occupies certain facilities under non-cancelable operating lease arrangements. Expenses under such arrangements amounted to approximately \$1,288,000, \$1,294,000 and \$1,358,000 for the years ended December 26, 2004, December 28, 2003 and December 29, 2002, respectively.

In addition, the Company leases certain automotive and office equipment under non-cancelable operating lease arrangements, which provide for minimum monthly rental payments. Expenses under such arrangements amounted to approximately \$133,000, \$142,000 and \$153,000 for the years ended December 26, 2004, December 28, 2003 and December 29, 2002, respectively.

Management expects that in the normal course of its continuing operations, new leases will replace leases that expire. Real estate taxes, insurance and maintenance expenses are obligations of the Company. A summary of future minimum operating lease payments for continuing operations at December 26, 2004 follows:



**Table of Contents****ABLEST INC.  
Notes to Financial Statements, continued**

(Amounts in thousands)

Year	Real Property	Equipment	Total
2005	\$ 1,094	\$ 71	\$ 1,165
2006	556	47	603
2007	209	24	233
2008	30		30
2009	27		27
Total	\$ 1,916	\$ 142	\$ 2,058

**14. Contingencies**

The Company is subject, from time to time, to claims encountered in the normal course of business. In the opinion of management, the resolution of all pending matters will not have a material adverse effect on the Company's financial condition or liquidity.

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company is self-insured for general liability and workers' compensation. Accruals for losses are made based on the Company's claims experience and actuarial assumptions followed in the insurance industry. Management believes that the amount accrued is adequate to cover all known and unreported claims at December 26, 2004. Actual losses could differ from accrued amounts.

**ITEM 9. *Changes In and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**ITEM 9A. *Controls and Procedures***

Based on their evaluation, as of a date within 90 days prior to the date of the filing of this 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 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.

**ITEM 9B. Other Information**

**None.**

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**PART III**

**ITEM 10. *Directors and Executive Officers of the Registrant***

The information in response to this item is hereby incorporated by reference to the information under the caption "Nominees for Directors" presented in the Company's definitive proxy statement to be filed with the Securities and Exchange Commission and used in connection with the solicitation of proxies for the Company's 2005 Annual Meeting of Shareholders (the "Proxy Statement").

**ITEM 11. *Executive Compensation***

The information in response to this item is hereby incorporated by reference to the information under the caption "Compensation of Executive Officers" presented in the Company's Proxy Statement. Information appearing in the Proxy Statement under the headings "Report on Executive Compensation by the Compensation Committee and Board of Directors", "Common Stock Performance" and "Report of Audit Committee" is not incorporated herein and should not be deemed to be included in this document for any purposes.

**ITEM 12. *Security Ownership of Certain Beneficial Owners and Management***

The information in response to this item is hereby incorporated by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management" presented in the Company's Proxy Statement.

**ITEM 13. *Certain Relationships and Related Transactions***

The information in response to this item is hereby incorporated by reference to the information under the caption "Certain Transactions" presented in the Company's Proxy Statement.

**ITEM 14. *Principal Accountants Fees and Services***

The information required by this item is incorporated by reference to the section entitled "Principal Accountants Fees and Services" in the Proxy Statement.

**PART IV**

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

(a) The following documents are filed as part of this Report:

- (1) Financial Statements

See Index to Financial Statements on page 13.

- (2)

Supplemental Schedules

Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the consolidated financial statements or notes thereto.

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(3) Exhibits

<u>Exhibit Number</u>	<u>Exhibit</u>
2.1	Agreement and Plan of Merger between C. H. Heist Corp. and Ablest Inc. dated February 4, 2000. (1)
2.2	Agreement and Plan of Merger between Ablest Service Corp., PLP Corp., Milestone Technologies, Inc. and Ablest Inc., dated January 1, 2001. (2)
3.1	Certificate of Incorporation of the Company. (2)
3.2	By-laws of the Registrant. (2)
10.1	Asset Sale and Purchase Agreement between C. H. Heist Corp. and Onyx Industrial Services Inc. (1).
10.2	Promissory Note dated August 13, 2003 between the Company and Manufacturers and Traders Trust Company. (3)
10.3	Independent Directors Stock Option Plan adopted May 14, 2000. (2)
10.4	Option to Ownership Plan adopted October 9, 2000. (2)
10.5	Executive Stock Awards Plan. (4)
10.6	Employment agreement with Charles H. Heist III, Chairman, dated January 1, 2004. (5)
10.7	Employment agreement with W. David Foster, Vice Chairman, dated January 1, 2004. (5)
10.8	Employment agreement with Kurt R. Moore, President and Chief Executive Officer, dated January 1, 2004. (5)
10.9	Employment agreement with Vincent J. Lombardo, Vice President and Chief Financial Officer, dated January 1, 2004. (5)
14	Code of Ethics for Senior Financial Officers (5)
21	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.



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Exhibit

<u>Number</u>	<u>Exhibit</u>
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.

- 
- (1) Filed as Exhibit to the Registrant's Form 8-K report dated March 22, 2000 and incorporated herein by reference.
  - (2) Filed as an Exhibit to the Registrant's Form 10-K Report for the year ended December 31, 2000 and incorporated herein by reference.
  - (3) Filed as an Exhibit to the Registrant's Form 10-Q Report for the quarter ended September 28, 2003 and incorporated herein by reference.
  - (4) Filed as an Exhibit to the Registrant's Form S-8 filed January 12, 2004 and incorporated herein by reference.
  - (5) Filed as an Exhibit to the Registrant's Form 10-K Report for the year ended December 28, 2003 and incorporated herein by reference.
- (b) The Company filed a report on Form 8-K dated October 23, 2003, under Item 12. The report included a press release reporting the Company's management succession plan.

The Company filed a report on Form 8-K dated October 24, 2003, under Item 12. The report included a press release reporting the Company's results of operations and financial condition for the thirteen and thirty-nine weeks ended September 28, 2003.

The Company filed a report on Form 8-K dated February 23, 2005, under Item 12. The report included a press release reporting the Company's results of operations and financial condition for the year ended December 26, 2004.

(c) Exhibits

See subsection (a)(3) above.

(d) Financial Statement Schedules

Not applicable

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**SIGNATURES**

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABLEST INC.

By: /s/ Kurt R. Moore  
Kurt R. Moore  
President and Chief Executive Officer  
(principal executive officer)

By: /s/ Vincent J. Lombardo  
Vincent J. Lombardo  
Vice President, Chief Financial Officer,  
Secretary and Treasurer (principal  
financial officer and principal accounting  
officer)

Date: February 17, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and as of the date indicated:

ABLEST INC.

By: /s/ Charles H. Heist

Charles H. Heist  
Chairman of the Board, Director

By: /s/ Ronald K. Leirvik

Ronald K. Leirvik  
Director

By: /s/ W. David Foster

W. David Foster  
Vice Chairman of the Board, Director

By: /s/ Donna R. Moore

Donna R. Moore  
Director

By: /s/ Kurt R. Moore

Kurt R. Moore  
President and Chief Executive Officer,  
Director

By: /s/ Richard W. Roberson

Richard W. Roberson  
Director

By: /s/ Charles E. Scharlau

Charles E. Scharlau  
Director

February 17, 2005



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**Report of Independent Registered Certified Public Accounting Firm on Financial Statement Schedule**

To the Board of Directors and Shareholders  
of Ablest Inc.:

Our audits of the financial statements referred to in our report dated March 3, 2005 appearing in the December 26, 2004 Annual Report to Shareholders of Ablest Inc. (which report and financial statements are included in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

/s/ PricewaterhouseCoopers LLP

Tampa, Florida  
March 3, 2005

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Table of Contents**SCHEDULE II****VALUATION AND QUALIFYING ACCOUNTS**

For the Years Ended December 26, 2004, December 28, 2003 and December 29, 2002

(Amounts in thousands)	Balance at beginning of the period	Additions charged to costs and expense	Additions charged to other accounts	Deductions	Balance at end of the period
<b><i>Year Ended December 26, 2004</i></b>					
Allowance for doubtful accounts	\$ 246	257		218	285
Deferred tax asset valuation allowance	\$				
<b><i>Year Ended December 28, 2003</i></b>					
Allowance for doubtful accounts	\$ 291	194		239	246
Deferred tax asset valuation allowance	\$ 2,354			2,354	
<b><i>Year Ended December 29, 2002</i></b>					
Allowance for doubtful accounts	\$ 252	92		53	291
Deferred tax asset valuation allowance	\$ 2,354				2,354