ABLEST INC
Form 10-Q
November 13, 2006

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

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 1, 2006

or

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

FOR THE TRANSISTION PERIOD FROM _________ TO _________

Commission File Number 1-10893

Ablest Inc.

(Exact name of registrant as specified in its charter)

Delaware	**65-0978462**
(State of Incorporation)	*(I.R.S.Identification No.)*

1511 N. Westshore Boulevard, Suite 900
Tampa, Florida 33607
(813) 830-7700

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one): the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

The number of outstanding shares of the Registrant s Common Stock at November 10, 2006 was 2,930,639.

ABLEST INC.

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ITEM 1. FINANCIAL STATEMENTS

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

	October 1, 2006	December 25, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,251	$ 1,931
Accounts receivable, net	16,301	18,760
Prepaid expenses and other current assets	704	469
Current deferred tax asset	1,017	1,246
Total current assets	22,273	22,406
Property and equipment, net	2,661	1,732
Deferred tax asset	867	863
Goodwill	1,283	1,283
Other assets	63	171
Total assets	$ 27,147	$ 26,455
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 203	$ 841
Accrued insurance	2,417	2,536
Accrued wages	2,948	2,738
Other current liabilities	518	514
Total current liabilities	6,086	6,629
Other liabilities	265	432
Total liabilities	6,351	7,061
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Preferred stock of $.05 par value; 500,000 shares authorized, none issued or outstanding at October 1, 2006 and December 25, 2005		
Common stock of $.05 par value; 7,500,000 shares authorized, 3,387,118 and 3,334,344 shares issued and outstanding including shares held in treasury at October 1, 2006 and December 25, 2005, respectively	169	167

Additional paid-in capital		5,636		5,265
Retained earnings		17,101		16,072
Treasury stock at cost; 457,729 shares held at October 1, 2006 and December 25, 2005		(2,110)		(2,110)
Total stockholders equity		20,796		19,394
Total liabilities and stockholders equity	$	27,147	$	26,455

See accompanying Notes to Financial Statements

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

	For the Thirteen Week Periods Ended October 1, 2006	For the Thirteen Week Periods Ended September 25, 2005	For the Forty Week Period Ended October 1, 2006	For the Thirty Nine Week Period Ended September 25, 2005
Net service revenues	$ 34,672	$ 34,873	$ 104,876	$ 98,459
Cost of services	28,491	29,107	86,642	81,974
Gross profit	6,181	5,766	18,234	16,485
Selling, general and administrative expenses	5,528	5,177	16,545	14,541
Operating income	653	589	1,689	1,944
Other:				
Interest income, net	13		22	
Miscellaneous income (expense), net		1	21	(2)
Other income (expense)	13	1	43	(2)
Income before income taxes	666	590	1,732	1,942
Income tax expense	270	223	703	737
Net income	$ 396	$ 367	$ 1,029	$ 1,205
Basic net income per common share	$ 0.14	$ 0.13	$ 0.36	$ 0.42
Diluted net income per common share	$ 0.13	$ 0.13	$ 0.35	$ 0.41
Weighted average number of common shares in computing net income per common				
Basic	2,879,566	2,863,168	2,879,073	2,860,418

Diluted	2,972,953	2,930,644	2,961,314	2,922,079

See accompanying Notes to Financial Statements

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

	For the Forty Week Period Ended October 1, 2006	For the Thirty Nine Week Period Ended September 25, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,029	$ 1,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	384	243
Loss on disposal of property and equipment	10	
Deferred income taxes	225	702
Stock compensation	199	326
Changes in assets and liabilities (see below)	1,796	(245)
Net cash provided by operating activities	3,643	2,231
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(1,323)	(283)
Net increase in cash and cash equivalents	2,320	1,948
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,931	1,357
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 4,251	$ 3,305
Changes in assets and liabilities providing (using) cash:		
Accounts receivable, net	$ 2,459	$ (210)
Prepaid expenses	(235)	(288)
Other assets	108	(5)
Accounts payable	(638)	261
Accrued insurance	(119)	(1,145)
Accrued wages	210	1,067
Other current liabilities	4	192
Other liabilities	7	(117)
Total changes in assets and liabilities providing cash	$ 1,796	$ (245)

See accompanying Notes to Financial Statements

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

1. COMPANY BACKGROUND

Ablest Inc. (Company) offers staffing services in the United States. Staffing services are principally provided through 60 service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, light industrial, information technology, finance and accounting needs of their customers. Positions often filled include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accounting, financial analysis and internal auditing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States for interim financial information, the instructions to Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 25, 2005. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

All adjustments, consisting of only normal recurring adjustments, considered necessary for fair presentation have been reflected in these condensed financial statements. The operating results for the thirteen and forty week period ended October 1, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2006.

Fiscal Periods

The Company s fiscal year to date for 2006 and 2005 consists of forty and thirty nine weeks, respectively.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered cash equivalents. As of October 1, 2006, there was $1.5 million in cash equivalents. There were no equivalents as of December 25, 2005.

Revenue Recognition

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

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

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ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

economic trends and changes in the customer s payment tendencies when evaluating the adequacy of the allowance for doubtful accounts. The Company maintains an allowance for probable losses based upon management s analysis of historical write-off levels, current economic trends, routine assessments of its clients financial strength and any other known factors impacting collectibility. Recoveries are recognized in the period in which they are received. The ultimate amount of accounts receivable that become uncollectible could differ from those estimated; however, such losses have been generally within management s expectations.

Self-Insurance Reserves

The Company is self-insured for the deductible amount of its general liability and workers compensation coverages. To derive an estimate of the Company s ultimate claims liability, established loss development factors are applied to current claims information. The Company maintains reserves for its workers compensation using actuarial methods to estimate the remaining undiscounted liability for the deductible portion of these claims, including those incurred but not reported. Annually, an independent actuary calculates an estimated ultimate liability and determines loss development factors for future periods. The calculated ultimate liability is then reduced by cumulative claims payments to determine the required reserve. Management evaluates the accrual on a quarterly basis and adjusts as needed to reflect the required reserve calculation. Whereas management believes the recorded liabilities are adequate, there are inherent limitations in the estimation process whereby future actual losses may differ from projected loss rates, which could materially affect the financial condition and results of operations of the Company. There can be no assurance that changes to management s estimates will not occur due to limitations inherent in the estimation process.

Goodwill and Other Intangible Assets

The Company has adopted Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets . Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment; while the second phase (if necessary), measures the impairment. No impairment losses were recognized by the Company during the periods ended October 1, 2006 or September 25, 2005. At October 1, 2006, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives.

Impairment of Long-Lived Assets

The Company has adopted Financial Accounting Standards No. 144 (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and also requires a company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment losses were recognized by the Company during the periods ended October 1, 2006 or September 25, 2005.

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

ABLEST INC.
Notes to Condensed Financial Statements
(Unaudited)

statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

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

Income Per Common Share

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (SFAS 123 (R)). SFAS 123 (R) replaces FASB Statement No. 123 Accounting for Stock-Based Compensation , and supersedes APB Opinion No 25 Accounting for Stock Issued to Employees . The statement establishes standards for accounting for share-based payment transactions. Share-based payment transactions are those in which an entity exchanges its equity instruments for goods or services, or in which an entity incurs liabilities in exchange for goods or services, which are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the grant date (with limited exceptions). That cost will be recognized in the entity s financial statements over the period during which the employee is required to provide services in exchange for the award.

The Company adopted SFAS 123(R) in the first quarter of fiscal 2006, however, as of

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ABLEST INC.
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(Unaudited)

November 3, 2005, the Board of Directors of the Company accelerated the vesting of all unvested stock options. By accelerating the vesting of these options, the Company has no obligations outstanding which would require compensation expense under SFAS 123(R) to be recorded.

Prior to the adoption of SFAS 123(R), the Company applied 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.

Resent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for and disclosure of uncertainty in tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition associated with tax positions. The provisions on FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the effects of adoption on its financial statements and the impact, if any, is not known at this time.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, considering the Effects of Prior Year Misstatements when Qualifying Misstatements in current Year Financial Statements, which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for the fiscal years ending after November 15, 2006. The company is currently evaluating the effects of adoption on its financial statements and the impact is not expected to be material.

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3. SHORT-TERM BORROWINGS

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the $7,500,000 Committed Revolving Credit Facility (Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank s prime rate or the thirty, sixty or ninety day LIBOR (as defined in the agreement) plus 125 basis points. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter s EBITDA, as defined in the agreement. During the third quarter of 2006, the Company had no borrowings against the Facility and was in compliance with all covenants. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

4. STOCKHOLDERS EQUITY

The changes in stockholders equity for the forty week period ended October 1, 2006 are summarized as follows. Amounts are presented in thousands, except share data.

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders equity
Balance at December 25, 2005	$ 167	$ 5,265	$ 16,072	$ (2,110)	$ 19,394
Net Income			1,029		1,029
Restricted Stock Plan	2	359			361
Directors Restricted Stock Plan		12			12
Balance at October 1, 2006	$ 169	$ 5,636	$ 17,101	$ (2,110)	$ 20,796

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

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

Critical Accounting Policies

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

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Company s critical accounting policies are described in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and in the notes to the consolidated financial statements in the Company s previously filed Annual Report on Form 10-K for the fiscal year ended December 25, 2005. There were no changes to these policies during the forty week period ended October 1, 2006.

Results of Operations:

The following discussion compares the quarter ended October 1, 2006 to the quarter ended September 25, 2005, and should be read in conjunction with the Condensed Financial Statements, including the related notes thereto, appearing elsewhere in this Report.

Three Months Quarter Ended October 1, 2006 Compared with September 25, 2005

Revenues decreased to $34.7 million for the thirteen week quarter period ended October 1, 2006 as compared to $34.9 million for the thirteen week quarter period ended September 25, 2005. The decrease was caused by lower billable hours notwithstanding an increase in average billing rate. We are experiencing reduced demand for labor in certain industries including home building, furniture manufacturing and consumer products. We also discontinued service to certain customers that were not meeting our margin and volume targets and at the same time have increased our focus on improved pricing both with existing and new customers.

Gross profit was $6.2 million for the thirteen week third quarter period of 2006 compared to $5.8 million for the thirteen week third quarter period in 2005, an increase of $0.4 million or 7.2% for the quarter. Gross profit as a percentage of revenue was 17.8% for the quarter period as compared to 16.5% prior year s quarter period, respectively. The improvement in quarterly gross profit is attributable to increased hourly billing rates and lower state unemployment insurance rates. In addition, gross profit also increased as a result of additional permanent placement fees. These increases offset a decrease in total billable hours for the quarter.

Selling, general and administrative expenses increased by $351,000 or 6.8% for the quarter period ended October 1, 2006, as compared to the quarter period ended September 25, 2005. The quarter period increase is primarily attributable to the cost of establishing and staffing new office locations. Over the last twelve months, six new offices were opened. In addition, the hiring of additional sales and business development staff at our headquarters office contributed to the increase.

Other income, net increased due to cash equivalent earnings and other miscellaneous income.

Income tax expense of $270 thousand was recorded for the quarter ended October 1, 2006, as compared to $223 thousand for the quarter ended September 25, 2005. The effective tax rates were 40.5% and 37.8%, respectively. The increase in the tax rate is due to deferred timing differences.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Nine Months Ended October 1, 2006 Compared with September 25, 2005

Revenues increased 6.5% to $104.9 million for the forty week year to date period ended October 1, 2006 as compared to $98.5 million for the thirty nine week year to date period ended September 25, 2005, respectively. The improvement in year to date revenue is primarily attributable to the additional week of operations included in the 2006 results. Adjusting for the additional week, billed hours for the thirty nine week year to date period ended October 1, 2006 are below the equivalent thirty nine week year to date period ended September 25, 2005. The reduction in billed hours has been offset by an increase in average billing rate. As noted above in the quarter comparison above, we are experiencing reduced demand for labor in certain industries including home building, furniture manufacturing and consumer products. We also discontinued service to certain customers that were not meeting our margin and volume targets and at the same time have increased our focus on improving pricing both with existing and new customers.

Gross profit was $18.2 million for the forty week year to date period of 2006 compared to $16.5 million for the thirty nine week year to date period in 2005, an increase of $1.7 million or 10.6% for the year to date period. The improvement in year to date gross profit is partly attributable to the additional week of operations in the first quarter 2006 and an increase in gross profit per labor hour. This increase reflects increased hourly billing rates and lower state unemployment insurance rates. In addition, gross profit increased as a result of additional permanent placement fees. These gains were partially offset by an increase to our workers compensation reserve in the second quarter of 2006. This increase is primarily due to an increase in the severity, frequency and probable ultimate value of claims incurred in 2006. Gross profit as a percentage of revenue was 17.4% for the year to date period as compared to 16.7% for the prior year s year to date period.

Selling, general and administrative expenses increased by $2.0 million or 13.8% for the year to date period ended October 1, 2006, as compared to the same period ended September 25, 2005. The year to date increase is primarily attributable to the cost of establishing and staffing new office locations and the additional week of operations in the first quarter 2006. Over the last twelve months six new offices were opened. In addition, the hiring of additional sales and business development staff at our headquarters office contributed to the increase as well as the write-off of certain uncollectible accounts.

Other income, net increased due to cash equivalent earnings and other miscellaneous income.

Income tax expense of $703 thousand was recorded for the year ended October 1, 2006, as compared to $737 thousand for the year ended September 25, 2005. The effective tax rates were 40.5% and 38.0%, respectively. The increase in the tax rate is due to deferred timing differences.

Liquidity and Capital Resources:

The quick ratio was 3.4 to 1 and 3.1 to 1 at October 1, 2006 and December 25, 2005, respectively, and the current ratio was 3.7 to 1 and 3.4 to 1, for the same respective periods. The primary source of funding is generated from results of operations. Net working capital increased by $0.4 million to $16.2 million for the current year to date period as a result of operations. Reference should be made to the Condensed Statements of Cash Flows, which details the sources and uses of cash.

Capital expenditures year-to-date were approximately $1.3 million. In the fourth quarter 2006, the Company plans to purchase approximately an additional $110 thousand over the rest of the fiscal year, of new front office software.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company (M&T) that extends for three years the $7,500,000 Committed Revolving Credit Facility (Facility) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank s prime rate or the thirty, sixty or ninety day LIBOR plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter s EBITDA, as defined in the agreement. The Company had no borrowings during the period ended October 1, 2006. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

Outlook

We will continue to focus on improving our gross margin and growing revenue through implementing more favorable pricing and discontinuing certain customer relationships not meeting our profitability targets. We also intend to continue our focus on expanding further into new and existing commercial and professional staffing markets during the remainder of 2006 and 2007.

Material Commitments

The Company s contractual cash obligations as of October 1, 2006 are summarized in the table below:

	Payable during 2006	Payable 2007 - 2008	Payable 2009 - 2011	Payable after 2011	Total
Operating leases (1)	$ 596	$ 1,793	$ 1,391	$ 406	$ 4,186
Capital expenditures (2)	165				165
Total	$ 761	$ 1,793	$ 1,391	$ 406	$ 4,351

(1) Includes minimum lease payment obligations for equipment and real property leases in effect as of October 1, 2006.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective for the period covered by this quarterly report filed under the Securities Exchange Act within the time periods specified by the Securities and Exchange Commission s rules and forms.

During the last fiscal quarter, there have not been any changes in the Company s internal controls over financial reporting or in other factors to the Company s knowledge that could materially affect, or is reasonably likely to materially affect the internal control over financial reporting, 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.

Effective May 15, 2006, the Company implemented Great Plains® software for use in connection with the Company s back-office systems, including its corporate accounting, finance, human resources and customer service processes. Management has reviewed then changed in internal controls associated with the new system and plans to complete its testing of the internal control changes prior to December 31, 2006.

Effective October 2, 2006, the Company implemented new front-office staffing software, StaffSuite®, to be utilized in connection with the Company s commercial and professional staffing operations to house sales and process employee payroll information. Management has reviewed then changed in internal controls associated with the new payroll system and plans to complete its testing of the internal control changes prior to December 31, 2006.

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PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 1A RISK FACTORS

Not applicable.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

Exhibits

10.1	Employment agreement with John Horan, Vice President and chief Financial Officer, dated April 17, 2006.
10.2	2006 Non-Employee Directors Equity Rights Plan.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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

ABLEST INC.

By: */s/ John Horan*

John Horan
Vice President and Chief Financial Officer
(On behalf of the Registrant and as
Principal Financial Officer)

Date: November 10, 2006

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