

ABLEST INC
Form 10-K
March 20, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 29, 2002

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 the 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 (X). The aggregate market value of the Registrant's common shares held by non-affiliates at February 28, 2003 was approximately \$5,598,000.

The number of common shares of the Registrant outstanding at February 28, 2003 was 2,856,188.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2003 Annual Meeting of Stockholders are incorporated by reference into Part II of this Report.

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PART I

ITEM 1. *Business*

General

Prior to March 13, 2000, Ablest Inc. (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). For the 2001 and 2000 fiscal years reported herein, 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. See accompanying notes to the Financial Statements included under Item 8 to this report on Form 10-K for additional information on the re-incorporation and merger.

Staffing Services

The Company offers staffing services in the United States. Staffing services are principally provided through 47 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 in the Company s commercial staffing services segment include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping. Positions in the Company s information technology staffing services segment include, but are not limited to, network administration, data base administration, program analyst (both mainframe and client server), web development, project management and technical writing. Ablest 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.

Industry Segments and Service Activities

The table on the following page is a summary of information relating to the Company s operations in its two industry segments for each of the Company s last three fiscal years. The discontinued operation noted refers to the Company s former industrial maintenance operations.

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| (Amounts in thousands) | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|--|-------------------------|-------------------------|-------------------------|
| Revenues from Unaffiliated Customers: | | | |
| Staffing Services | \$ 101,193 | 87,042 | 103,435 |
| Discontinued Operation | | | 12,565 |
| Operating Income (loss): | | | |
| Staffing Services | 566 | (5,674) | 1,193 |
| Discontinued Operation | 119 | | (15) |
| Identifiable Assets: | | | |
| Staffing Services | 19,216 | 16,951 | 23,483 |
| Discontinued Operation | | 261 | 1,276 |

The following table sets forth the approximate percentages of revenues by service activity within the Company's Staffing Services operations for each of the Company's last three fiscal years:

| | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| Staffing Services Revenues: | | | |
| Commercial Staffing | 93% | 88% | 85% |
| Information Technology Staffing | 7% | 12% | 15% |

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 3,850 persons, 147 of which were full time at December 29, 2002. The Company considers its employee relations to be satisfactory.

Canadian Operations. Up through March 13, 2000, the Company's former industrial maintenance business included operations in Canada. In connection with the sale of the industrial maintenance business all of the common stock of the Company's Canadian Subsidiary, C. H. Heist, Ltd., was sold to Onyx Industrial Services, Inc. The operations of the Canadian subsidiary, up through the sale date, are included with the discontinued operations. See notes to the Financial Statements included under Item 8 to this report on Form 10-K for additional information on the discontinued operations.

Table of Contents**Executive Officers**

The Company's executive officers are:

| Name | Age | Position and Office with Registrant | Served as Executive Officer Since |
|---------------------|-----|--|--|
| Charles H. Heist | 52 | Chairman of the Board of Directors | 1978 |
| W. David Foster | 68 | Chief Executive Officer | 1976 |
| Kurt R. Moore | 43 | President and Chief Operating Officer | 1991 |
| Vincent J. Lombardo | 41 | Vice President, Chief Financial Officer, Treasurer and Secretary | 2002 |

Arrangements and Understandings. There are no arrangements or understandings pursuant to which the above officers were elected.

Family Relationships. None of the officers have any family relationship with any other officer of the Company.

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 2002.

Table of Contents**PART II****ITEM 5. *Market for Registrant's Common Equity and Related Stockholder Matters*****Market for Registrant's Common Stock**

The Company's common stock currently trades on the American Stock Exchange under the symbol AIH. For the period from March 13, 2000 to November 20, 2000 the Company's common stock was traded under the symbol ABI. Prior to March 13, 2000 the common stock was traded under the symbol HST.

Price Range of Common Stock

The price ranges applicable to the common shares during each quarter of the years ended December 29, 2002 and December 30, 2001, are as follows:

| | 2002 | | 2001 | |
|-------------|--------|------|------|------|
| | High | Low | High | Low |
| 1st Quarter | \$4.65 | 4.25 | 5.12 | 4.50 |
| 2nd Quarter | 4.60 | 3.45 | 4.85 | 4.41 |
| 3rd Quarter | 4.50 | 3.46 | 4.90 | 4.45 |
| 4th Quarter | 6.65 | 4.15 | 4.85 | 4.45 |

Number of Common Shareholders

On February 28, 2003, there were 506 registered shareholders.

Dividends

The Company currently does not pay a dividend on its common shares.

ITEM 6. *Selected Financial Data*

(In thousands, except per share data)

| Fiscal Year Ended December | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|------------|---------|---------|---------|--------|
| Net service revenues | \$ 101,193 | 87,042 | 103,435 | 98,094 | 78,471 |
| Net income (loss) from continuing operations | 608 | (5,120) | 592 | (3,956) | 876 |
| Income (loss) per common share from continuing operations: | | | | | |
| basic and diluted | 0.21 | (1.75) | 0.21 | (1.37) | 0.30 |
| Total assets | 19,216 | 17,212 | 24,759 | 44,009 | 53,340 |
| Long-term debt | \$ | | | 15,950 | 16,050 |

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For the fiscal year ended December 29, 2002, compared to December 30, 2001.

Fiscal Year 2002 was comprised of 52 weeks, as was fiscal 2001.

Results of Operations:

Service revenues increased by \$14.2 million or 16.3% to \$101.2 million from \$87.0 million for the year ended December 29, 2002 compared to the year ended December 30, 2001.

Service revenues for the Company's commercial staffing services segment increased by \$17.5 million or 22.9% to \$94.1 million from \$76.6 million for fiscal 2002 as compared to fiscal 2001. This increase is from several large industrial customers and the gradual improvement of the industrial sector. Historically, the staffing industry is one of the first to feel the impact of a declining economy and conversely, is one of the first to benefit from an improving economy. During fiscal 2002, the Company closed two commercial staffing offices; one that was not performing to expectations and one on-site location where the customer plant closed. One on-site commercial staffing office was opened in fiscal 2002.

Service revenues in the Company's information technology staffing services segment declined by \$3.3 million or 32.4% to \$7.1 million from \$10.4 million for fiscal 2002 as compared to fiscal 2001. The information technology staffing services segment continues to feel the effect of the slow down in the United States economy and an overall decline in the information technology industry. Also contributing to this decline was the loss of a high volume, low gross margin customer in the fourth quarter of the fiscal 2001.

Gross profit increased by \$1.4 million or 8.4% to \$18.4 million for fiscal 2002 as compared to fiscal 2001. Gross profit for the commercial staffing segment increased \$2.1 million or 14.6% over the same period. Gross profit for the Company's information technology staffing services segment declined by \$718,000 or 31.5% for fiscal 2002 as compared to fiscal 2001. The decline in gross profit for the information technology segment is related to the decline in the service revenues, although it is offset by a slight rise in gross margin to 22.1% from 21.8% one year earlier. Gross margin for the commercial staffing services segment declined by 1.3% to 17.9% for fiscal 2002 from 19.2% for fiscal 2001. The decline in gross margin continues to be impacted by a changing sales mix where a greater percentage of revenue is being derived from light industrial clients. For fiscal 2002, light industrial services as a percentage of commercial staffing services revenue increased to 81.3% from 76.2%, as compared to fiscal 2001. Bidding for these services is highly competitive and, due to their large volume, requires lower margins to secure the contracts.

Selling, general and administrative expense, exclusive of amortization expense and intangible asset impairment, declined by approximately \$1.6 million or 8.1% for the current year compared to one year earlier. Contributing to this decrease was the closing of seven field offices in the prior fiscal year and cost reductions in the Company's information technology staffing services offices.

Other income (expense), net, increased by \$166,000 to \$260,000 in fiscal 2002 as compared to fiscal 2001. Interest income, net, amounted to approximately \$15,000 in fiscal 2002 as compared to a net interest income of \$21,000 in fiscal 2001. Included in the increase of other income (expense), net is the receipt of \$211,000 from the Canadian workers compensation board for settlement of claims previously funded by the Company.

The effective tax rate for fiscal 2002 is an expense of 28.4%. The year to date tax expense reported includes a refund of \$201,000 for the Company's 1998 amended federal income tax return that was received in the first quarter of 2002.

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Discontinued Operations:

Adjustment to loss on sale of discontinued operations, net of income taxes, was \$69,000 for fiscal 2002. This includes \$119,000 of reserves for potential environmental and other exposures that are no longer needed based on the Company's determination of the liability status. This is partially offset by \$50,000 for income tax expense related to this income. Effective December 31, 2001, reserves relating to the industrial maintenance business are no longer reported separately.

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

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. The accounts receivable balance was \$11.6 million, net of allowance for doubtful accounts of \$291,000 as of December 29, 2002.

(b) Self-insurance reserves

The Company is self-insured for general liability, medical and workers' compensation coverages. Accruals for losses are made based on the Company's claims experience and actuarial assumptions followed in the insurance industry. Management believes that the amounts accrued are adequate to cover all known and unreported claims at December 29, 2002.

(c) Goodwill

In June 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 29, 2002, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives. The Company has 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. The Company screened for impairment during the first and fourth fiscal quarters of 2002 and found no instances of impairment of its recorded goodwill.

During the year ended December 30, 2001, the Company recorded an impairment loss of \$2.9 million related to intangible assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*.

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(d) Deferred Tax Assets

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 has provided valuation allowances for those deferred tax assets that are not expected to be realized.

Liquidity and Capital Resources:

The quick ratio was 3.2 to 1 and 3.7 to 1 at December 29, 2002 and December 30, 2001, respectively, and the current ratio was 3.5 to 1 and 3.8 to 1, for the same respective periods. Net working capital increased by \$1.2 million during fiscal 2002. Contributing to this was an increase in accounts receivable of \$1.4 million due to the higher level of revenue being generated during this period. In addition, cash increased by \$1.3 million. These items were offset by an increase in accrued expenses of \$1.4 million. Accrued expenses increased primarily due to the 2001 insurance retrospective premium adjustments that were not paid until 2003. Reference should be made to the Statement of Cash Flows, which details the sources and uses of cash.

On July 22, 2001, The Company entered into a Standard LIBOR Grid Note Agreement (LIBOR Agreement) with The Manufacturers and Traders Trust Company (M&T). The LIBOR Agreement allows for the borrowing for general corporate needs of up to \$5.0 million with interest calculated at the bank's then prime lending rate or, at the Company's option, using a formula which adds 250 basis points or 2.5% to the 30, 60 or 90 day London Interbank Offered Rate LIBOR rate. The LIBOR Agreement is a one-year demand note that originally expired on July 21, 2002, and is renewable annually with the consent of both parties. On June 14, 2002, the Company renewed the LIBOR Agreement for another year extending the expiration date to July 22, 2003. The LIBOR Agreement does not contain working capital or other financial covenants. The Company believes that this line will be renewed and will be sufficient to cover foreseeable operational funding requirements in 2003. Since, however, the Company must repay any borrowings under the LIBOR Agreement to M&T on demand, there is no guarantee that the Company will be able to maintain or obtain funding from M&T if, for any reason, M&T does not wish to continue to extend credit to the Company. At the current time, given the Company's financial condition, the nature of its business which does not require attainment or maintenance of high levels of working capital, its historical relationship with M&T and the fact that working capital requirements tend to decline if revenues decline, the Company believes that it will be able to borrow required funds from M&T under the LIBOR Agreement. If, however, M&T were to demand repayment of the borrowings (or decline to provide funding) under the LIBOR Agreement for any reason, the Company would be in the position of having to secure from other sources funding to finance its working capital requirements. Such new sources could require commitment fees, financial covenants and other conditions, taking into consideration such factors as the health of the national economy, staffing industry performance and trends, and the Company's financial condition, performance and prospects. In such event, there is no guarantee that the Company would be able to secure such funding on favorable terms.

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For the fiscal year ended December 30, 2001, compared to December 31, 2000.

Fiscal Year 2001 was comprised of 52 weeks compared to 53 weeks in fiscal 2000.

Results of Operations:

Service revenues declined by \$16.4 million or 15.9% to \$87.0 million from \$103.4 million for the year ended December 30, 2001 compared to the year ended December 31, 2000.

Service revenues for the Company's commercial staffing services segment decreased by \$11.6 million or 13.2% to \$76.6 million from \$88.2 million for fiscal 2001 as compared to fiscal 2000. This decrease was primarily a result of an overall decline in demand for the Company's commercial staffing services as a result of the economic recession that had occurred in the United States. Historically, the staffing industry is one of the first to feel the impact of a declining economy and conversely, is one of the first to benefit from an improving economy. During fiscal 2001, the Company closed six commercial staffing offices that were not performing up to expectations or were severely impacted by significant declines in their respective local economies. These offices accounted for \$3.6 million of the overall decline in commercial staffing services in fiscal 2001 as compared to fiscal 2000.

Service revenues in the Company's information technology staffing services segment declined by \$4.8 million or 31.4% to \$10.4 million in fiscal 2001 as compared to \$15.2 million for fiscal 2000. This segment was especially hard hit by the decline in the general economy and the softening of demand for information technology staffing services, post year 2000 conversion. Contributing to this decline was a decrease in placement fees generated by this segment. For fiscal 2001 placement fees accounted for 0.7% of information technology staffing services as compared to 4.6% for fiscal 2000. Additionally, in December of 2001, the Company closed one of its information technology staffing offices that had shown a decline of approximately \$900,000 in service revenues from the prior year.

Gross profit decreased by \$5.9 million or 25.8% to \$17.0 million for fiscal 2001 as compared to fiscal 2000. Gross profit for the commercial staffing segment declined \$3.5 million or 18.6% over the same period. Gross profit for the Company's information technology staffing services segment declined by \$1.6 million or 40.8% for fiscal 2001 as compared to fiscal 2000. The decline in gross profit for both segments was related to the decline in the service revenues and a decline in gross margin. Gross margin declined by 2.6 percentage points to 19.5% from 22.1% for fiscal 2001 as compared to fiscal 2000. For the commercial staffing services segment, the decline in gross margin was partially attributable to a change in the sales mix where a greater percentage of revenue was derived from light industrial and payrolling services. For fiscal 2001, light industrial services as a percentage of commercial staffing services revenue increased to 76.2% from 68.0%, compared to fiscal 2000. Driving this change in the sales mix was the increase in total staffing services being derived from the Company's Vendor-On-Premises programs. Bidding for these services is highly competitive and, due to their large volume, require lower margins to secure the contracts. For the Company's information technology staffing services segment, gross margin declined by 3.5 percentage points from fiscal 2000 to fiscal 2001. This decline was partially attributable to the decline in permanent placement fees noted earlier and the use of Tiered Suppliers, which accounted for 5.6% of this segment's revenues in 2001 compared to none in 2000.

Selling, general and administrative expense, exclusive of amortization expense and intangible asset impairment, declined by approximately \$1.9 million or 8.9% for fiscal 2001 as compared to fiscal 2000. This decline was the result of cost reductions and staff eliminations that were done during the second and fourth quarters when the Company closed seven under performing branch locations. During fiscal 2001, the Company recorded \$250,000 in reorganization expense relating to the closing of the seven offices noted above.

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In the fourth quarter of 2001, the Company incurred non-cash charges of \$2.9 million relating to the impairment of goodwill and other intangible assets associated with various information technology staffing acquisitions made in previous fiscal years. The Company has continuously reviewed the information technology staffing acquisitions to determine whether it can continue to support the carrying value of the intangible assets that were established at the time of the respective acquisitions. Based upon several factors, including a steady decline in revenue and earnings, the loss of a major customer, management changes that occurred in the fourth quarter 2001 and the continued weakening of demand in this segment of the staffing industry, an impairment triggering event was deemed to have occurred. Based on the projected discounted future cash flows from this segment, the related goodwill and other intangible assets were written down to their estimated current net realizable values.

Other income (expense), net, increased by \$80,000 to \$94,000 during fiscal 2001 as compared to fiscal 2000. Interest income, net, amounted to approximately \$22,000 in 2001 as compared to a net interest expense of \$135,000 in 2000. Also contributing to the increase in other income, net, was the one time receipt of \$73,000 from the demutualization of the Company's former pension and 401-K plan service provider.

The effective tax rate for fiscal 2001 was a benefit of 8.3%. 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 for those deferred tax assets that are not expected to be realized. The Company recorded a valuation allowance of \$2.3 million in fiscal 2001 against a deferred tax benefit of \$2.8 million, resulting in a recognized benefit of \$460,000. In fiscal 2000, the recorded tax provision of \$615,000 represented an effective rate of 50.9% due to the impact of changes in estimates of previously recognized tax benefits and the non-deductibility for tax purposes of certain expenses (mainly goodwill amortization) incurred by the Company.

Discontinued Operations:

At December 30, 2001 the combined balance in the remaining reserve for loss on sale of discontinued operations was \$325,000. The Company believes that the balance in the reserve account is sufficient to cover all remaining items from the sale of its industrial maintenance operations to Onyx in 2000. The reserves will be utilized to complete environmental remediation in two of the Company's former industrial maintenance locations, to cover any damages against the Company's former Canadian subsidiary resulting from an on-going lawsuit and to cover any future insurance retrospective premium adjustments in the United States.

In August 2001, the Company sold its former Lima, Ohio property for a gain of approximately \$17,000. In December 2001, the Company sold its former Charlotte, North Carolina facility for \$1.1 million and recognized a gain in the net assets of discontinued operations of approximately \$396,000. Also in December 2001, the Company received a one-time distribution, on behalf of the discontinued operations, of \$222,000 from the demutualization of its former pension and 401-K service provider. In fiscal 2001, the Company made a final payment to Onyx of approximately \$62,500 to settle all outstanding items under the Asset Sales and Purchase Agreement dated January 21, 2000.

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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| The financial statements of the registrant required to be included in Item 8 are listed below: | |
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

In our opinion, the accompanying balance sheet as of December 29, 2002 and the related statements of operations, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Ablest Inc. at December 29, 2002, and the results of its operations and cash flows for the year then ended 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 audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 audit provides a reasonable basis for our opinion. The financial statements of Ablest Inc. as of December 30, 2001, and for the year then ended, prior to the revision discussed in Note 2, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated February 1, 2002.

As discussed in Note 2, the Company changed its method of accounting for amortization of goodwill in accordance with FAS 142, Goodwill and Other Intangible Assets effective December 31, 2001.

As discussed above, the financial statements of Ablest Inc. as of December 30, 2001, and for the year then ended, were audited by other independent accountants who have ceased operations. As described in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of December 31, 2001. We audited the 2001 transitional disclosures described in Note 2. In our opinion, the transitional disclosures for 2001 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

PricewaterhouseCoopers LLP

Tampa, FL
February 14, 2003

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

THIS REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP.

To Ablest Inc.:

We have audited the accompanying balance sheet of Ablest Inc. (a Delaware corporation) as of December 30, 2001, and the related statements of operations, stockholders' equity and cash flows for the year then ended. 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 audit. The financial statements of Ablest Inc. as of December 31, 2000, were audited by other auditors whose report dated February 16, 2001, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ablest Inc. as of December 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Tampa, Florida,
February 1, 2002

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Ablest, Inc.:

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows of Ablest, Inc. for the year ended December 31, 2000. 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 audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of Ablest, Inc. for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Tampa, Florida
February 16, 2001

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

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

| | December 29, 2002 | December 30, 2001 |
|--|------------------------------|----------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,858 | 607 |
| Accounts receivable, net | 11,639 | 10,232 |
| Prepaid expenses and other current assets | 296 | 237 |
| Current deferred tax asset | 988 | 1,193 |
| | <u> </u> | <u> </u> |
| Total current assets | 14,781 | 12,269 |
| Property, plant and equipment, net | 872 | 1,385 |
| Deferred tax asset, net | 2,234 | 1,962 |
| Goodwill, net | 1,283 | 1,283 |
| Other assets | 46 | 52 |
| Net assets of discontinued operations | | 261 |
| | <u> </u> | <u> </u> |
| Total assets | \$ 19,216 | 17,212 |
| | <u> </u> | <u> </u> |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 256 | 326 |
| Accrued expenses and other current liabilities | 4,008 | 2,615 |
| | <u> </u> | <u> </u> |
| Total current liabilities | 4,264 | 2,941 |
| Other liabilities | 81 | 8 |
| | <u> </u> | <u> </u> |
| Total liabilities | 4,345 | 2,949 |
| | <u> </u> | <u> </u> |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS EQUITY | | |
| Preferred stock of \$.05 par value; 500,000 shares authorized, none issued or outstanding at December 29, 2002 and December 30, 2001 | | |
| Common stock of \$.05 par value; 7,500,000 shares authorized, 3,293,395 and 3,293,405 shares issued and outstanding at December 29, 2002 and December 30, 2001, respectively | 165 | 165 |
| Additional paid-in capital | 4,936 | 4,936 |
| Unearned restricted stock | | (108) |
| Notes receivable from stock sale | | (22) |
| Retained earnings | 11,725 | 11,048 |
| Treasury stock at cost: 428,341 and 387,239 shares held at December 29, 2002 and December 30, 2001, respectively | (1,955) | (1,756) |
| | <u> </u> | <u> </u> |
| Total stockholders equity | 14,871 | 14,263 |
| | <u> </u> | <u> </u> |
| Total liabilities and stockholders equity | \$ 19,216 | 17,212 |
| | <u> </u> | <u> </u> |

See accompanying notes to financial statements.

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

(Amounts in thousands, except share data)

| | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|---|------------------------------|------------------------------|------------------------------|
| Net service revenues | \$ 101,193 | 87,042 | 103,435 |
| Cost of services | 82,806 | 70,086 | 80,601 |
| Gross profit | 18,387 | 16,956 | 22,834 |
| Selling, general and administrative expenses | 17,821 | 19,399 | 21,275 |
| Amortization of intangible assets | | 323 | 366 |
| Intangible asset impairment | | 2,908 | |
| Operating income (loss) | 566 | (5,674) | 1,193 |
| Other income (expense): | | | |
| Interest income (expense), net | 15 | 21 | (135) |
| Other, net | 245 | 73 | 149 |
| Other income (expense), net | 260 | 94 | 14 |
| Income (loss) from continuing operations before income taxes | 826 | (5,580) | 1,207 |
| Income tax expense (benefit) | 218 | (460) | 615 |
| Net income (loss) from continuing operations | 608 | (5,120) | 592 |
| Discontinued operations: | | | |
| Adjustment to loss on sale of discontinued operations, net of income taxes | 69 | | 185 |
| Net income (loss) | \$ 677 | (5,120) | 777 |
| Basic (loss) earnings per common share: | | | |
| Continuing operations | \$ 0.21 | (1.75) | 0.21 |
| Adj. to loss on sale of discontinued operations | 0.02 | | 0.06 |
| Basic net income (loss) per common share | \$ 0.23 | (1.75) | 0.27 |
| Diluted (loss) earnings per common share: | | | |
| Continuing operations | \$ 0.21 | (1.75) | 0.21 |
| Adj. to loss on sale of discontinued operations | 0.02 | | 0.06 |
| Diluted net income (loss) per common share | \$ 0.23 | (1.75) | 0.27 |
| Weighted average number of common shares used in computing net income (loss) per common share | | | |
| Basic | 2,887,191 | 2,922,246 | 2,865,844 |
| Diluted | 2,887,230 | 2,922,246 | 2,865,844 |



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 sale | Total stockholders' equity |
|----------------------------------|-----------------|----------------------------------|----------------------|-------------------|---------------------------------|-------------------------------------|----------------------------------|
| Balances at December 26, 1999 | \$ 158 | \$ 4,285 | \$ 15,391 | \$ (1,222) | \$ | \$ | \$ 18,612 |
| Net income | | | 777 | | | | 777 |
| Stock options exercised | 1 | 77 | | | | | 78 |
| Stock compensation awards | 3 | 320 | | | (215) | | 108 |
| Stock repurchase program | | | | (390) | | | (390) |
| Option to ownership program | 3 | 232 | | | | | 235 |
| Notes receivable from stock sale | | | | | | (235) | (235) |
| Balances at December 31, 2000 | 165 | 4,914 | 16,168 | (1,612) | (215) | (235) | 19,185 |
| Net (loss) | | | (5,120) | | | | (5,120) |
| Stock compensation awards | | | | | 107 | | 107 |
| Stock repurchase program | | | | (144) | | | (144) |
| Option to ownership program | | 22 | | | | | 22 |
| Notes receivable from stock sale | | | | | | 213 | 213 |
| Balances at December 30, 2001 | 165 | 4,936 | 11,048 | (1,756) | (108) | (22) | 14,263 |
| Net income | | | 677 | | | | 677 |
| Stock compensation awards | | | | | 108 | | 108 |
| Stock repurchase program | | | | (199) | | | (199) |
| Notes receivable from stock sale | | | | | | 22 | 22 |
| Balances at December 29, 2002 | \$ 165 | \$ 4,936 | \$ 11,725 | \$ (1,955) | \$ | \$ | \$ 14,871 |

See accompanying notes to financial statements.

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ABLEST INC.
Statement of Cash Flows

(Amounts in thousands)

| | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|--|----------------------------------|----------------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (loss) from continuing operations | \$ 608 | (5,120) | 592 |
| Adjustments to reconcile net income (loss) to net Cash provided by (used in) operating activities: | | | |
| Depreciation | 642 | 904 | 1,151 |
| Amortization of intangible assets | | 323 | 366 |
| Intangible asset impairment | | 2,908 | |
| Loss (gain) on disposal of property, plant and equipment, net | 44 | 199 | (98) |
| Deferred income taxes | (67) | (501) | (645) |
| Stock compensation | | 320 | 108 |
| Changes in assets and liabilities (next page) | 197 | 1,904 | (4,950) |
| | <u>1,424</u> | <u>937</u> | <u>(3,476)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | (173) | (627) | (1,040) |
| Proceeds from disposal of property, plant and equipment | | | 366 |
| Acquisitions and earnout payments, net of cash acquired | | | (225) |
| Cash transfer from discontinued operations | | 13 | 8,683 |
| | <u>(173)</u> | <u>(614)</u> | <u>7,784</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from bank line of credit borrowings | 6,100 | 1,200 | 6,200 |
| Repayment of bank line of credit borrowings | (6,100) | (1,200) | (15,200) |
| Proceeds from exercise of stock options | | | 78 |
| Employee stock awards | 130 | 22 | |
| Purchase of treasury shares | (199) | (144) | (390) |
| | <u>(69)</u> | <u>(122)</u> | <u>(9,312)</u> |
| Net increase (decrease) in cash from continuing operations | 1,182 | 201 | (5,004) |
| Net (decrease) increase in cash from discontinued operations | (131) | 13 | 13,531 |
| Less amount transferred to continuing operations | 200 | (13) | (8,683) |
| | <u>1,251</u> | <u>201</u> | <u>(156)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,251 | 201 | (156) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 607 | 406 | 562 |
| | <u>\$ 1,858</u> | <u>607</u> | <u>406</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,858 | 607 | 406 |

See accompanying notes to financial statements.

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

(Amounts in thousands)

| | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|--|----------------------------------|----------------------------------|----------------------------------|
| Changes in continuing operations assets and liabilities providing (using) cash excluding effects of acquisitions: | | | |
| Accounts Receivables, net | \$ (1,407) | 4,397 | (1,137) |
| Prepaid expenses and other current assets | (59) | 122 | 60 |
| Accounts payable | (70) | (161) | (981) |
| Accrued expenses and other current liabilities | 1,393 | (2,020) | (2,588) |
| Other assets | 267 | 10 | (17) |
| Other liabilities | 73 | (444) | (287) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 197 | 1,904 | (4,950) |
| | <u> </u> | <u> </u> | <u> </u> |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during year for: | | | |
| Interest continuing operations | \$ 28 | 12 | 135 |
| Interest discontinued operations | | | 198 |
| | <u> </u> | <u> </u> | <u> </u> |
| | \$ 28 | 12 | 333 |
| | <u> </u> | <u> </u> | <u> </u> |
| Bank line of credit: | | | |
| Proceeds continuing operations | \$ 6,100 | 1,200 | 6,200 |
| Proceeds discontinued operations | | | 5,250 |
| | <u> </u> | <u> </u> | <u> </u> |
| | \$ 6,100 | 1,200 | 11,450 |
| | <u> </u> | <u> </u> | <u> </u> |
| Repayments continuing operations | \$ (6,100) | (1,200) | (15,200) |
| Repayments discontinued operations | | | (11,900) |
| | <u> </u> | <u> </u> | <u> </u> |
| | \$ (6,100) | (1,200) | (27,100) |
| | <u> </u> | <u> </u> | <u> </u> |

See accompanying notes to financial statements.

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

1. Company Background

Ablest Inc. (Company) is primarily engaged in staffing services principally in the Eastern United States and selected Southwestern markets. The two operating divisions of the Company are Ablest Staffing Services, which focuses on providing temporary and contract staffing solutions to businesses in the clerical and light industrial sectors, and Ablest Technology Services, which focuses on providing information technology staffing services to all businesses.

Prior to March 13, 2000 the Company also provided industrial maintenance services through C. H. Heist Corp. domestically and in Canada through C. H. Heist Ltd., a wholly owned subsidiary. As further described in Note 3, the Company sold substantially all of the assets of its industrial maintenance operations on March 13, 2000, including the stock of C. H. Heist, Ltd. to Onyx Industrial Services, Inc. The accompanying financial statements as of and for the year ended December 31, 2000 reflect industrial maintenance operations as a discontinued operation. Effective December 31, 2001, reserves relating to the industrial maintenance business are no longer reported separately.

On March 6, 2000, the shareholders approved an Agreement and Plan of Merger (the Merger Agreement) effecting a re-incorporation (the Re-incorporation) of C.H. Heist Corp. by merger into Ablest Inc., a Delaware corporation (Delaware Company) formed for the Re-incorporation and as a result, C.H. Heist Corp. s name was changed to Ablest Inc. The Re-incorporation was effective upon the filing of related documentation in Delaware and New York after the consummation of the purchase agreement with Onyx, all of which occurred on March 13, 2000.

Upon completion of the merger, (i) C.H. Heist Corp. ceased to exist, (ii) the Delaware Company continued to operate the business of the Company under the name Ablest Inc., (iii) the shareholders of the Company automatically became the shareholders of the Delaware Company, (iv) the business is governed under the laws of Delaware rather than New York, (v) options to purchase common shares of the Company automatically converted into options to acquire an equal number of shares of the Delaware Company s common stock, and (vi) no change occurred in the business, management, assets, liabilities or net worth of the Company as such existed immediately following consummation of the purchase agreement with Onyx.

Each outstanding common share of the Company, \$.05 par value, automatically converted pro-rata into one share of the Delaware Company common stock, \$.05 par value. The Delaware Company s bylaws and charter authorize the issuance of 7,500,000 shares of common stock and 500,000 shares of preferred stock.

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 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.

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

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

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 29, 2002 and December 30, 2001 and 53 weeks for the year ended December 31, 2000.

Principles of Consolidation

Prior to the merger of the Company's subsidiaries on January 1, 2001, the Company reported their operations on a consolidated basis. The consolidated financial statements included the accounts of the Company and its subsidiaries, all of which were wholly-owned. All significant intercompany balances and transactions were eliminated in consolidation.

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 29, 2002 and December 30, 2001.

Revenue Recognition

Revenue and associated costs are recognized in the period the services are provided. In December 1999, the United States Securities and Exchange Commission's (SEC) issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition", which summarizes certain views of the SEC staff in applying generally accepted accounting principles to revenue recognition in financial statements. The Company's revenue recognition policies comply with SAB 101 and, therefore, adoption of SAB 101 had no impact on the Company's financial statements.

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.

Deferred Tax Assets

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 has provided valuation allowances for those deferred tax assets that are not expected to be realized.

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

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 general liability, medical and workers' compensation coverages. Accruals for losses are made based on the Company's claims experience and actuarial assumptions followed in the insurance industry. Management believes that the amounts accrued are adequate to cover all known and unreported claims at December 29, 2002.

Goodwill and Other Intangible Assets

Intangible assets, which represent the excess of acquisition cost over the fair market value of identified net assets acquired in business combinations accounted for as purchases, were amortized using the straight-line method over three to thirty years prior to fiscal 2002.

In June 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 29, 2002, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives. The Company has 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. The Company screened for impairment during the first and fourth fiscal quarters of 2002 and found no instances of impairment of its recorded goodwill.

During the year ended December 30, 2001, the Company recorded an impairment loss of \$2.9 million related to intangible assets in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. The Company evaluated the recoverability of its long-lived assets whenever events or changes in circumstance indicated that the carrying amount may not be recoverable. If indications were that the carrying amount of the asset may not be recoverable, the Company estimated the future cash flows expected to result from use of the asset and its eventual disposition. If the sum of the expected future cash flows (non-discounted and without interest charges) was less than the carrying amount of the asset, the Company recognized an impairment loss. The impairment loss recognized was measured as the amount by which the carrying amount of the asset exceeds its estimated fair value. The estimation of fair value was generally measured by discounting expected future cash flows.

In October 2001, the Financial Accounting Standards Board issued 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. The Company adopted the provisions of SFAS No. 144 for its 2002 fiscal year started on December 31, 2001. Adoption of SFAS No. 144 did not have a material financial impact upon the Company.

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

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.

Income (Loss) Per Common Share

Basic income (loss) per common share is computed by using the weighted average number of common shares outstanding. Diluted income (loss) per share is computed by using the weighted average number of common shares outstanding plus the dilutive effect, if any, of stock options. Basic and diluted income (loss) per share was the same for the years ended December 29, 2002, December 30, 2001 and December 31, 2000.

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.

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.

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ABLEST INC.
Notes to Financial Statements, continued

New Accounting Pronouncements

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 29, 2002, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives. The Company has 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. The Company screened for impairment during the first and fourth fiscal quarters of 2002 and found no instances of impairment of its recorded goodwill.

| (Amounts in thousands, except per share data) | For the Year Ended December 29, 2002 | For the Year Ended December 30, 2001 | For the Year Ended December 31, 2000 |
|---|--|--|--|
| Reported net income (loss) | \$ 677 | (5,120) | 777 |
| Add back Goodwill amortization (net of tax) | | 349 | 217 |
| Adjusted net income (loss) | \$ 677 | (4,771) | 994 |
| Reported basic earnings (loss) per share | \$ 0.23 | (1.75) | 0.27 |
| Add back Goodwill amortization (net of tax) | | 0.12 | 0.08 |
| Adjusted basic income (loss) per share | \$ 0.23 | (1.63) | 0.35 |
| Reported diluted earnings (loss) per share | \$ 0.23 | (1.75) | 0.27 |
| Add back Goodwill amortization (net of tax) | | 0.12 | 0.08 |
| Adjusted diluted income (loss) per share | \$ 0.23 | (1.63) | 0.35 |

In June 2001, the Financial Accounting Standards Board issued Financial Accounting Standards No. 143, (SFAS No. 143), *Accounting for Asset Retirement Obligations*. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets, except for certain obligations of lessees. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 with initial application required as of the beginning of an entity's fiscal year. The Company does not anticipate the financial impact of adoption of the new pronouncement to be material.

In October 2001, the Financial Accounting Standards Board issued 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. The Company adopted the provisions of SFAS No. 144 for its 2002 fiscal year started on December 31, 2001. Adoption of SFAS No. 144 did not have a material financial impact upon the Company.

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

In May 2001, the Financial Accounting Standards Board issued Financial Accounting Standards No. 145, (SFAS No. 145), Rescission of SFAS Statements No. 4, 44 and 64, Amendment of SFAS Statement No. 13 and technical corrections as of April 2002. SFAS No. 145 rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, SFAS No. 44, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This Statement also rescinds SFAS No. 64, Accounting for Intangible Assets of Motor Carriers and amends SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Adoption of SFAS No. 145 is for financial statements issued after May 15, 2002 and did not have a material financial impact upon the Company.

In June 2002, the Financial Accounting Standards Board issued Financial Accounting Standards No. 146, (SFAS No. 146), Accounting for Exit or Disposal Activities. SFAS 146 addresses significant issues regarding the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for pursuant to the guidance that the Emerging Issues Task Force (EITF) has set forth in EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The scope of SFAS No. 146 also includes: (1) costs related to terminating a contract that is not a capital lease and (2) termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not anticipate the financial impact of adoption of the new pronouncement to be material.

In December 2002, the Financial Accounting Standards Board issued Financial Accounting Standards No. 148, (SFAS No. 148), Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for fiscal years beginning after December 15, 2003. The Company does not anticipate the financial impact of adoption of the new pronouncement to be material.

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

3. Discontinued Operations

In the fourth quarter of 1999 the Company adopted a plan to dispose of its industrial maintenance 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 base selling price was \$20,000,000 in cash plus the assumption by Onyx of certain trade liabilities. The selling price was subject to adjustment in the event that the net assets delivered differ from a targeted amount agreed to by the parties. Additionally, \$7,000,000 of the selling price was subject to escrow pending the formal assignment of certain customer relationships to Onyx. Of the amount held in escrow, \$6,000,000 was attributable to one customer relationship. Prior to closing the sale to Onyx on March 13, 2000, the Company obtained the necessary assignment from this customer thereby releasing the proceeds. Based upon the 2000 activity of the other customer assignments with Onyx, \$327,000 of the remaining escrow was not received and, accordingly, the Company excluded such amounts from the estimated sales price in determining the loss on disposal of this business.

The Asset Sale and Purchase Agreement between C. H. Heist Corp. and Onyx (the Agreement) included certain 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 uncollectable accounts receivable acquired by Onyx and the payment of certain severance costs. The Company estimated and recorded in 1999, its net loss from the sale of its industrial maintenance operations. Such loss included management's best estimate of the sale proceeds, the direct costs of the transaction, estimated costs associated with the contingencies contained in the Agreement and the basis of disposed net assets as of the measurement date. The actual amounts for these items and accordingly, the actual loss from disposal may differ from the estimate.

The estimated loss on the disposal of the industrial maintenance operations recorded in 1999 was \$7,086,000 (net of tax benefit of \$2,772,000), consisting of an estimated loss on disposal of the business of \$5,509,000 and a provision of \$1,577,000 for anticipated operating losses from the measurement date to the expected disposal in March, 2000 (holding period loss). During fiscal 2000, an adjustment was made to reduce the loss on disposal by \$185,000, net of taxes. The adjustment was based on the difference between the actual operating results of the discontinued operations during the holding period and the estimate used in the determination of the loss on sale of discontinued operations recorded in 1999. In July 2001, a settle-up of remaining outstanding items from the Agreement resulted in an additional net payment of approximately \$497,000 to Onyx. The Company believes no additional adjustments to the loss on disposal are required. Effective December 31, 2001, reserves relating to the industrial maintenance business are no longer reported separately.

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ABLEST INC.
Notes to Financial Statements, continued

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

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|--|-------------------------|-------------------------|----------------------|
| Net service revenues | \$ | | 12,565 |
| Income (loss) from discontinued operations before income tax expense (benefit) | 119 | | 309 |
| Income tax expense (benefit) | 50 | | 124 |
| Income (loss) from discontinued operations | \$ 69 | | 185 |

The Company specifically allocated debt and interest expense that it attributed to each operating business segment. The amount of interest expense included in the income (loss) from discontinued operations was \$198,000 for the year ended December 31, 2000.

Comprehensive loss of these operations was \$216,000 for the year ended December 31, 2000. The only item of other comprehensive loss is foreign currency translation.

The income tax expense (benefit) attributable to discontinued operations differs from the amount determined by applying the statutory federal tax rate to income (loss) from discontinued operations before income taxes due to the effects of higher foreign tax rates, net operating loss and tax credit carryforwards and state taxes.

The industrial maintenance assets sold, the liabilities assumed by Onyx, the cumulative translation adjustment attributable to C.H. Heist, Ltd. and the accrued loss on sale have been segregated in the accompanying balance sheets as net assets of discontinued operations. Following are the components of net assets of discontinued operations. Current assets of discontinued operations at December 30, 2001 primarily relate to deferred tax assets. Accrued loss on disposal of discontinued operations at December 30, 2001 includes \$119,000 of reserves for potential environmental and other exposures that are no longer needed based on the Company's determination of the liability status, \$76,000 for a contract dispute settled in fiscal 2002, \$75,000 of reserves still accrued at December 29, 2002 and \$55,000 of reserves paid out in fiscal 2002. Effective December 31, 2001, reserves relating to the industrial maintenance business are no longer reported separately.

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 |
|----------------------------------|-------------------------|-------------------------|
| Current assets | \$ | 586 |
| Property, plant & equipment, net | | |
| Accrued loss on disposal | | (325) |
| | \$ | 261 |

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ABLEST INC.
Notes to Financial Statements, continued

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 29, 2002 | December 30, 2001 |
|--|-------------------------|-------------------------|
| Balance at beginning of period | \$ 252 | 390 |
| Additions charged to cost and expenses | 92 | 649 |
| Accounts receivable written-off | (53) | (787) |
| | <u> </u> | <u> </u> |
| Balance at end of period | \$ 291 | 252 |
| | <u> </u> | <u> </u> |

5. Property, Plant and Equipment

A summary of aggregate property, plant and equipment follows:

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 |
|--------------------------------|-------------------------|-------------------------|
| Office furniture and equipment | \$ 4,964 | 5,007 |
| Leasehold improvements | 352 | 388 |
| | <u> </u> | <u> </u> |
| | 5,316 | 5,395 |
| Less accumulated depreciation | 4,444 | 4,010 |
| | <u> </u> | <u> </u> |
| | \$ 872 | 1,385 |
| | <u> </u> | <u> </u> |

Depreciation expense for the years ended December 29, 2002, December 30, 2001 and December 31, 2000 was \$642,000 , \$917,000 and \$1.2 million , respectively.

6. Goodwill

In the fourth quarter of 2001, the Company recorded a pre-tax write down of \$2.9 million of intangible assets relating to its acquired information technology staffing companies. The intangibles, primarily goodwill, were determined to have been impaired as a result of the steady decline in revenue and earnings, the loss of a major customer, the departure of pre-acquisition management in the fourth quarter of 2001 and the continued weakening of demand in this segment of the staffing industry.

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ABLEST INC.
Notes to Financial Statements, continued

7. Accrued Expenses and Other Current Liabilities

A summary of accrued expenses and other current liabilities follows:

| (In thousands) | December 29, 2002 | December 30, 2001 |
|--------------------------------|-------------------------|-------------------------|
| Payroll and other compensation | \$ 1,793 | 1,525 |
| Insurance | 2,038 | 936 |
| Other | 177 | 154 |
| | \$ 4,008 | 2,615 |

8. Indebtedness

Effective January 1, 2001, the Revolving Term Loan Agreement between the Company and Manufacturers and Traders Trust Company (M&T) dated August 21, 1995 was reduced to \$5,000,000 and was set to expire on August 1, 2001. All other terms and conditions of the original loan agreement remained unchanged.

On July 22, 2001, the Company signed a \$5,000,000 Standard LIBOR Grid Note agreement (LIBOR Agreement) with M&T to replace the existing Revolving Term Loan Agreement with M&T. The interest rate on borrowings under the unsecured credit facility is elected by the Company at the time of borrowing and is either (i) the bank's prime rate or (ii) the 30, 60 or 90 day London Interbank Offered Rate (LIBOR) plus 250 basis points (Modified LIBOR Rate). The 90 day Modified LIBOR Rate in effect at December 29, 2002 was 4.30%. There were no outstanding balances due on the LIBOR Agreement at December 29, 2002 nor the Revolving Term Loan Agreement at December 30, 2001.

The LIBOR Agreement is a one-year demand note that originally expired on July 21, 2002 and is renewable annually with the consent of both parties. It does not contain working capital or other restrictive covenants. On June 14, 2002, the Company renewed the LIBOR Agreement for another year extending the expiration date to July 22, 2003. All other terms and conditions of the LIBOR Agreement remain unchanged.

9. Stock Option Plans

On May 5, 2000, the Company 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 he or she 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.

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ABLEST INC.
Notes to Financial Statements, continued

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

| | <u>Stock Options</u> | <u>Weighted Average Exercise Price</u> |
|--|--------------------------|--|
| Outstanding at December 31, 2000 | 24,000 | \$ 5.06 |
| Granted | 6,000 | 4.60 |
| Outstanding at December 30, 2001 | 30,000 | 4.97 |
| Granted | 6,000 | 4.10 |
| Outstanding at December 29, 2002 | 36,000 | \$ 4.83 |
| Options exercisable at December 29, 2002 | 22,000 | \$ 4.86 |

At December 29, 2002 the range of exercise prices for options issued under the Director's Plan was \$4.10 to \$5.06. The weighted average fair value of options granted in 2001 was \$3.11 and the weighted average remaining contractual life of the outstanding options was 7.9 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. During the year ended December 30, 2001 there was no activity in the plan. In the year ended December 31, 2000, 58,336 options were converted to common shares under the Option to Ownership Program.

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ABLEST INC.
Notes to Financial Statements, continued

A summary of stock option activity for the Plan follows:

| | Stock Options | Weighted Average Exercise Price | Options Exercisable at Year End |
|----------------------------------|------------------|---------------------------------------|---------------------------------------|
| Outstanding at December 26, 1999 | 162,276 | \$ 7.69 | 162,276 |
| Canceled or expired | (51,461) | 7.55 | |
| Exercised | (11,000) | 7.08 | |
| Option to Ownership Program | (58,336) | 7.57 | |
| Outstanding at December 31, 2000 | 41,479 | 8.02 | 41,479 |
| Canceled or expired | | | |
| Outstanding at December 30, 2001 | 41,479 | \$ 8.02 | 41,479 |
| Canceled or expired | (17,479) | 8.77 | |
| Outstanding at December 29, 2002 | 24,000 | \$ 7.48 | 24,000 |

At December 29, 2002 the range of exercise prices for options issued under the Plan was \$6.94 to \$7.81. The weighted average remaining contractual life of the options is 1.7 years. The remaining option grants pertain to retired, former key employees of the company.

Based on the fair value of all options at the grant date, the Company's net income (loss) and income (loss) per common share from continuing operations would have been reduced to the pro forma amounts indicated below:

| (Amounts in thousands, except per share data) | | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|---|-------------|-------------------------|----------------------|-------------------------|
| Net income (loss) from continuing operations | As reported | \$ 677 | (5,120) | 592 |
| | Pro forma | 638 | (5,136) | 499 |
| Basic and diluted net income (loss) per common share from continuing operations | As reported | \$ 0.23 | (1.75) | .21 |
| | Pro forma | 0.22 | (1.76) | .17 |

The fair value of the option grants has been estimated as of the date of the grant using the Black-Scholes option pricing model. The various factors used for options granted in the years ended December 29, 2002 and December 30, 2001 are provided below:

| | December 29, 2002 | December 30, 2001 |
|-------------------------|----------------------|----------------------|
| Risk-free interest rate | 3.83% | 5.12% |
| Dividend yield | | |
| Expected life | 10 Years | 10 Years |
| Volatility | 40.7% | 35.6% |

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ABLEST INC.
Notes to Financial Statements, continued

10. Incentive Plans

In 2002 the Company implemented a Restricted Stock Plan (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 2002, the Company expensed \$81,000 for approximately 14,000 shares.

In 2002 the Company expensed \$108,000 for 20,000 restricted shares earned by executive officers pursuant to their employment agreements. This is the last grant associated with these employment agreements.

11. Income Taxes

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

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| Current expense (benefit): | | | |
| Federal | \$ | | 105 |
| State | | | 18 |
| Total current | | | 123 |
| Deferred expense (benefit): | | | |
| Federal | 227 | (412) | 386 |
| State | 41 | (48) | 132 |
| Foreign | | | 97 |
| Total deferred | 268 | (460) | 615 |
| | \$ 268 | (460) | 738 |
| Continuing operations | \$ 218 | (460) | 615 |
| Discontinued operations | 50 | | 123 |
| | \$ 268 | (460) | 738 |

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ABLEST INC.
Notes to Financial Statements, continued

The source of aggregate income (loss) before income taxes is as follows:

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| Income (loss) before income taxes: | | | |
| Continuing operations: | | | |
| Domestic | \$ 826 | (5,580) | 1,207 |
| Discontinued operations: | | | |
| Domestic | 119 | | 138 |
| Foreign | | | 171 |
| | | | 309 |
| | \$ 945 | (5,580) | 1,516 |

Actual income taxes from continuing operations 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 29, 2002 | December 30, 2001 | December 31, 2000 |
|---|-------------------------|----------------------|-------------------------|
| Computed expected tax expense (benefit) | \$ 321 | (1,897) | 417 |
| Adjustments resulting from: | | | |
| State tax, net of Federal tax benefit | 41 | (48) | 31 |
| Goodwill amortization and impairment | | 335 | 12 |
| Meals & entertainment | 30 | 35 | 32 |
| Change in estimate for tax benefit, other | 77 | | 123 |
| Refund of 1998 amended income tax return | (201) | | |
| Valuation allowance | | 1,115 | |
| | \$ 268 | (460) | 615 |
| Effective tax rate | 28.4% | (8.3%) | 50.9% |

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ABLEST INC.
Notes to Financial Statements, continued

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

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 |
|---|----------------------|-------------------------|
| Deferred tax assets and liabilities: | | |
| Allowance for doubtful receivables | \$ 111 | 95 |
| Accrued insurance expense | 773 | 352 |
| Accrued loss on disposal | 28 | 124 |
| Accumulated depreciation of plant and equipment | 76 | 68 |
| Accumulated amortization of other assets | 864 | 938 |
| Foreign tax and other credit carryforwards | 180 | 24 |
| Operating loss carryforwards | 3,468 | 4,147 |
| Other | 76 | 227 |
| | 5,576 | 5,975 |
| Valuation allowances | (2,354) | (2,354) |
| | 3,222 | 3,621 |
| Net deferred tax assets | \$ 3,222 | 3,621 |

Net deferred tax assets are allocated between continuing and discontinued operations as follows:

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 |
|-------------------------------|-------------------------|-------------------------|
| Continuing operations: | | |
| Current deferred tax assets | \$ 988 | 1,193 |
| Long-term deferred tax assets | 2,234 | 1,962 |
| | 3,222 | 3,155 |
| Discontinued operations: | | |
| Current deferred tax assets | | 466 |
| | | 466 |
| Net deferred tax assets | \$ 3,222 | 3,621 |

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 has provided valuation allowances for those deferred tax assets that are not expected to be realized.

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ABLEST INC.
Notes to Financial Statements, continued

12. Employee Benefit Plans

The Company had two qualified noncontributory defined benefit pension plans covering substantially all of its personnel in the United States, including one covering all non-bargaining unit employees of its discontinued operations. The benefits were based on years of service and the employee's average compensation during employment. Pension costs were funded as required by applicable regulations. Plan assets were invested in a diversified portfolio, which included common stocks, bond and mortgage obligations, insurance contracts and money market funds.

On January 15, 1999, the Company announced its intention to terminate its qualified noncontributory defined benefit pension plans. Final distribution of plan assets were made on April 24, 2001 for the C. H. Heist Corp. Employee's Pension Plan and on May 24, 2001 for the Ablest Service Corp. United States Employees Pension Plan. The net assets of the plans were allocated, as prescribed by ERISA and its related regulations.

The Company currently 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 \$198,000, \$276,000 and \$351,000 for the years ended December 29, 2002, December 30, 2001 and December 31, 2000, respectively. Of these amounts approximately \$198,000, \$276,000 and \$305,000 were allocated to continuing operations.

13. Industry Segments

Effective with the March 13, 2000 sale of its industrial maintenance operations, the Company's sole business is in providing staffing services on a temporary and contract basis. Management of the Company views its operations as having two operating segments: commercial staffing services, consisting mostly of clerical and light industrial staffing services and information technology staffing services, consisting mostly of programmers and systems support personnel. Staffing services for both segments are provided throughout the eastern United States and select southwestern U.S. markets.

Corporate expenses include costs associated with providing executive, administrative, information technology and human resource services to field operations. These costs are not allocated to the operating segments. Operating segment and corporate data as of and for each of the years ended December 29, 2002, December 30, 2001 and December 31, 2000 is as follows:

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| Commercial Staffing Services: | | | |
| Net service revenues | \$ 94,125 | 76,595 | 88,219 |
| Cost of services | 77,301 | 61,920 | 69,235 |
| Gross profit | 16,824 | 14,675 | 18,984 |
| Selling, general and administrative | 9,921 | 10,773 | 11,389 |
| Amortization of intangible assets | | | |
| Intangible asset impairment | | | |
| Operating income (loss) | 6,903 | 3,902 | 7,595 |
| Accounts receivable, net | \$ 11,390 | 9,247 | 12,594 |

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ABLEST INC.
Notes to Financial Statements, continued

| (Amounts in thousands) | December 29, 2002 | December 30, 2001 | December 31, 2000 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| Technology Staffing Services: | | | |
| Net service revenues | \$ 7,068 | 10,447 | 15,216 |
| Cost of services | 5,505 | 8,166 | 11,366 |
| | <u> </u> | <u> </u> | <u> </u> |
| Gross profit | 1,563 | 2,281 | 3,850 |
| Selling, general and administrative | 1,037 | 1,838 | 2,474 |
| Amortization of intangible assets | | 323 | 366 |
| Intangible asset impairment | | | |
| | <u> </u> | <u> </u> | <u> </u> |
| Operating income (loss) | 526 | 120 | 1,010 |
| | <u> </u> | <u> </u> | <u> </u> |
| Accounts receivable, net | \$ 425 | 958 | 2,316 |
| | <u> </u> | <u> </u> | <u> </u> |
| Corporate: | | | |
| Net service revenues | \$ | | |
| Cost of services | | | |
| | <u> </u> | <u> </u> | <u> </u> |
| Gross profit | | | |
| Selling, general and administrative | 6,863 | 6,788 | 7,412 |
| Amortization of intangible assets | | | |
| Intangible asset impairment | | 2,908 | |
| | <u> </u> | <u> </u> | <u> </u> |
| Operating income (loss) | (6,863) | (9,696) | (7,412) |
| | <u> </u> | <u> </u> | <u> </u> |
| Accounts receivable, net | \$ (176) | 27 | (281) |
| | <u> </u> | <u> </u> | <u> </u> |

14. Lease Commitments

The Company occupies certain facilities under non-cancelable operating lease arrangements. Expenses under such arrangements amounted to approximately \$1,358,000, \$1,434,000 and \$1,247,000 for the years ended December 29, 2002, December 30, 2001 and December 31, 2000, respectively, of which approximately \$1,358,000, \$1,434,000 and \$1,220,000, respectively, relate to continuing operations.

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 \$153,000, \$163,000 and \$446,000 for the years ended December 29, 2002, December 30, 2001 and December 31, 2000, respectively, of which approximately \$153,000, \$163,000 and \$273,000, respectively, relate to continuing operations.

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 29, 2002 follows:

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ABLEST INC.
Notes to Financial Statements, continued

(Amounts in thousands)

| Year | Real Property | Equipment | Total |
|--------------|------------------|------------|--------------|
| 2003 | \$ 1,177 | 128 | 1,305 |
| 2004 | 842 | 63 | 905 |
| 2005 | 301 | 15 | 316 |
| 2006 | 13 | | 13 |
| Total | \$ 2,333 | 206 | 2,539 |

15. 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, medical 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 29, 2002. Actual losses could differ from accrued amounts.

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

On June 6, 2002, following the completion of a screening process, the Company selected PricewaterhouseCoopers LLP as the Company's independent accountants.

Prior to June 6, 2002, the Company had not consulted with PricewaterhouseCoopers LLP on items which involved the Company's accounting principles or the type of audit opinion to be issued on the Company's financial statements, but did discuss with PricewaterhouseCoopers LLP its engagement fees and standard engagement terms for serving as the Company's auditors.

For the fiscal year ended December 29, 2002, there were no disagreements with its accountants on accounting and financial disclosure.

On March 28, 2001, following the completion of a screening process, the Company selected Arthur Andersen LLP as the Company's independent accountants.

Prior to March 28, 2001, the Company had not consulted with Arthur Andersen LLP on items which involved the Company's accounting principles or the type of audit opinion to be issued on the Company's financial statements, but did discuss with Arthur Andersen LLP its engagement fees and standard engagement terms for serving as the Company's auditors.

For the fiscal year ended December 30, 2001, there were no disagreements with its accountants on accounting and financial disclosure.

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 2003 Annual Meeting of Shareholders (the "Proxy Statement") except, insofar, as information with respect to executive officers is presented in Part I hereof.

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.

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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. 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. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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) Exhibits

| Exhibit Number | Exhibit |
|----------------|--|
| 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) |

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| Exhibit Number | Exhibit |
|-------------------|--|
| 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 | Standard LIBOR Grid Note agreement dated July 22, 2001, 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 | Three year employment agreements with the Chairman of the Board, the CEO and the President of Ablest Inc. (2) |
| 10.6 | Two year employment agreement with the Vice President and Chief Financial Officer dated January 21, 2002. (3) |
| 21 | Subsidiaries of the Registrant |
| 23.1 | Consent of PricewaterhouseCoopers LLP |
| 23.2 | Consent of KPMG LLP |
| 99.1 | Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.2 | Certification of Chief Financial Officer 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-K Report for the year ended December 30, 2001 and incorporated herein by reference.
- b) One report on Form 8-K was filed by the Company during 2002. On June 10, 2002, the Company filed a report on Form 8-K regarding a Change in Registrant's Certifying Accountants to PricewaterhouseCoopers LLP from Arthur Andersen LLP effective for the fiscal year ending December 29, 2002.

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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/ Vincent J. Lombardo

Vincent J. Lombardo
Vice President, Chief Financial Officer,
Treasurer, and Secretary

Date: March 20, 2003

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

By: /s/ Donna R. Moore

Donna R. Moore
Director

By: /s/ W. David Foster

W. David Foster
Director and Chief Executive Officer

By: /s/ Richard W. Roberson

Richard W. Roberson
Director

By: /s/ Ronald K. Leirvik

Ronald K. Leirvik
Director

By: /s/ Charles E. Scharlau

Charles E. Scharlau
Director

March 20, 2003

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CERTIFICATION

I, W. David Foster, certify that:

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

/s/ W. David Foster

W. David Foster
Chief Executive Officer

Date: March 20, 2003

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CERTIFICATION

I, Vincent J. Lombardo, certify that:

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

/s/ Vincent J. Lombardo

Vincent J. Lombardo
Vice President, Chief Financial Officer,
Secretary and Treasurer

Date: March 20, 2003

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

For the Years Ended December 29, 2002, December 30, 2001 and December 31, 2000

| (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 |
|--|---|---|---|------------|------------------------------------|
| <i>Year Ended December 29, 2002</i> | | | | | |
| Allowance for doubtful accounts | \$ 252 | 92 | | 53 | 291 |
| Deferred tax asset valuation allowance | \$ 2,354 | | | | 2,354 |
| <i>Year Ended December 30, 2001</i> | | | | | |
| Allowance for doubtful accounts | \$ 390 | 649 | | 787 | 252 |
| Deferred tax asset valuation allowance | \$ 1,044 | 1,115 | 195(A) | | 2,354 |
| <i>Year Ended December 31, 2000</i> | | | | | |
| Allowance for doubtful accounts | \$ 378 | 568 | | 556 | 390 |
| Deferred tax asset valuation allowance | \$ 3,682 | | | 2,638 | 1,044 |

(A) Amount allocated from deferred tax asset to valuation allowance for deferred tax asset.