

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

COLLINS INDUSTRIES INC
Form 10-K
August 03, 2005

Securities and Exchange Commission
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended October 31, 2004 or

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

For the transition period from _____ to _____

Commission file number 0-12619

COLLINS INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction of incorporation)

43-0985160

(I.R.S. Employer Identification Number)

15 Compound Drive, Hutchinson, Kansas

(Address of principal executive offices)

67502-4349

(Zip Code)

Registrant's telephone number including area code: 620-663-5551

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

Title of each class

Name of each exchange on which registered

None

N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value \$.10 Per Share

(Title of class)

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 (Section 229.405 of this chapter), 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined under rule 12-b of the Act.) Yes No .

The aggregate market value of voting stock held by non-affiliates of the \$34,704,201 as of registrant was June 15, 2005

The number of share of Common Stock outstanding on June 15, 2005 was 6,610,324

PART I

Item 1. BUSINESS

General Development of Business

Collins Industries, Inc. was founded in 1971 as a manufacturer of small school buses and ambulances built from modified cargo vans. The Company's initial product was the first "Type A" school bus, designed to carry 14 to 20 passengers. Today the Company manufactures specialty vehicles and accessories for various basic service niches of the transportation industry. The Company's products include ambulances, small school buses, shuttle and mid-size commercial buses, terminal trucks, commercial bus chassis, road construction equipment and industrial rental sweepers. From its inception, Collins' goal has been to become one of the largest manufacturers of specialty vehicles in the U.S. The Company has grown primarily through the internal development of new products and the acquisition of complementary product lines.

In the U.S., Collins believes that it is the largest single manufacturer of ambulances, the second largest manufacturer of terminal trucks, the leading manufacturer of small school buses and a leading manufacturer of sweepers used in the road construction industry. The Company sells its products under several well-known trade names, including Wheeled Coach(R) (ambulances), Collins Bus(R) and Mid Bus(R) (small school buses), World Trans(R) (commercial buses), Capacity(R) (terminal trucks) and Waldon(R)/Lay-Mor(R) (road construction and industrial rental sweeper equipment).

Most Collins products are built to customer specifications from a wide range of options offered by the Company. Collins sells to niche markets which demand manufacturing processes too sophisticated for small job shop assemblers, but do not require the highly automated assembly line operations of mass production vehicle manufacturers. The Company emphasizes specialty engineering and product innovation, and it has introduced new products and product improvements, which include the Moduvan(R) ambulance, the first ambulance of its size with advanced life-support system capability; the Dura-Ride(R) suspension system, the first frame-isolating suspension system for terminal trucks; and the innovation of a larger seating capacity, Type A Super Bantam(TM) school bus capable of carrying up to 30 passengers, one of the largest Type A school buses in the industry.

Description of Business

The Company principally manufactures and markets specialty vehicles.

See "Note 9 to the Consolidated Financial Statements" for quantitative segment information.

Ambulances. The Company manufactures both modular and van-type ambulances at its Hutchinson, Kansas and Orlando, Florida plants. Modular ambulances are produced by attaching an all-aluminum, box-type, patient compartment to a dual rear-wheel cab chassis ("Type I")

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

ambulance or to a dual rear-wheel, van-type, cutaway chassis ("Type III") ambulance or to a single rear-wheel cutaway chassis ("Moduvan") ambulance. A cutaway chassis consists of only the front portion of the driver's compartment, engine, drive train, frame, axle and wheels. Van ("Type II") ambulances are cargo vans modified to include a patient compartment and a raised fiberglass roof. Type II ambulances are smaller and less expensive than modular ambulances.

The Company also produces a limited number of medical support vans designed to transport medical and life-support equipment. Medical support vans are modified commercial vehicles which do not have a patient compartment for advanced life support system.

Buses. The Company manufactures small school and activity buses, and certain other commercial and shuttle buses at its Bluffton, Ohio and South Hutchinson, Kansas facilities.

School and Activity Buses. The Company manufactures small Type A school and activity buses which carry from 14 to 24 passengers. The majority of Type A school buses currently built by the Company are produced by fabricating the body and mounting it on a vendor-supplied, dual rear-wheel or single rear-wheel, cutaway chassis. The Company was the first manufacturer to produce a Type A school bus on this type of chassis, which permits greater seating capacity than a van chassis. School and activity buses are produced in compliance with federal, state and local laws regarding school and activity bus vehicles. In recent years, the Company has sold an increasing number of small activity buses used by day care, church and other non-profit organizations.

Commercial and Shuttle Buses. The Company produces a limited number of commercial and shuttle buses for churches, transit authorities, hotels and resorts, retirement centers, nursing homes and similar users. These buses are built to customer specifications and are designed to transport 14 to 30 passengers over short distances.

Terminal Trucks / Road Construction Equipment. The Company produces two basic models of terminal trucks at its Longview, Texas facility, the Trailer Jockey(R) and the Yardmaster(R). Terminal trucks are designed and built to withstand heavy-duty use by moving trailers and containers at warehouses, rail yards, rail terminals and shipping ports. Most terminal trucks manufactured by the Company are built to customer specifications. The Company manufactures the entire truck except for major drive train components which are purchased from outside suppliers.

The road construction equipment produced by the Company includes three and four wheel sweepers, a full line of articulated four-wheel drive loaders, rough terrain lift trucks, compact loaders and backhoes. These products are principally sold in both commercial and rental markets through direct sales and distributors throughout the United States.

Manufacturing

Manufacturing consists of the assembly of component parts either purchased from others or fabricated internally. With the exception of chassis, chassis components and certain terminal truck components which are purchased from outside suppliers, the Company fabricates the

principal components of its products. Collins' internal capabilities include CNC gas/plasma shape cutting, robotic welding of certain subassemblies, CNC routing and cabinetry equipment, CNC punching and forming of sheet metal, metal stamping, tooling, molding of fiberglass components, mechanical and electrical component assembly, upholstery, painting and finishing and Computer-Aided-Design and Manufacturing (CAD/CAM) systems.

The Company has improved its manufacturing facilities from time-to-time through the selective upgrading of equipment and the mechanization or automation of appropriate portions of the manufacturing process. Management believes the Company's manufacturing facilities are in good condition and are adequate for the purposes for which they currently are used. The capacity of the Company's current facilities, particularly if operated on a multiple shift basis, is adequate to meet current needs and anticipated sales volumes.

New Products

The Company is not presently engaged in, and does not anticipate engaging in, activities which would require significant expenditures or use of material amounts of assets for development of products.

Suppliers

In order to ensure that it has a readily available supply of chassis for ambulance and bus products, the Company has entered into consignment agreements with General Motors Corporation ("GMC") and Ford Motor Company ("Ford"). Under those agreements, chassis are kept at Company production facilities at no cost to the Company other than chassis storage costs. When an individual chassis is selected from the Company's consignment pool for use in vehicle production, title to the chassis passes to the Company and the Company becomes liable to the consignor for the cost of the chassis. While an interruption in supply from one source may cause a temporary slowdown in production, the Company believes that it could obtain adequate numbers of chassis from alternate sources of supply.

The Company uses substantial amounts of steel in the production of its terminal truck products and road construction equipment and certain other major components (primarily engines, transmissions and axles). The Company also uses large amounts of aluminum, steel, fiberglass and glass in the production of ambulances and buses. There is substantial competition among suppliers for such raw materials and components, and the Company does not believe that a loss of a single source of supply would have a material adverse effect on its business.

Patents, Trademarks and Licenses

The Company owns federal registrations for most of the trademarks which it uses on its products. The Company also owns patents on its bus body design, ambulance design, Dura-Ride air suspension system, ambulance warning light system and air-activated bus door. The Company believes that its patents are helpful, because they may force competitors to do more extensive design work to produce a competitive product. The Company believes that its production

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

techniques and skills are as important as product design, and therefore, in management's opinion, any lack of patent protection would not adversely affect the Company's business.

Seasonality of Business

Historically, a major portion of the Company's net income has been earned in the second half of its fiscal year ending October 31. The purchasing patterns of school districts are typically strongest in the summer months and this accounts for stronger sales of small school buses in the second half of the fiscal year. Generally, the Company's sales tend to be lower in the winter months and first half of the Company's fiscal year due to the purchasing patterns of the Company's customers in general and because purchasing activities are normally lower near the end of the calendar year.

Sales Terms

The Company produces the majority of its products on an order-only basis. Most products are delivered on a cash basis. Products sold on a direct basis (not through dealers) are sold on trade terms common to the respective industry. Finished goods that are reflected on the financial statements are generally completed units that are ready for customer delivery. Sales to dealers have generally been financed for the dealers through an unrelated third party, resulting in payment generally within days of the sale.

Customer Concentration

The Company has no single customer whose loss would have a material adverse effect on the Company as a whole. During 2004, 2003 and 2002, sales to any one customer were not in excess of 10% of consolidated sales.

Sales Backlog

The sales backlog at October 31, 2004, was approximately \$68.5 million compared to \$46.7 million at October 31, 2003. In the opinion of management, the majority of this sales backlog will be shipped in fiscal 2005.

Governmental Sales

The Company has pursued, and will continue to pursue, government sales opportunities as they occur. No material portion of the Company's business, however, is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the government.

Marketing and Distribution

The Company, through its wholly owned subsidiaries, markets its products throughout the U.S. and, to a limited extent, abroad, through independent dealers and distributors and the direct sales efforts of Company personnel. Each of the Company's product groups is responsible for its own marketing activities and maintains independent relationships with dealers and distributors.

Support is provided to dealers and distributors in bidding, specification writing and customer service.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

The Company regularly advertises in consumer and trade magazines and other print media and actively participates in national, regional and local trade shows. In addition, Company representatives attend a number of national conventions and regional meetings of important constituent groups such as school boards and emergency medical groups.

Competition

The markets for most of the Company's product lines are very competitive, and the Company currently has several direct competitors in most markets. Some of these competitors may have greater relative resources. The Company believes it can compete successfully (i) in the ambulance market on the basis of the quality and price of its products, its design engineering and product innovation capabilities and on the strength of the Wheeled Coach brand name, and (ii) in the small school bus market on the basis of its product price and quality and favorable recognition of the Collins Bus and Mid Bus brand names, (iii) in the road construction equipment market for sweepers on the strength of its Waldon and Lay-Mor brand names, product quality, price and distribution network, and (iv) in the terminal truck market on the basis of its Capacity brand name, price, product quality and customer demand for its exclusive Dura-Ride suspension system.

Research and Development Costs

| | 2004 | 2003 | 2002 |
|-----------------------------------|-----------|-----------|-----------|
| | ---- | ---- | ---- |
| Research and Development Expenses | \$ 82,537 | \$ 93,527 | \$198,814 |

This table sets forth the research and development costs the Company incurred the past three fiscal years, which are included in general and administrative expenses. It should be noted the Company does significant research and development work on the production line. Accordingly, the major costs of new programs are recorded as cost of sales and are expensed as incurred.

Regulation

The Company is subject to various laws and regulations and all of the Company's on-road vehicles must satisfy certain standards as established by the United States Department of Transportation. Certain of its products must also satisfy specifications established by other federal, state and local regulatory agencies, primarily dealing with safety and performance standards.

Federal and state authorities have various environmental control standards relating to air, water, and noise pollution which affect the business and operations of the Company. For example, these standards, which are generally applicable to all companies, control choice of paints, discharge of air compressor, waste water and noise emitted by factories. Company facilities are subject to air permitting by the U.S. Environmental Protection Agency and/or authorized states' under federal and/or state regulations implementing the federal Clean Air Act. Each of our facilities is

currently operating under valid permits. Costs to renew these permits are immaterial. The Company relies upon certifications obtained from chassis manufacturers with respect to compliance of vehicles with all applicable emission control standards.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

With respect to employees' health and safety, the Company is subject to various laws and regulations promulgated by the Occupational Safety and Health Administration or OSHA. Plants are periodically inspected by federal agencies concerned with health and safety in the work place to ensure that company plants comply with applicable governmental and industry standards.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended, and other similar state laws require the cleanup of a hazardous waste disposal sites. Parties that may be liable under CERCLA for the cleanup of a hazardous waste disposal site include the current property owner, the operator, owners and operators of the property at the time of a release of hazardous substances, the arranger of the disposal, and the transporter of hazardous substances. To date, the Company has not been notified by the U.S. Environmental Protection Agency, any state agency, or any other private party that it is considered responsible or potentially responsible for some aspect of the cleanup of any hazardous waste disposal site under CERCLA or any other similar state laws.

In management's opinion, the Company and its products are in compliance in all material respects with all applicable governmental regulations. A substantial change in any such regulation could have a significant impact on the business of the Company.

Employees

The Company employs approximately 1,000 persons full time, including officers and administrative personnel. No Company employees are represented by unions or are covered by collective bargaining agreements. The Company has not experienced any strikes or work stoppages due to labor problems and considers its relations with its employees to be satisfactory.

Export Sales

See "Note 9 to the Consolidated Financial Statements".

Recent Developments

Audit Committee Investigation

On January 31, 2005, the Company announced that it was delaying filing of its Form 10-K for the period ending October 31, 2004 as Company management and the Audit Committee of its Board of Directors were investigating and analyzing the Company's manner of establishing reserves in various worker's compensation cases in the states of Kansas and Florida. The decision to delay filing of the Form 10-K for the period ended October 31, 2004 was made to permit the Company's management and Audit Committee to complete the investigation and

analysis, and to allow its independent registered public accounting firm sufficient time to complete the audit of the Company's October 31, 2004 financial statements.

The Audit Committee retained independent legal counsel and an independent third-party insurance advisor to investigate of the practices employed by the Company in determining liability reserve estimates for self insured worker's

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

compensation claims in Kansas and Florida.

Due to the complexity of calculating the reserves required at the various dates and the difficulty of estimating the reserve amount in each case, additional time was needed to ensure a complete investigation. This required the company's annual shareholder meeting to be held at a later date than normal, which is traditionally the last Friday in February of each year.

The Company obtained a waiver from its lead bank with regard to the covenant in its credit facility that all Securities and Exchange Commission reports be filed on a timely basis. The credit facility remains available and unaffected.

On February 22, 2005, the Company announced that it received notice of a determination by NASDAQ's Listing Qualifications Staff that it failed to comply with NASDAQ listing standards set forth in NASDAQ Marketplace Rule 4310(c)(14) due to the delayed filing with the Securities and Exchange Commission of its annual report on Form 10-K for the period ended October 31, 2004, and that its common stock would therefore be subject to delisting from the NASDAQ National Market. On May 16, the common stock of the Company was delisted from the NASDAQ National Market due to the delay in filing its annual report on Form 10-K.

On March 2, 2005, the Company announced that, as a result of the investigation, the Company would restate its previously issued financial statements for the 2003 and 2002 fiscal years to correct the manner in which the Company had established and recorded these reserves. In addition, the Company's previously released financial information for fiscal 2004 will be revised. The Company and Audit Committee have discussed the issues surrounding the restatement with the Company's independent registered public accounting firm, KPMG LLP (KPMG). KPMG has informed the Company and Audit Committee that they concur with the restatement decision.

The Company discovered issues with workers' compensation claims for injuries dating back to 1990. The special investigation revealed that Company personnel with responsibility for setting reserves did so in an aggressive manner which caused the third-party administrator adjusters to recommend reserves at levels lower than they would have otherwise recommended. Personnel also employed a practice known as stair-stepping reserves for certain claims. This involves recording reserves initially at an amount lower than the amount the claim would be expected to settle for and increasing the reserve over time. In addition, several Florida claims that had existed for an extended period of time had reserves which had been set artificially low and then increased periodically to reflect on-going payments to claimants. The accrual of these amounts in the period that claims were incurred resulted in a charge to retained earnings for periods prior to October 31, 2001 and a reversal of reserves in subsequent years to reflect amounts that should already have been recorded.

7

On May 12, 2005, the Company announced that its Audit Committee had recommended revised procedures for establishing workers' compensation reserves. Revised procedures were put in place to help ensure reserve recommendations made by the Third Party Administrator ("TPA") are recorded. Procedures also prohibit inappropriate influence by management in the determination of the TPA's recommended reserve amounts. The revised procedures require increased accounting oversight to help insure reserves are recorded in accordance with generally accepted accounting principles. The Board of Directors approved the recommendation. Effective July 1, 2005, the Company purchased guaranteed cost

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

workers compensation insurance for the states in which it had previously self-insured. The Company continues to be self-insured in certain states for workers compensation claims incurred prior to July 1, 2005.

On March 21, 2005, the Company reported that the Executive Vice President - Operations, Terry L. Clark, and Chief Financial Officer, Larry Sayre, retired effective March 18, 2005. April 1, 2005, Randall Swift became Vice President and Chief Operating Officer of the Company. On May 23, 2005, Cletus Glasener became Vice President and Chief Financial Officer of the Company. A charge to income totaling approximately \$1.1 million was recorded in the second quarter of fiscal year 2005. This amount represents the estimated severance obligation of the two executives who retired.

As a result of the investigation and review of estimated workers compensation claims, the Company has restated its consolidated financial statements for the fiscal years ended October 31, 2002 and 2003, and for the quarters ended January 31, 2004 through July 31, 2004. This restatement increased net income by \$242,291, or \$.04 per share (diluted) to \$1,990,124 for 2002 and by \$69,912, or \$.01 per share (diluted) to \$1,644,865 for 2003. The beginning balance in Retained Earnings for 2002 was reduced by \$1,443,218 to \$8,891,450 to reflect the additional worker's compensation liability. Previously reported unaudited net income for the first three quarters of fiscal 2004 increased by \$106,734 to \$1,530,207 or \$.02 per share (diluted). Net income reflected in the unaudited consolidated financial statement information for the year ended October 31, 2004 contained in the November 22, 2004 Current Report on Form 8-K decreased by \$153,579. The opening equity as of November 1, 2001 has been restated by \$1,443,218. All applicable financial information contained in this Annual Report on Form 10-K gives effect to these restatements.

For information concerning the restatements, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2 of the Notes to Consolidated Financial Statements included in Item 8.

8

Item 2. PROPERTIES

The following table sets forth certain information with respect to the Company's manufacturing and office facilities. The Company owns all properties listed below in fee simple, except as otherwise noted.

| Location | Use |
|----------------------------------|---|
| ----- | --- |
| Hutchinson, Kansas (1) | Corporate headquarters |
| Hutchinson, Kansas (1),(2) | Ambulance production; Office space |
| South Hutchinson, Kansas (1),(3) | Small school bus and commercial bus production; Office space |
| Orlando, Florida (1),(4) | Ambulance products; Office space |
| Longview, Texas (1),(5) | Terminal truck/road construction equipment production, chassis production; Office space |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | |
|------------------------|---|
| Mansfield, Texas (1) | Ambulance sales, service and distribution center |
| Fairview, Oklahoma (1) | Road construction equipment fabrication and assembly; Office space |
| Bluffton, Ohio (6) | Small school bus and commercial bus production; Office space |

- (1) This property is pledged as collateral to secure payment of the Company's debt obligations. See "Note 3 to Consolidated Financial Statements."
- (2) This facility and certain related equipment are financed by industrial revenue bonds in the original principal amount of \$2,000,000 in 2002 issued by Reno County, Kansas under lease purchase agreements.
- (3) This facility and certain related equipment are financed by industrial revenue bonds in the original principal amounts of \$1,250,000 in 1999 and \$3,500,000 in 1997 issued by the City of South Hutchinson under lease purchase agreements.
- (4) Certain related equipment is financed by industrial revenue bonds in the original principal amount of \$2,000,000 in 2002 issued by Orange County, Florida Industrial Development Authority under lease purchase agreements.
- (5) This facility and certain related equipment are financed by industrial revenue bonds in the original principal amount of \$4,200,000 in 1999 issued by the Longview Industrial Corporation, Longview, Texas.
- (6) This property was leased prior to being purchased for \$2,000,000 on May 13, 2005 with financing under the Company's credit facility.

The Company also leases several other facilities throughout the U.S. for the sale and distribution of ambulances. Although the Company evaluates opportunities to acquire additional properties at favorable prices as they arise, it believes that its existing facilities are well maintained and will be adequate to service its needs in the foreseeable future. Certain Company facilities have room to expand in existing buildings and others have land upon which additional buildings can be constructed.

Item 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company is a party or of which any of its property is subject.

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

The Company did not submit any matter to a vote of security holders during the fourth quarter of the fiscal year ended October 31, 2004.

PART II**Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Prior to being delisted on May 16, 2005, Collins Industries, Inc. common stock was quoted on the NASDAQ Stock Market under the symbol COLL. The common stock of the Company is currently traded over the counter and is quoted through Pink Sheets under the symbol "COLL.PK." The following table sets forth the high and low sales prices per share of the common stock as reported by the NASDAQ Stock Market. There were 460 shareholders of record of the Company's common stock at June 15, 2005.

FISCAL 2004

| Quarter | High | Low | Volume (000s) |
|---------|--------|--------|------------------|
| First | \$5.69 | \$4.05 | 608 |
| Second | 6.02 | 4.51 | 401 |
| Third | 6.30 | 4.75 | 514 |
| Fourth | 5.75 | 4.61 | 433 |

FISCAL 2003

| Quarter | High | Low | Volume (000s) |
|---------|--------|--------|------------------|
| First | \$4.45 | \$3.02 | 151 |
| Second | 3.91 | 2.94 | 339 |
| Third | 3.68 | 3.00 | 424 |
| Fourth | 4.50 | 3.23 | 542 |

During the period covered by this Report, the Company did not sell any equity securities that were not registered under the Securities Act.

During each of the fiscal years ended October 31, 2004 and 2003 the Company's annual cash dividend was \$0.135 and \$0.12 per share respectively and was paid on a quarterly basis.

For information on our equity compensation plans refer to Item 12, "Security Ownership of Certain Beneficial Owners and Management".

In the three months ended October 31, 2004 the Company did not repurchase any shares of common stock.

Item 6. SELECTED FINANCIAL DATA**Operating History**

(In thousands except share and per-share data)

| | | | |
|--------------------------------|------|----------|----------|
| Fiscal years ended October 31, | 2004 | 2003 (a) | 2002 (a) |
|--------------------------------|------|----------|----------|

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | ----- | ----- | ----- | ----- |
|--|------------|---------------|---------------|-------|
| | | (as restated) | (as restated) | (as |
| Sales | \$ 208,203 | \$ 204,618 | \$ 200,843 | \$ 2 |
| Cost of Sales | 184,128 | 181,608 | 177,705 | 1 |
| Gross profit | 24,075 | 23,010 | 23,138 | |
| Selling, general and administrative (includes research & development) | 19,263 | 18,653 | 18,387 | |
| Income from operations | 4,812 | 4,357 | 4,751 | |
| Other income (expenses): | | | | |
| Interest, net | (1,472) | (1,728) | (1,527) | |
| Other, net | 521 | 6 | 26 | |
| Income before provision for income taxes | 3,861 | 2,635 | 3,250 | |
| Provision for income taxes | 1,530 | 990 | 1,260 | |
| Net income | \$ 2,331 | \$ 1,645 | \$ 1,990 | \$ |
| Earnings per share - diluted: | \$.38 | \$.24 | \$.29 | \$ |
| Dividends per share | \$.1350 | \$.1200 | \$.1200 | \$ |
| Weighted average shares outstanding- | | | | |
| Diluted | 6,211,112 | 6,855,955 | 6,854,222 | 7,1 |
| Depreciation and amortization | \$ 3,393 | \$ 3,320 | \$ 3,506 | \$ |

Financial Position

(In thousands, except share and per-share data)

| As of October 31, | 2004 | 2003 (a) | 2002 (a) | 2 |
|--|-----------|---------------|---------------|-------|
| | ----- | ----- | ----- | ----- |
| | | (as restated) | (as restated) | (as |
| Current assets | \$ 54,570 | \$ 47,267 | \$ 48,850 | \$ |
| Current liabilities | 35,918 | 28,879 | 30,630 | |
| Working capital | 18,652 | 18,388 | 18,220 | |
| Total assets | 80,727 | 74,705 | 77,476 | |
| Long-term debt and capitalized leases (less current maturities) | 18,515 | 16,730 | 19,396 | |
| Shareholders' investment | 24,769 | 27,763 | 26,335 | |
| Book value per share | 3.89 | 3.83 | 3.70 | |

Financial Comparisons

| Fiscal years ended October 31, | 2004 | 2003 (a) | 2002 (a) | 2 |
|--|----------|---------------|---------------|-------|
| | ----- | ----- | ----- | ----- |
| | | (as restated) | (as restated) | (as |
| Gross profit margin | 11.6% | 11.2% | 11.5% | |
| Net profit margin | 1.1% | 0.8% | 1.0% | |
| Selling, general and administrative (including R&D) as percent of sales | 9.2% | 9.1% | 9.2% | |
| Long-term debt and capitalized leases to shareholders' investment | 0.7:1 | 0.6:1 | 0.7:1 | |
| Manufacturing space (000's square feet) | 1,022 | 1,108 | 1,108 | |
| Common stock repurchased | \$ 5,344 | \$ 195 | \$ 1,749 | \$ |
| Capital expenditures | \$ 1,837 | \$ 3,131 | \$ 3,004 | \$ |

(a) For information on the effects of the restatement see Note 2 of Notes to the Consolidated Financial Statements.

(b) Certain changes have been made to results in these years as discussed in Note 2 of Notes to the Consolidated Financial Statements. Earnings per share was previously reported as \$.33 in 2001 and \$.55 in 2000. Net Income was previously reported as \$2,382 in 2001 and \$4,158 in 2000. Shareholders Investment was previously reported as \$27,730 in 2001 and \$26,673 in 2000.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESTATEMENT OF FINANCIAL STATEMENTS

On March 2, 2005, the Company announced that, as a result of the Company's investigation of its self-insured reserves for estimated worker compensation claims in the states of Florida and Kansas, the Company would restate its previously issued financial statements for the 2003 and 2002 fiscal years to correct the manner in which the Company had established and recorded these reserves. In addition, the Company's previously released financial information for fiscal 2004 will be revised.

The following table identifies the adjustments made to previously-released consolidated financial statements:

| Description of Adjustments (\$ In thousands) | 2004 (1) | 2003 | 2002 | Period t 20 |
|---|----------|--------|--------|-------------------|
| Workers Compensation Reserve Adjustments (2) | \$ 612 | \$ 24 | \$ 411 | \$ (2 |
| Workers' Compensation Premium Increase (3) | (37) | - | - | |
| Environmental Reserve Accrual (4) | (59) | - | - | |
| Uncollectible Rebates (5) | (55) | (6) | - | |
| Other Accrued Expenses (6) | (605) | 82 | (19) | |
| Total pre-tax impact | \$ (144) | \$ 100 | \$ 392 | \$ (2 |
| Income tax (7) | (10) | (30) | (150) | |
| Total Net Income Impact | \$ (154) | \$ 70 | \$ 242 | \$ (1 |

- (1) These amounts have been revised by the Company for the quarters ended January 31, 2004, April 30, 2004 and July 30, 2004 on Form 10-Q and financial statement information for the year ended October 31, 2004 compared to what was previously furnished in the November 22, 2004 Current Report on Form 8-K.
- (2) Adjustments to workers' compensation liability reserves which had not previously been recorded. These adjustments are reflected in cost of sales on the income statement and accrued expenses and other current liabilities on the balance sheet. Adjustments in 2004, 2003 and 2002 also reflect reversal of expense recorded in those years which should have been recorded in prior periods.
Consolidated Statements of Income and Comprehensive Income: Adjustment decreased (increased) cost of sales by the amounts set forth in this table.
Consolidated Balance Sheets: Adjustment increased accrued expenses and other current liabilities by \$1,312, \$1,923 and \$1,948, at October 31, 2004, 2003 and 2002, respectively.
- (3) In January 2005 the Company received a notice that its State of Ohio Workers compensation premium attributable to fiscal year 2004 would increase by \$37.
Consolidated Statements of Income and Comprehensive Income: Adjustment

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

increased cost of sales by the amounts set forth in this table.
Consolidated Balance Sheets: At October 31, 2004, adjustment increased accounts payable by \$37.

- (4) In February 2005, the Company received notice from its counsel that amounts previously recorded for potential environmental liabilities were understated. Such amounts were increased by \$59. This adjustment is reflected in cost of sales on the income statement and accounts payable on the balance sheet.
Consolidated Statements of Income and Comprehensive Income: Adjustment increased cost of sales by the amounts set forth in this table.
Consolidated Balance Sheets: At October 31, 2004, adjustment increased accounts payable by \$59.
- (5) Relates to corrections to the estimate of rebate collectibility at October 31, 2004.

13

Consolidated Statements of Income and Comprehensive Income: Adjustment increased cost of sales by \$55 in 2004 and \$6 in 2003.
Consolidated Balance Sheets: At October 31, 2004 and 2003, adjustment decreased receivables by \$61 and \$6, respectively.

- (6) The 2004 items relate to several miscellaneous adjustments primarily revising estimated accruals to actual expense. The 2004 items include legal reserve accruals (\$340), employee medical expense accruals (\$200), facility expenses (\$10), product returns (\$17), product concessions expense (\$10), and reversal of product liability expense (\$85) partially offset by lower actual employee bonuses (\$34), and lower audit fees (\$25).
Consolidated Statements of Income and Comprehensive Income: Adjustments decreased sales by \$13, increased cost of sales by \$400 and increased selling, general and administrative expenses by \$191.
Consolidated Balance Sheets: At October 31, 2004, adjustment increased accrued expense and other current liabilities by \$216, increased accounts payable by \$295, increased inventories by \$11 and decreased receivables by \$56. An additional entry related to subsequent payments for goods and service made in 2005 related to 2004 increased inventories and accounts payable by \$113, respectively.

The 2003 items primarily include corrections to facility expenses (\$35), product concessions (\$14) offset by lower product liability expense (\$85), lower actual employee bonuses (\$3), and lower accounts receivable allowance expense (\$43).

Consolidated Statements of Income and Comprehensive Income: Adjustments decrease sales by \$29, increased cost of sales by \$20 and decreased selling, general and administrative expenses by \$132 in 2003.
Consolidated Balance Sheets: At October 31, 2003, adjustment decreased accrued expense and other current liabilities by \$111, increased accounts payable by \$35, decreased receivables by \$53 and increased inventories by \$26.

The 2002 items primarily include corrections to increase accounts receivable allowance expense (\$43) partially offset by lower actual employee bonuses (\$22), and lower product concessions expense (\$2).
Consolidated Statements of Income and Comprehensive Income: Adjustments increased sales by \$4, increased cost of sales by \$2 and increased selling, general and administrative expense by \$21 in 2002.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

Consolidated Balance Sheets: At October 31, 2002, adjustment decreased receivables by \$56, and decreased accrued expense and other current liabilities by \$23.

The adjustment to periods prior to 2002 is increased product concessions expense by \$14 and is reflected as a \$28 decrease to sales and a \$14 decrease to cost of sales in the Consolidated Statements of Income and Comprehensive Income in 2001. Receivables decreased \$28 and inventories increased \$14 in the Consolidated Balances Sheet as of October 31, 2001.

Amounts in 2004, 2003 and 2002 also reflect adjustments for expenses recorded in those years which should have been recorded in prior periods.

- (7) Relates to approximately \$40 of income tax benefit related to the adjustments described above, offset by \$50 of additional estimated income tax expense in 2004. Tax amounts for 2003 and 2002 represent the tax effect due to the adjustments.

Consolidated Statements of Income and Comprehensive Income: Adjustment increased income taxes by the amount set forth in this table.

Consolidated Balance Sheets: At October 31, 2004, adjustment increased accounts payable by \$50. The cumulative effect of all entries increased prepaid expenses and other current assets by \$790, \$750 and \$780 for the years ended October 31, 2004, 2003 and 2002, respectively.

This restatement increased net income by \$242,291, or \$.04 per share (diluted) to \$1,990,124 for 2002 and \$69,912, or \$.01 per share (diluted) to \$1,644,865 for 2003. The balance in Retained Earnings as previously reported at October 31, 2001 was reduced by \$1,443,218 to \$8,891,450 to reflect the additional worker's compensation reserves which should have been recorded in earlier periods. Previously reported unaudited net income for the first three quarters of fiscal 2004

increased by \$106,734 to \$1,530,207 or \$.02 per share (diluted). Net income reflected in the unaudited consolidated financial statement information for the year ended October 31, 2004 furnished in the November 22, 2004 Current Report on Form 8-K decreased by \$153,579. The opening equity as of November 1, 2001 has been restated by \$1,443,218. All applicable financial information contained in this Annual Report on Form 10-K gives effect to these restatements.

RESULTS EXPRESSED AS A PERCENTAGE OF SALES

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

2004

2003

As Restated

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | |
|--|--------|--------|
| Sales | 100.0% | 100.0% |
| Cost of sales | 88.4 | 88.8 |
| | ---- | ----- |
| Gross profit | 11.6 | 11.2 |
| Selling, general and administrative expenses | 9.3 | 9.1 |
| Research and development expenses | 0.0 | 0.0 |
| | --- | --- |
| Income from operations | 2.3 | 2.1 |
| Other income (expense): | | |
| Interest, net | (0.7) | (0.8) |
| Other, net | 0.3 | 0.0 |
| | --- | --- |
| Income before provision for income taxes | 1.9 | 1.3 |
| Provision for income taxes | 0.8 | 0.5 |
| | --- | --- |
| Net income | 1.1% | 0.8% |
| | ==== | ==== |

OVERVIEW

General

Collins Industries, Inc. is a manufacturer of specialty vehicles and has three reportable segments: ambulances, buses and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses, commercial buses and shuttle buses for sale to schools, hotel shuttle services, airports, and other

governmental agencies. The terminal trucks/road construction equipment segment produces off-road trucks designed to move trailers and containers for warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment. Each of the Company's product groups is responsible for its own marketing activities and maintains independent relationships with dealers and distributors.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the "Notes to Consolidated Financial Statements." The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. For the fiscal years ended October 31, 2003, and 2002 nonrecurring gains or losses were not material and as such have no impact on this analysis. For fiscal year 2004 the Company had a nonrecurring pretax gain on sale of property in the amount of \$466,733.

The Company accounts for intersegment sales and transfers as if the sales or

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

transfers were to third parties, with all intercompany sales eliminated in consolidation.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The sales backlog at October 31, 2004, was approximately \$68.5 million compared to \$46.7 million at October 31, 2003. In the opinion of management, the majority of this sales backlog will be shipped in fiscal 2005.

Ambulance Segment

The Company's ambulance segment is the most significant of the Company's three reportable segments. The ambulance segment is dependent on a number of factors, including replacement cycles of ambulances, budgetary constraints of Federal, municipal and other governmental agencies, the age and health demographics of medical patients, capital spending trends and interest rates for capital goods. Most ambulance sales are made on a competitive bid basis to public and private ambulance services, fire departments, hospitals and other governmental agencies. Substantially all ambulance sales are based on and built to customer specifications. The Company markets its products through a direct sales force and to a lesser extent through a dealer network throughout the U.S. and abroad.

The Company produces ambulances in Florida and Kansas and the ambulances are generally completed in 60-90 days depending on the complexity of the particular ambulance. Chassis, purchased components and raw materials are the most significant ambulance manufacturing costs. Ambulances are produced on a variety of chassis purchased from manufacturers such as Ford and General Motors. As a result, the ambulance segment is dependent upon an adequate supply and flow of chassis from its principal chassis suppliers. The Company maintains chassis consignment pool arrangements with both GM and Ford and generally maintains a 90-120 day supply of chassis in its consignment pools. While an interruption in supply from one source may cause a temporary slowdown in products, the Company believes that it could obtain adequate

16

numbers of chassis from alternate sources of supply. In certain cases, chassis may be supplied by a customer. Other key production components of ambulances include aluminum, steel, lights and light bars, wood, laminates, paint, electrical wire and components. The Company generally does not enter into long-term production contracts for ambulances that would require contractual provisions for cost adjustments.

Bus Segment

In 2004, the Company's bus segment was its third most significant reportable segment. Key business drivers of the bus segment include, among other things, the replacement cycle of buses, transportation budgets of school districts and other non-profit organizations, capital spending trends and interest rates for capital goods. Bus sales are generally made on a competitive bid basis either through the Company's dealer network or directly to an end user for national account customers. Substantially all bus sales are based on and built to customer specifications. Additionally, school buses are manufactured to meet

state specifications which vary by state. The majority of the bus segment sales are small Type-A buses sold to either school districts or large contract carriers for school districts. In recent years, many states have adopted new laws that will prohibit or severely limit the public use of 14-passenger vans ("non-conforming vans"). Consequently, public and private schools, public agencies, churches and similar organizations have begun replacement of non-conforming vans with small school buses. As a result, the Company expects the replacement cycle in this new market segment to continue to increase over the next several years. In recent years, the Company has sold an increasing number of small activity buses used by day care, church and other non-profit organizations.

The Company produces buses in Kansas and Ohio and the buses are generally completed in 30-60 days depending on the complexity of the particular bus. Chassis, purchased components and raw materials are the most significant bus manufacturing costs. Buses are principally produced on Ford, General Motors and International chassis. As a result, the bus segment is dependent upon an adequate supply and flow of chassis from its principal chassis suppliers. The Company maintains chassis consignment pool arrangements with both GM and Ford and generally maintains a 90-120 day supply of chassis in its consignment pools. While an interruption in supply from one source may cause a temporary slowdown in products, the Company believes that it could obtain adequate numbers of chassis from alternate sources of supply. In certain cases, chassis may be supplied by a customer. Other key production components of buses include steel, lights, wood, windows, paint and electrical wire and components. The Company generally does not enter into long-term production contracts for buses that would require contractual provisions for cost adjustments.

Terminal Truck/Road Construction Segment

Product sales of terminal trucks and road construction units were principally driven by freight volume trends in the intermodal, trucking, warehousing, stevedoring operations and construction spending. Other key drivers of this segment include capital spending and interest rate trends, highway construction budgets and international currency exchange rates. This segment's

products are sold direct to end customers and through dealer networks and distributors, depending on the particular product and unit volumes. A majority of this segment's products are sold on a competitive bid basis and terminal trucks are generally manufactured based on the particular specifications and requirements of the end customer. A significant majority of the trucks are built for off-highway use in rail yards, ports and warehouses and distribution centers. After-market sales of parts to the terminal truck/road construction market customer base are also a key source of revenue to this segment.

The Company produces its terminal truck/road construction equipment in Texas and certain other road construction equipment in Oklahoma. These products are generally manufactured within a 30-60 day timeframe depending on the complexity of the particular product. The most significant manufacturing costs are the engines, transmissions, axles and raw steel components. Other key manufacturing components include windows, hydraulic components, paint and electrical wire and components. The Company generally does not enter into long-term production contracts for terminal truck/road construction products that would require contractual provisions for cost adjustments.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

See "Note 9 to the Consolidated Financial Statements" for quantitative segment information.

RESULTS OF OPERATIONS

Fiscal 2004 Compared to Fiscal 2003

Sales

Ambulance Segment

In fiscal 2004, the ambulance segment sales were \$83.2 million or 40.0% of the Company's consolidated sales compared to \$96.5 million or 47.1% in fiscal 2003. Unit volume sales of ambulance products decreased 15% in fiscal 2004 compared to 2003. This decrease was principally due to budgetary curtailments by certain municipalities and national not-for-profit organizations. Ambulance products selling prices increased approximately 1% in fiscal 2004 compared to fiscal 2003. This increase principally resulted from normal price increases required to offset increases in chassis costs, raw materials and direct labor and a change in product mix. Segment pretax profits from ambulance products decreased approximately 36% in fiscal 2004 compared to 2003. Substantially all of this decrease was a result of lower sales volumes. However, the decrease was partially offset by higher purchase discounts and incentives from chassis manufacturers and by production efficiencies achieved from automation of certain manufacturing operations as discussed below.

Bus Segment

In fiscal 2004, bus segment sales were \$57.6 million or 27.7% of the Company's consolidated sales compared to \$66.6 million or 32.6% in fiscal 2003. The decrease was principally the result of customer-supplied chassis for bus products. Sales of bus products were reduced by approximately \$25.1 million for the fiscal year ended October 31, 2004 due to customer-supplied

18

bus chassis compared to a reduction of approximately \$10.0 million for the same period last year. Units with customer-supplied chassis for the fiscal year ended October 31, 2004 amounted to 57% of bus units produced compared to 22% for the same period last year. Unit volume sales of bus products increased by 7% in fiscal 2004. This increase was principally due to increased sales to day-care providers and church-related organizations. The average unit price of bus products decreased by approximately 19% in fiscal 2004. Substantially all of this decrease resulted from the impact of customer-supplied chassis discussed above.

In fiscal 2003, the Kansas bus plant completed mechanization projects and made major product and manufacturing process improvements. These projects and improvements were significant factors for the increased bus margins achieved in both fiscal 2004 and 2003. Segment pretax profits from bus products improved by approximately 39% in fiscal 2004 compared to 2003.

Terminal Truck/Road Construction Segment

In fiscal 2004, the terminal truck/road construction segment sales were \$67.4 million or 32.4% of the Company's consolidated sales compared to \$41.5 million or 20.3% in fiscal 2003. Unit volume sales of terminal truck/road construction

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

products increased 55% in fiscal 2004. This unit volume increase was principally due to the impact of additional export sales associated with foreign stevedoring operations, the changes in currency exchange rates, greater market penetration and higher domestic sales to intermodal and warehousing customers. This segment also experienced a rebound in the number of road sweepers sold to the domestic rental market. The average unit price of terminal truck/road construction products increased by 5% in fiscal 2004 compared to fiscal 2003. Substantially all of this increase related to the product mix of terminal truck products and unit price increases required to offset higher steel and major component prices of suppliers.

Segment pretax profits from terminal truck/road construction products improved by 211% in fiscal 2004 compared to 2003. These improvements were principally due to the higher unit volumes and product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal 2004 were \$19.2 million (9.2% of sales) compared to \$18.6 million (9.1% of sales) in fiscal 2003. This increase principally resulted from higher sales volumes.

Other Income (Expense)

Interest expense decreased to \$1.5 million in fiscal 2004 compared to \$1.7 million in fiscal 2003. This decrease was principally a result of an overall decrease of the Company's average borrowings throughout most of fiscal 2004.

Other income for the fiscal year ended October 31, 2004 was \$.52 million. Of this amount, \$.47 million resulted from gains from sales of buildings and land. These properties were comprised of excess office space in Kansas and excess manufacturing space in Alabama. These properties

were not replaced. Although the Company evaluates opportunities to acquire additional properties at favorable prices as they arise, it believes that its existing facilities are well maintained and will be adequate to service its needs in the foreseeable future. Certain Company facilities have room to expand in existing buildings and others have land upon which additional buildings can be constructed.

Provision for Taxes

Income tax expense in fiscal 2004 was \$1.5 million compared to \$1.0 million in fiscal 2003, while income tax expense as a percentage of pretax income was approximately 39% and 38%, respectively.

Net Income

The Company's net income in fiscal 2004 increased to \$2.3 million (\$.38 per share-diluted) compared to \$1.6 million (\$.24 per share-diluted) in fiscal 2003. The overall increase was principally due to higher profit contributions from terminal truck/road construction and bus products, lower interest costs and aggregate after tax gains of \$292,000 (\$.05 per share - diluted) from the sale of properties in the first and fourth quarter of fiscal 2004. These improvements

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

were partially offset by lower profit contributions from ambulance products. Diluted earnings per share for the fiscal year ended October 31, 2004 were also impacted by the Company's purchase of approximately 14% of its then-outstanding common stock in December 2003 (\$.05 per share - diluted).

Fiscal 2003 Compared to Fiscal 2002

Sales

Ambulance Segment

In fiscal 2003, the ambulance segment sales were \$96.5 million or 47.2% of the Company's consolidated sales compared to \$95.5 million or 47.6% in fiscal 2002. Unit volume sales of ambulance products decreased 14% in fiscal 2003 compared to 2002. This decrease was principally due to a large non-recurring export sale of ambulances in fiscal 2002. Ambulance products selling prices increased 17% in fiscal 2003 compared to fiscal 2002. This increase principally resulted from the impact of a greater number of customer furnished chassis in 2002 compared to 2003. The impact of non-recurring, large export sale in fiscal 2002 and a change in product mix, were the principal reasons for lower profit margins from the ambulance segment.

Bus Segment

In fiscal 2003, bus segment sales were \$66.6 million or 32.6% of the Company's consolidated sales compared to \$66.3 million or 33.0% in fiscal 2002. Unit volume sales of bus products decreased by 3% in fiscal 2003. This decrease was principally due to the overall weakness

20

in the school bus transportation markets, school budgetary constraints and a general weakness in the U.S. economy. The average unit price of bus products increased by 4% in fiscal 2003 principally as a result of product mix changes.

In fiscal 2003 the Kansas bus plant completed mechanization projects and made major product and manufacturing process improvements. These projects and improvements were the principal reasons for the increased bus margins achieved in fiscal 2003.

Terminal Truck/Road Construction Segment

In fiscal 2003, the terminal truck/road construction segment sales were \$41.5 million or 20.3% of the Company's consolidated sales compared to \$39.0 million or 19.4% in fiscal 2002. Unit volume sales of terminal truck/road construction products increased 7% in fiscal 2003. These unit volume increases principally resulted from higher sales to intermodal, domestic stevedoring, trucking and warehousing customers. Additionally, the Company experienced a rebound in the road sweepers sold to the domestic rental market. Average unit selling prices of terminal truck/road construction products decreased less than 1% in fiscal 2003 compared to fiscal 2002.

Segment pretax profits from terminal truck/road construction products improved by 39% in fiscal 2003 compared to 2002. These improvements were principally due to the higher unit volumes and product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal 2003 were \$18.6 million (9.1% of sales) compared to \$18.2 million (9.1% of sales) in fiscal 2002. This increase principally resulted from higher sales volumes.

Other Income (Expense)

Interest expense increased to \$1.7 million in fiscal 2003 compared to \$1.5 million in fiscal 2002. This increase was principally a result of an overall increase of the Company's average borrowings throughout most of fiscal 2003 required to support higher levels of inventory and capital expenditures financed by Industrial Revenue Bonds.

Provision for Income Taxes

Income tax expense in fiscal 2003 was \$1.0 million compared to \$1.3 million in fiscal 2002. Income tax expense as a percentage of pretax income was 38% in fiscal 2003 compared to 39% in fiscal 2002. Income tax expense as a percent of pretax income decreased principally as a result of lower state income taxes and non-deductible expenses.

Net Income

21

The Company's net income in fiscal 2003 decreased to \$1.6 million (\$.24 per share-diluted) compared to \$2.0 million (\$.29 per share-diluted) in fiscal 2002. The overall decrease was principally due to lower profit contributions from ambulance products and increased interest expense. These decreases were partially offset by the impact of higher profit contributions from bus products, and lower corporate expenses.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company has principally relied on internally generated funds, supplier financing, bank borrowings and industrial revenue bonds to finance its operations and capital expenditures. The Company's working capital requirements vary from period to period depending on the production volume, the timing of vehicle deliveries and the payment terms offered to its customers.

Cash provided by operations was \$5.4 million in fiscal 2004 compared to \$4.6 million in fiscal 2003. Principal sources of the cash provided by operations in fiscal 2004 were from Company profits and increases in accounts payable and accrued expenses. These sources of cash from operations were partially offset by increases in accounts receivable and inventories. Accounts receivable increased primarily as a result of higher foreign sales in the terminal truck/road construction equipment segment.

Cash provided by operations was \$4.6 million in fiscal 2003 compared to \$4.7 million in fiscal 2002. Principal sources of the cash provided by operations in fiscal 2003 were from Company profits and decreases of accounts receivable. These sources of cash from operations were offset by increases in inventories and decreases in accounts payable (net of controlled disbursements).

Cash used in investing activities was \$1.3 million in fiscal 2004 compared to \$3.2 million in fiscal 2003. In fiscal 2004, the principal use of cash for

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

investing purposes was for capital expenditures of \$1.8 million partially offset by \$0.6 million in proceeds from the sale of properties in the first and fourth quarter of fiscal 2004. The Company made capital expenditures related to the ambulance segment in fiscal 2004 and 2003, of \$0.9 million and \$2.7 million, respectively. The majority of these expenditures related to the automation of certain cabinet and metal fabrication operations in the Florida and Kansas plants. The Company expects these expenditures to improve the quality of its products and to reduce its overall production costs.

Cash used in investing activities was \$3.2 million in fiscal 2003 compared to \$3.0 million in fiscal 2002. In fiscal 2003, the principal use of cash for investing purposes was for capital expenditures associated with the automation of certain ambulance production. The Company made capital expenditures related to the ambulance segment in fiscal 2003 and 2002, of \$2.7 million and \$2.0 million, respectively. The majority of these expenditures related to the automation of certain cabinet and metal fabrication operations in the Florida and Kansas plants. The Company expects these expenditures to improve the quality of its products and to reduce its overall production costs.

Cash used in financing activities was \$4.0 million in fiscal 2004 compared to \$1.7 million in fiscal 2003. In fiscal 2004, the principal sources of cash from financing activities related to \$4.7

22

million in additional debt financed by the Company's revolving debt credit line and \$0.4 million advanced from Industrial Revenue Bonds issued in fiscal 2002. These sources of cash from financing activities were offset by the Company's repurchase and retirement of common stock of \$5.3 million, repayment of debt of \$2.9 million and the payment of cash dividends of \$.9 million. At October 31, 2004, cash balances included restricted funds of \$.4 million related to the unused proceeds from the new Industrial Revenue Bonds issued in fiscal 2002.

Cash used in financing activities was \$1.7 million in fiscal 2003 compared to \$1.5 million in fiscal 2002. In fiscal 2003, the principal sources of cash from financing activities related to \$2.0 million advanced from Industrial Revenue Bonds issued in fiscal 2002 and \$.9 million in additional debt related to equipment financed by the Company's term debt credit line. These sources of cash from financing activities were partially offset by the Company's repayment of debt of \$3.5 million, the repurchase and retirement of common stock of \$.2 million and the payment of cash dividends of \$.9 million. At October 31, 2003, cash balances included restricted funds of \$.8 million related to the unused proceeds from the new Industrial Revenue Bonds issued in fiscal 2002.

Aggregate maturities of \$11.7 million in capitalized leases and long-term debt due in 2008 are principally a result of a loan agreement with the Company's lead bank which expires May 17, 2008. The Company currently anticipates arranging an extension or refinancing of this debt at or prior to maturity. See "Note 3 to the Consolidated Financial Statements" for quantitative information.

On May 17, 2002 the Company entered into a Loan and Security Agreement, (the "Agreement"), with Fleet Capital Corporation, a Rhode Island Corporation (the "Bank"). The Agreement, was amended in fiscal 2004 and provides a total credit facility of \$39.0 million consisting of a revolving credit facility of \$30.0 million and long-term credit facilities of \$9.0 million. The amended Agreement expires May 17, 2008. The credit facilities bear interest based on a combination of Eurodollar (LIBOR plus 1.75%) and the Bank's prime lending rate (4.75% at

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

October 31, 2004). The revolving credit facility also provides for a maximum of \$2.5 million in letters of credit, of which \$1.5 million were outstanding at October 31, 2004. The total amount of unused revolving credit available to the Company was \$17.6 million at October 31, 2004.

On December 1, 2003 the Company completed a modified Dutch auction tender offer, which commenced on October 10, 2003 and expired on November 21, 2003. As a result, the Company purchased and retired 14.4% of its outstanding common stock (1,050,879 shares) at \$4.50 per share or \$5.1 million including associated indirect costs. The purchase of the shares was financed by the Company's revolving credit facility. The effect of this transaction increased the Company's interest-bearing debt and reduced its stockholder's equity by \$5.1 million.

The Company obtained a waiver from its lead bank with regard to the covenant in its credit facility that all audited financial statements be delivered on a timely basis. The credit facility remains available and unaffected. The delay in providing audited financial statements did not result in a default under other debt obligations. The Company has not received any default notifications. Management believes it is in compliance with its covenants under the credit facility.

23

The Company believes that its cash flows from operations, its credit facility with its lead bank and unused funds restricted for future capital expenditures will be sufficient to satisfy its future working capital, capital expenditure requirements and anticipated dividends. See "Note 2 to the Consolidated Financial Statements" for quantitative information.

The credit facility is collateralized by receivables, inventories, equipment and certain real property. Under the terms of the Agreement, the Company is required to maintain certain financial ratios and other financial conditions. The Agreement also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales and capital expenditures. The delay in filing audited financial statements for the year ended October 31, 2004 would have constituted a debt covenant violation pursuant to the agreement. The Company obtained a waiver from its lender regarding this event. The delay in filing the audited financial statements also resulted in non-compliance under other debt agreements, although the non-compliance did not result in an event of default. The Company has not received any default notifications. Management believes all default conditions have now been remedied and the Company is in compliance with its covenants under its lending agreements.

It is customary practice for companies in the specialty vehicle industry to enter into repurchase agreements with financing institutions to provide floor plan financing for dealers. In the event of a dealer default, these agreements generally require the repurchase of products at the original invoice price net of certain adjustments. The risk of loss under the agreements is limited to the risk that market prices for these products may decline between the time of delivery to the dealer and time of repurchase by the Company. The risk is spread over numerous dealers and the Company has not incurred significant losses under these agreements. In the opinion of management, any future losses under these agreements will not have a material adverse effect on the Company's financial position or results of operations. The Company's repurchase obligation under these agreements is limited to vehicles which are in new condition and as to

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

which the dealer still holds title. The Company's contingent obligation under such agreements was approximately \$1,188,000 at October 31, 2004.

OFF-BALANCE SHEET ARRANGEMENTS

At October 31, 2004, the Company had no off-balance sheet arrangements that have or are likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expense, results of operations, liquidity, capital expenditures or capital resources.

24

CRITICAL ACCOUNTING PRINCIPLES AND ESTIMATES

The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We believe that of our critical accounting policies, the following may involve a high degree of judgments, estimates, and complexity:

Inventories

The Company values its inventories at the lower of cost or market. The Company has chosen the first-in, first-out (FIFO) cost method of valuing its inventories. The effect of the FIFO method is to value ending inventories on the balance sheet at their approximate current or most recent cost. The market values for finished goods inventories are determined based on recent selling prices.

Impairment of Long-Lived Assets

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 142 was effective for fiscal years beginning after December 15, 2001. Consequently, goodwill is no longer amortized over future periods, but is assessed for impairment at least annually using a fair value test. The Company adopted this new standard on November 1, 2002.

As of October 31, 2004 and October 31, 2003, the Company tested for impairment the bus and terminal truck/road construction business segments using the discounted cash flow approach and determined that the fair values for each of these segments exceeded the related carrying values. On an on-going basis, and absent any impairment indicators, the Company will conduct similar tests and record any impairment loss. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates of such cash flows and fair value could affect the valuations.

Insurance Reserves

The Company failed to adequately provide for estimated future Workers Compensation costs related to certain claims that have been denied by the Company's excess liability insurance carrier and for certain other claims. When management discovered the error, an independent third party administrator was retained to estimate and determine the additional potential liability related to these claims. The Company is currently disputing the denial of coverage by the excess liability insurance carrier, but the amount of future recovery, if any, can not be assured.

Generally, the Company is self-insured for workers' compensation for certain subsidiaries and for all group medical insurance. Under these plans, liabilities are recognized for claims incurred (including claims incurred but not reported) and changes in the case reserves. At the time a worker's compensation claim is filed, a liability is estimated to settle the claim. The liability for workers' compensation claims is determined based on management's estimates of the nature and severity of the claims and based on analysis provided by third party administrators and by various state statutes and reserve requirements. Since the liability is an estimate, the ultimate liability may be more or less than reported. If previously established accruals are required to be

25

adjusted, such amounts are included in cost of sales. Group medical reserves are funded through a trust and are estimated using historical claims' experience.

Due to the nature of the Company's products, the Company is subject to product liability claims in the normal course of business. To the extent permitted under applicable law, the Company maintains insurance to reduce or eliminate risk to the Company. This insurance coverage includes self-insured retentions that vary each year. The Company maintains excess liability insurance with outside insurance carriers to minimize its risks related to catastrophic claims in excess of all self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

Warranties

The Company's products generally carry explicit product warranties that extend from several months to more than a year, based on terms that are generally accepted in the marketplace. Certain components included in the Company's end products (such as chassis, engines, axles, transmissions, tires, etc.) may include manufacturers' warranties that are generally passed on to the end customer of the Company's products and the customer generally deals directly with the applicable component manufacturer. The Company records provisions for estimated warranty and other related costs at the time of sale based on historical warranty loss experience and periodically adjusts these provisions to reflect actual experience. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue may arise which is beyond the scope of the company's historical experience. The Company provides for any such warranty issues as they become known and estimable. It is reasonably possible that from time to time additional warranty and other related claims could arise from disputes or other matters beyond the scope of the Company's historical experience.

Revenue Recognition

The Company records vehicle sales, and passes title to the customer, at the earlier of completion of the vehicle and receipt of full payment or shipment or delivery to the customer as specified by the customer purchase order. Customer deposits for partial payment of vehicles are deferred and treated as current liabilities until the vehicle is completed and recognized as revenue. In instances where revenue has been recognized and the vehicle is on the Company's property, the customer has instructed in writing the Company to hold the unit for specific business reasons, a delivery date normally within the next 30 days has been established, the vehicles are complete, ready for shipment, and segregated from other vehicles, and the risk of ownership has passed to the customer.

PRINCIPAL CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The Company's contractual obligations and other commercial commitments as of October 31, 2004 are summarized below and fully disclosed in Notes 3 and 8 in Notes to Consolidated Financial Statements:

| | Payments due by period (in millions) | | | |
|---|--------------------------------------|---------------------|-----------------|-------------|
| | Total | Less than 1 year | 1-3 years | 4-5 |
| Contractual Cash Obligations | | | | |
| Long-term debt | \$14.345 | \$ 1.207 | \$ 2.414 | \$ - |
| Capital lease obligations | 6.541 | 1.164 | 2.485 | - |
| Operating lease obligations | 1.070 | 0.482 | 0.435 | - |
| Purchase obligations | 0.360 | 0.360 | - | - |
| Chassis contingent obligations | 15.659 | 15.659 | - | - |
| Total contractual cash obligations | \$37.975 | \$18.872 | \$ 5.334 | \$ - |
| Other Commercial Commitments | | | | |
| Lines of credit | \$ - | \$ - | \$ - | \$ - |
| Standby letters of credit | 3.167 | 3.167 | - | - |
| Standby repurchase commitments | 1.188 | 1.188 | - | - |
| Other commercial commitments | - | - | - | - |
| Total commercial commitments | \$ 4.355 | \$ 4.355 | \$ - | \$ - |

Recently Issued Accounting Standards

In November 2004, the FASB issued FASB Statement No. 151, "Inventory Costs: an amendment of ARB No. 43". FASB No. 151 will no longer permit companies to capitalize inventory costs on their balance sheets when the production defect rate varies significantly from the expected rate. The statement also clarifies that fixed overhead should be allocated to inventory based on "normal capacity". The statement is effective for the Company beginning on November 1, 2005. The Company is unable to estimate the financial statement impact of this statement at this time.

In December 2003, the Financial Accounting Standards Board (FASB) issued Interpretation 46R (FIN 46R), a revision to Interpretation 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46R clarifies some of the provisions of FIN 46 and exempts certain entities from its requirements. FIN 46R is effective at the end of the first interim period ending after March 15, 2004. Entities that have adopted FIN 46 prior to this effective date can continue to apply the provisions of FIN 46 until the effective date of FIN 46R or elect early adoption of FIN 46R. The adoption of FIN 46 and FIN 46R did not have a significant impact on our financial statements.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

FASB Statement No. 123, Accounting for Stock-Based Compensation, was revised in December 2004 ("Revised Statement"). The Revised Statement, Share Based Payment, also supersedes

27

APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. The Revised Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. For the Company, the Revised Statement is effective November 1, 2005. The adoption of this Revised Statement is not expected to have a material impact on our financial statements.

28

Cautionary Statement Regarding Risks and Uncertainties That May Affect Future Results

This annual report on Form 10-K and other written reports and oral statements made from time to time by the Company may contain so-called "forward-looking statements" about the business, financial condition, and prospects of the Company which are subject to risks and uncertainties. One can identify these forward-looking statements by their use of words such as "expects", "plans", "will", "estimates", "forecasts", "projects", and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. One should understand that it is not possible to predict or identify all factors which involve risks and uncertainties. Consequently, the reader should not consider any such list or listing to be a complete statement of all potential risks or uncertainties.

No forward-looking statement can be guaranteed and actual future results may vary materially. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including without limitation, changes in funds budgeted by Federal, state and local governments, the availability and timely delivery of key raw materials, components and chassis, changes in competition, various inventory risks due to changes in market conditions, changes in product demand, substantial dependence on third parties for product quality, interest rate fluctuations, adequate direct labor pools, development of new products, changes in tax and other governmental rules and regulations applicable to the Company, reliability and timely fulfillment of orders and other risks indicated in the Company's filing with the Securities and Exchange Commission.

The Company does not assume the obligation to update any forward-looking statement. One should carefully evaluate such statements in light of factors described in the Company's filings with the Securities and Exchange Commission, especially on Forms 10-K, 10-Q and 8-K (if any).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk relating to interest rates on its fixed rate debt. Interest rate risk is not material to the Company's consolidated financial position or results of operations.

The Company uses derivative financial instruments to reduce exposure to its variable-rate debt. On July 5, 2002, the Company entered into an interest rate declining balance swap agreement on term debt of \$6.8 million to limit the effect of potential increases in the interest rates on its floating-rate term debt through May 2005. The effect of this agreement was to convert the underlying variable-rate debt based on LIBOR to a fixed-rate debt with an interest rate between 4.42% and 4.65% plus a margin of 175 basis points. Fair value of this swap at October 31, 2004 was \$40,562. If interest rates for long-term debt under the current credit facility had averaged 10% more on average variable-rate debt for the entire year, interest expense would have increased, and income before taxes would have decreased by less than \$0.06 million for the year ended October 31, 2004.

29

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and
Shareholders of Collins Industries, Inc.,

We have audited the accompanying consolidated balance sheets of Collins Industries, Inc. (a Missouri corporation) and Subsidiaries as of October 31, 2004 and 2003, and the related consolidated statements of income and comprehensive income, shareholders' investment and cash flows for each of the years in the three-year period ended October 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collins Industries, Inc. and Subsidiaries as of October 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its consolidated financial statements for the years ended October 31,

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

2003 and 2002. As discussed in Note 1 to the consolidated financial statements, in 2003 the Company changed its method of accounting for goodwill and other intangible assets to comply with the accounting provisions of Statement of Financial Accounting Standard No. 142.

KPMG LLP

Kansas City, Missouri
July 28, 2005

30

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the years ended October 31,

| | 2004 ---- | 2003 ---- (as restated) |
|--|----------------------|--------------------------------------|
| Sales | \$208,202,664 | \$204,617,94 |
| Cost of sales | 184,128,034 | 181,608,27 |
| | ----- | ----- |
| Gross profit | 24,074,630 | 23,009,67 |
| Selling, general and administrative expenses | 19,180,504 | 18,558,98 |
| Research and development expenses | 82,537 | 93,52 |
| | ----- | ----- |
| Income from operations | 4,811,589 | 4,357,15 |
| Other income (expense): | | |
| Interest, net | (1,472,380) | (1,728,36 |
| Other, net | 521,533 | 6,07 |
| | ----- | ----- |
| | (950,847) | (1,722,29 |
| | ----- | ----- |
| Income before provision for income taxes | 3,860,742 | 2,634,86 |
| Provision for income taxes | 1,530,000 | 990,00 |
| | ----- | ----- |
| Net income | \$2,330,742 | \$1,644,86 |
| Other comprehensive income, net of tax: | | |
| Unrealized gain (loss) on interest rate swap agreement | 75,654 | 143,70 |
| | ----- | ----- |
| Comprehensive income | \$2,406,396 ===== | \$1,788,56 ===== |
| Earnings per share: | | |
| Basic | \$.40 | \$.2 |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | |
|---------------------|--------|-------|
| Diluted | \$.38 | \$.2 |
| Dividends per share | \$0.14 | \$0.1 |

The accompanying notes are an integral part of these consolidated statements.

31

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
October 31,

| ASSETS | 2004 | ----- |
|---|---------------|-------|
| Current assets: | | |
| Cash | \$ 163,098 | |
| Receivables | 10,979,087 | |
| Inventories | 39,059,185 | |
| Prepaid expenses and other current assets | 4,368,191 | |
| | ----- | |
| Total current assets | 54,569,561 | |
| Restricted cash | 359,810 | |
| Property and equipment, at cost: | | |
| Land and improvements | 2,856,115 | |
| Buildings and improvements | 19,038,969 | |
| Machinery and equipment | 23,742,788 | |
| Office furniture and fixtures | 3,966,401 | |
| | ----- | |
| | 49,604,273 | |
| Less - accumulated depreciation | 30,239,053 | |
| | ----- | |
| | 19,365,220 | |
| Goodwill | 5,050,232 | |
| Other assets | 1,382,482 | |
| | ----- | |
| | \$ 80,727,305 | |
| | ===== | |
| LIABILITIES & SHAREHOLDERS' INVESTMENT | | |
| Current liabilities | | |
| Current maturities of long-term debt and capitalized leases | \$ 2,371,734 | |
| Controlled disbursements | 5,668,517 | |
| Accounts payable | 18,408,291 | |
| Accrued expenses and other current liabilities | 9,469,165 | |
| | ----- | |
| Total current liabilities | 35,917,707 | |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | |
|--|---------------|
| Long-term debt and capitalized leases | 18,515,178 |
| Deferred income taxes | 1,525,560 |
| Shareholders' investment: | |
| Preferred stock, \$.10 par value | |
| Authorized - 750,000 shares | |
| Outstanding - no share outstanding | |
| Capital stock, \$.10 par value | |
| Authorized - 3,000,000 shares | |
| Outstanding - No shares outstanding | |
| Common stock, \$.10 par value | |
| Authorized - 17,000,000 shares | |
| Issued and outstanding - 6,369,327 shares in 2004 | |
| and 7,247,865 shares in 2003 | 636,933 |
| Paid-in capital | 13,342,600 |
| Deferred compensation | (1,472,590) |
| Accumulated other comprehensive income (loss), net | (25,562) |
| Retained earnings | 12,287,479 |
| | ----- |
| Total shareholders' investment | 24,768,860 |
| | ----- |
| Total Liabilities & Shareholders Investment | \$ 80,727,305 |
| | ===== |

The accompanying notes are an integral part of these consolidated balance sheets.

32

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31,

| | 2004 | 2003 |
|--|---------------|----------------------|
| | ---- | ---- |
| | | (as restated) |
| Cash flow from operations: | | |
| Cash received from customers | \$203,853,977 | \$206,913,163 |
| Cash paid to suppliers and employees | (195,778,494) | (199,920,830) |
| Interest paid, net | (1,452,952) | (1,760,118) |
| Income taxes paid | (1,241,684) | (648,540) |
| | ----- | ----- |
| Cash provided by operations | 5,380,847 | 4,583,675 |
| | ----- | ----- |
| Cash flow from investing activities: | | |
| Capital expenditures | (1,837,219) | (3,131,071) |
| Proceeds from sale of property and equipment | 617,000 | - |
| Expenditures for other assets | (75,334) | (38,096) |
| | ----- | ----- |
| Cash used in investing activities | (1,295,553) | (3,169,167) |
| | ----- | ----- |
| Cash flow from financing activities: | | |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | |
|--|-------------|-------------|
| Principal payments of long-term debt and capitalized leases | (2,927,722) | (3,546,861) |
| Addition to long-term debt and capitalized leases | 4,668,644 | 900,000 |
| Changes in restricted unexpended IRB cash | 412,993 | 1,976,167 |
| Purchase of common stock and other capital transactions | (5,302,065) | (188,229) |
| Payment of dividends | (851,058) | (863,087) |
| | ----- | ----- |
| Cash used in financing activities | (3,999,208) | (1,722,010) |
| | ----- | ----- |
| Net increase (decrease) in cash | 86,086 | (307,502) |
| Cash at beginning of year | 77,012 | 384,514 |
| | ----- | ----- |
| Cash at end of year | \$163,098 | \$77,012 |
| | ===== | ===== |
| Reconciliation of net income to net cash provided by operations: | | |
| Net income | \$2,330,742 | \$1,644,865 |
| Depreciation and amortization | 3,392,944 | 3,320,474 |
| Deferred income taxes (credits) | 92,000 | (122,000) |
| Gain on sale of property and equipment | (466,733) | - |
| Changes in assets and liabilities: | | |
| Decrease (increase) in receivables | (4,348,688) | 2,295,214 |
| Increase in inventories | (2,667,583) | (654,805) |
| Increase (decrease) in prepaid expenses | (193,461) | (131,196) |
| Increase in controlled disbursements | 2,036,230 | 1,654,803 |
| Increase (decrease) in accounts payable | 4,639,854 | (3,764,449) |
| Increase (decrease) in accrued expenses | 565,542 | 340,769 |
| | ----- | ----- |
| Cash provided by operations | \$5,380,847 | \$4,583,675 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated statements

33

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
For the years ended October 31,

| | Common Stock | | Paid-In |
|---|--------------|------------|---------------|
| | Shares | Amount | Capital |
| | ----- | ----- | ----- |
| Balance November 1, 2001 (as previously reported) | 7,291,755 | \$ 729,175 | \$ 17,612,508 |
| Adjustments | | | |
| Cumulative Restatement Adjustments, Net of tax | | | |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | | |
|---|-------------|------------|---------------|
| Balance November 1, 2001 (as restated) | 7,291,755 | \$ 729,175 | \$ 17,612,508 |
| Stock issued under stock | | | |
| option plans | 76,000 | 7,600 | 135,236 |
| Issuance of restricted stock awards, net | 202,500 | 20,250 | 992,250 |
| Amortization of restricted | | | |
| stock awards | - | - | - |
| Net income | - | - | - |
| Other comprehensive loss (net of taxes) | - | - | - |
| Cash dividends paid | - | - | - |
| Tax benefit from NQSO options exercised | - | - | 73,731 |
| Purchase and retirement of treasury stock | (454,626) | (45,462) | (1,703,279) |
| | ----- | ----- | ----- |
| Balance October 31, 2002 (as restated) | 7,115,629 | 711,563 | 17,110,446 |
| Stock issued under stock | | | |
| option plans | 3,700 | 370 | 6,818 |
| Issuance of restricted stock awards, net | 185,500 | 18,550 | 642,768 |
| Amortization of restricted | | | |
| stock awards | - | - | - |
| Net income | - | - | - |
| Other comprehensive income (net of taxes) | - | - | - |
| Cash dividends paid | - | - | - |
| Purchase and retirement of treasury stock | (56,964) | (5,696) | (189,722) |
| | ----- | ----- | ----- |
| Balance October 31, 2003 (as restated) | 7,247,865 | 724,787 | 17,570,310 |
| Stock issued under stock | | | |
| option plans | 21,600 | 2,160 | 39,453 |
| Issuance of restricted stock awards, net | 195,000 | 19,500 | 967,000 |
| Amortization of restricted | | | |
| stock awards | - | - | - |
| Net income | - | - | - |
| Other comprehensive income (net of taxes) | - | - | - |
| Cash dividends paid | - | - | - |
| Purchase and retirement of treasury stock | (1,095,138) | (109,514) | (5,234,163) |
| | ----- | ----- | ----- |
| Balance October 31, 2004 | 6,369,327 | \$ 636,933 | \$ 13,342,600 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these consolidated statements.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

(a) *General* - 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) *Consolidation and Operations* - The consolidated financial statements include the accounts of Collins Industries, Inc. (the Company) and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company primarily operates in the ambulance, bus, and terminal truck/road construction equipment segments. Manufacturing activities are carried on solely in the United States. However, the Company does market its products in other countries. Revenues derived from export sales were less than 10% of consolidated sales in fiscal 2004, 2003 and 2002.

(c) *Cash and Cash Management* - Cash includes checking accounts, funds invested in overnight and other short-term, interest-bearing accounts of three months or less.

The Company maintains controlled disbursement accounts with its lead bank under an arrangement whereby all cash receipts and checks are centralized and presented to the bank daily. All deposits are applied directly against the Company's revolving credit line and all checks presented for payment in the controlled disbursement accounts are funded through daily borrowings under the Company's revolving credit facility. Accordingly controlled disbursements represent the Company's liability for outstanding checks drawn but not yet presented for payment to the bank.

(d) *Inventories* - Inventories are stated at the lower of cost (first-in, first-out) or market. Major classes of inventories which include material, labor, and manufacturing overhead required in production of Company products consisted of the following:

| | 2004 ---- | 2003 ---- |
|----------------------------|--------------|----------------------|
| | | (as restated) |
| Chassis | \$ 5,767,019 | \$ 5,727,490 |
| Raw materials & components | 14,997,408 | 16,006,994 |
| Work-in-process | 9,037,199 | 6,705,560 |
| Finished goods | 9,257,559 | 7,951,558 |
| | ----- | ----- |
| | \$39,059,185 | \$36,391,602 |

35

(e) *Depreciation and Maintenance* - Depreciation is provided using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives of property are as follows:

| | |
|-------------------------------|----------------|
| Land improvements | 10 to 20 years |
| Buildings and improvements | 10 to 30 years |
| Machinery and equipment | 3 to 15 years |
| Office furniture and fixtures | 3 to 10 years |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

Maintenance and repairs are charged to expense as incurred. The cost of additions and betterments are capitalized. The cost and related depreciation of property retired or sold are removed from the applicable accounts and any gain or loss is taken into income.

(f) *Impairment of Long-Lived Assets* - Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) *Goodwill* - In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 142 was effective for fiscal years beginning after December 15, 2001. Accordingly, after October 31, 2002, goodwill is no longer amortized over future periods, but is assessed for impairment at least annually using a fair value test. The Company adopted this new standard on November 1, 2002.

As of October 31, 2004 and October 31, 2003, the Company tested for goodwill impairment in the bus and terminal truck/road construction business segments using the discounted cash flow approach and determined that the fair values for each of these segments exceeded the related carrying values. On an on-going basis, and absent any impairment indicators, the Company will continue to conduct similar annual tests and record any impairment losses.

At October 31, 2004 and October 31, 2003, the Company's goodwill related to the bus and terminal truck/road construction segments was \$3.0 million and \$2.0 million, respectively. Prior to November 1, 2002 goodwill was amortized on a straight-line basis over 15-20 years.

| | 2004 | 2003 |
|---------------------------------|-------------|-------------|
| Reported Net Income | \$2,330,743 | \$1,644,865 |
| Add back: Goodwill amortization | - | - |
| Adjusted Net Income | \$2,330,743 | \$1,644,865 |
| Basic earnings per share: | | |
| Reported Net Income | 0.40 | 0.25 |
| Goodwill amortization | - | - |
| Adjusted Net Income | 0.40 | 0.25 |
| Diluted earnings per share: | | |
| Reported Net Income | 0.38 | 0.24 |
| Goodwill amortization | - | - |
| Adjusted Net Income | 0.38 | 0.24 |

(h) *Revenue Recognition* - The Company records vehicle sales, and passes title to the customer, at the earlier of completion of the vehicle and receipt of full

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

payment or shipment or delivery to the customer as specified by the customer purchase order. Customer deposits for partial payment of vehicles are deferred and treated as current liabilities until the vehicle is completed and recognized as revenue. In instances where revenue has been recognized and the vehicle is on the Company's property, the customer has instructed in writing the Company to hold the unit for specific business reasons, a delivery date normally within the next 30 days has been established, the vehicles are complete, ready for shipment, and segregated from other vehicles, and the risk of ownership has passed to the customer.

(i) *Earnings Per Share* - Basic earnings per share are computed based on the weighted average number of common shares outstanding. Potentially dilutive shares, calculated using the treasury stock method, consist of stock options and restricted stock.

The following is a reconciliation of shares used to calculate basic and diluted earnings per share:

| | 2004 | 2003 | 2002 |
|---|-----------|-----------|-----------|
| | ---- | ---- | ---- |
| Average shares outstanding - basic | 5,824,451 | 6,663,471 | 6,681,140 |
| Effect of potentially dilutive stock options and restricted stock | 386,661 | 192,484 | 173,082 |
| | ----- | ----- | ----- |
| Average shares outstanding - diluted | 6,211,112 | 6,855,955 | 6,854,222 |
| | ===== | ===== | ===== |

(j) *Stock Option Plan* - 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 including FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25, to account for its fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. 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 only the disclosure requirements of SFAS No. 123. No stock options have been granted since 1999 and all outstanding options are fully vested. Accordingly, no proforma net income disclosures are required.

(2) Restatement of Financial Statements

Subsequent to October 31, 2004, management determined that the procedures used to record workers compensation reserves were inappropriate and resulted in inadequate reserves being recorded historically for estimated workers compensation costs and claims. This information was reported to the Audit Committee and the Audit Committee initiated procedures which ultimately lead to the special investigation described in Note 11. As a result, and because the 2004 year-end financial closing process identified adjustments to prior period financial statements, the Company restated its consolidated financial statements for the fiscal years ended October 31, 2003 and 2002 and for the quarters ended January 31, 2003 to July 31, 2004. The

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

consolidated opening balance sheet for the earliest period presented has also been restated for adjustments identified that related to periods prior to October 31, 2001.

The following table identifies the adjustments made to previously-released consolidated financial statements:

Description of Adjustments

| (\$ In thousands) | 2004 (1) | 2003 | 2002 |
|--|-----------------|---------------|-------------|
| Workers Compensation Reserve Adjustments (2) | \$ 612 | \$ 24 | \$ 4 |
| Workers' Compensation Premium Increase ((3)) | (37) | - | - |
| Environmental Reserve Accrual ((4)) | (59) | - | - |
| Uncollectible Rebates ((5)) | (55) | (6) | - |
| Other Accrued Expenses ((6)) | (605) | 82 | - |
| Total pre-tax impact | \$ (144) | \$ 100 | \$ 3 |
| Income tax (7) | (10) | (30) | (1) |
| Total Net Income Impact | \$ (154) | \$ 70 | \$ 2 |

(1) These amounts have been revised by the Company for the quarters ended January 31, 2004, April 30, 2004 and July 30, 2004 on Form 10-Q and financial statement information for the year ended October 31, 2004 compared to what was previously furnished in the November 22, 2004 Current Report on Form 8-K.

(2) Adjustments to workers' compensation liability reserves which had not previously been recorded. These adjustments are reflected in cost of sales on the income statement and accrued expenses and other current liabilities on the balance sheet. Adjustments in 2004, 2003 and 2002 also reflect reversal of expense recorded in those years which should have been recorded in prior periods. Consolidated Statements of Income and Comprehensive Income: Adjustment decreased (increased) cost of sales by the amounts set forth in this table. Consolidated Balance Sheets: Adjustment increased accrued expenses and other current liabilities by \$1,312, \$1,923 and \$1,948, at October 31, 2004, 2003 and 2002, respectively.

(3) In January 2005 the Company received a notice that its State of Ohio Workers compensation premium attributable to fiscal year 2004 would increase by \$37. Consolidated Statements of Income and Comprehensive Income: Adjustment increased cost of sales by the amounts set forth in this table. Consolidated Balance Sheets: At October 31, 2004, adjustment increased accounts payable by \$37.

(4) In February 2005, the Company received notice from its counsel that amounts previously recorded for potential environmental liabilities were understated. Such amounts were increased by \$59. This adjustment is reflected in cost of sales on the income statement and accounts payable on the balance sheet. Consolidated Statements of Income and Comprehensive Income: Adjustment increased cost of sales by the amounts set forth in this table. Consolidated Balance Sheets: At October 31, 2004, adjustment increased accounts payable by \$59.

(5) Relates to corrections to the estimate of rebate collectibility at October 31, 2004. Consolidated Statements of Income and Comprehensive Income: Adjustment increased cost of sales by \$55 in 2004 and \$6 in 2003. Consolidated Balance Sheets: At October 31, 2004 and 2003, adjustment decreased receivables by \$61 and \$6, respectively.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

- (6) The 2004 items relate to several miscellaneous adjustments primarily revising estimated accruals to actual expense. The 2004 items include legal reserve accruals (\$340), employee medical expense accruals (\$200), facility expenses (\$10), product returns (\$17), product concessions expense (\$10), and reversal of product liability expense (\$85) partially offset by lower actual employee bonuses (\$34), and lower audit fees (\$25). Consolidated Statements of Income and Comprehensive Income: Adjustments decreased sales by \$13, increased cost of sales by \$400 and increased selling, general and administrative expenses by \$191.

38

Consolidated Balance Sheets: At October 31, 2004, adjustment increased accrued expense and other current liabilities by \$216, increased accounts payable by \$295, increased inventories by \$11 and decreased receivables by \$56. An additional entry related to subsequent payments for goods and service made in 2005 related to 2004 increased inventories and accounts payable by \$113, respectively.

The 2003 items primarily include corrections to facility expenses (\$35), product concessions (\$14) offset by lower product liability expense (\$85), lower actual employee bonuses (\$3), and lower accounts receivable allowance expense (\$43).

Consolidated Statements of Income and Comprehensive Income: Adjustments decreased sales by \$29, increased cost of sales by \$20 and decreased selling, general and administrative expenses by \$132 in 2003. Consolidated Balance Sheets: At October 31, 2003, adjustment decreased accrued expense and other current liabilities by \$111, increased accounts payable by \$35, decreased receivables by \$53 and increased inventories by \$26.

The 2002 items primarily include corrections to increase accounts receivable allowance expense (\$43) partially offset by lower actual employee bonuses (\$22), and lower product concessions expense (\$2). Consolidated Statements of Income and Comprehensive Income: Adjustments increased sales by \$4, increased cost of sales by \$2 and increased selling, general and administrative expense by \$21 in 2002. Consolidated Balance Sheets: At October 31, 2002, adjustment decreased receivables by \$56, and decreased accrued expense and other current liabilities by \$23.

The adjustment to periods prior to 2002 is increased product concessions expense by \$14 and is reflected as a \$28 decrease to sales and a \$14 decrease to cost of sales in the Consolidated Statements of Income and Comprehensive Income in 2001. Receivables decreased \$28 and inventories increased \$14 in the Consolidated Balances Sheet as of October 31, 2001.

Amounts in 2004, 2003 and 2002 also reflect adjustments for expenses recorded in those years which should have been recorded in prior periods.

- (7) Relates to approximately \$40 of income tax benefit related to the adjustments described above, offset by \$50 of additional estimated income tax expense in 2004. Tax amounts for 2003 and 2002 represent the tax affect due to the adjustments.

Consolidated Statements of Income and Comprehensive Income: Adjustment

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

increased income taxes by the amount set forth in this table. Consolidated Balance Sheets: At October 31, 2004, adjustment increased accounts payable by \$50. The cumulative effect of all entries increased prepaid expenses and other current assets by \$790, \$750 and \$780 for the years ended October 31, 2004, 2003 and 2002, respectively.

This restatement increased net income by \$242,291, or \$.04 per share (diluted) to \$1,990,124 for 2002 and \$69,912, or \$.01 per share (diluted) to \$1,644,865 for 2003. The balance in Retained Earnings as previously reported at October 31, 2001 was reduced by \$1,443,218 to \$8,891,450 to reflect the additional worker's compensation reserves which should have been recorded in earlier periods. Previously reported unaudited net income for the first three quarters of fiscal 2004 increased by \$106,734 to \$1,530,207 or \$.02 per share (diluted). Net income reflected in the unaudited consolidated financial statement information for the year ended October 31, 2004 furnished in the November 22, 2004 Current Report on Form 8-K decreased by \$153,579. The opening equity as of November 1, 2001 has been restated by \$1,443,218. All applicable financial information contained in this Annual Report on Form 10-K gives effect to these restatements.

As a result of the foregoing factors, the Company's unaudited condensed consolidated financial statements for the first three quarters of fiscal year 2004 have been restated and its consolidated

financial statements for the fiscal years 2002 and 2003 have been restated from amounts previously reported. In addition, quarterly data for 2003 presented in selected Quarterly Financial Information (Unaudited) has been restated from amounts previously reported. The accompanying consolidated financial data set forth below presents the Company's Consolidated Statements of Income and Comprehensive Income for the years ended October 31, 2003 and 2002 and Consolidated Balance Sheet as of October 31, 2003 on a comparative basis showing the amounts as originally reported and as restated. The restatement did not result in any change in the Consolidated Statement of Cash Flows between Cash Provided by Operations, Investing Activities, or Financing Activities.

The following provides comparative financial statement information as restated compared to that previously reported.

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended October 31,

| 2003 ---- | 2003 ---- | 2002 ---- |
|--------------------------|---------------|--------------------------|
| (as previously reported) | (as restated) | (as previously reported) |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | | |
|--|---------------|---------------|------------|
| Sales | \$204,647,364 | \$204,617,949 | \$200,839, |
| Cost of sales | 181,606,051 | 181,608,277 | 178,114, |
| | ----- | ----- | ----- |
| Gross profit | 23,041,313 | 23,009,672 | 22,725, |
| Selling, general and administrative expenses | 18,690,542 | 18,558,989 | 18,167, |
| Research and development expenses | 93,527 | 93,527 | 198, |
| | ----- | ----- | ----- |
| Income from operations | 4,257,244 | 4,357,156 | 4,359, |
| Other income (expense): | | | |
| Interest, net | (1,728,369) | (1,728,369) | (1,527, |
| | 6,078 | 6,078 | 26, |
| | ----- | ----- | ----- |
| | (1,722,291) | (1,722,291) | (1,501, |
| | ----- | ----- | ----- |
| Income before provision for income taxes | 2,534,953 | 2,634,865 | 2,857, |
| Provision for income taxes | 960,000 | 990,000 | 1,110, |
| | ----- | ----- | ----- |
| Net income | \$1,574,953 | \$1,644,865 | \$1,747, |
| Other comprehensive income, net of tax: | | | |
| Unrealized gain (loss) on interest rate swap agreement | 143,702 | 143,702 | (244, |
| | ----- | ----- | ----- |
| Comprehensive income | \$ 1,718,655 | \$1,788,567 | \$1,502, |
| | ===== | ===== | ===== |
| Earnings per share: | | | |
| Basic | \$.24 | \$.25 | \$ |
| Diluted | \$.23 | \$.24 | \$ |
| Dividends per share | \$0.12 | \$0.12 | \$0 |

41

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS at October 31,

| | ASSETS | 2003 |
|---|--------|--------------------------|
| | | ----- |
| | | (as previously reported) |
| Current assets: | | |
| Cash | | \$ 77,012 |
| Receivables | | 6,679,907 |
| Inventories | | 36,364,906 |
| Prepaid expenses and other current assets | | 3,428,027 |
| | | ----- |
| Total current assets | | 46,549,852 |
| Restricted cash | | 772,803 |
| Property and equipment, at cost: | | |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | |
|---|---------------|
| Land and improvements | 2,925,178 |
| Buildings and improvements | 19,987,222 |
| Machinery and equipment | 23,270,297 |
| Office furniture and fixtures | 4,355,691 |
| | ----- |
| | 50,538,388 |
| Less - accumulated depreciation | 30,494,964 |
| | ----- |
| | 20,043,424 |
| Goodwill | 5,050,232 |
| | 1,571,899 |
| | ----- |
| Other assets | |
| | \$73,988,210 |
| | ===== |
| LIABILITIES & SHAREHOLDERS' INVESTMENT | |
| Current liabilities | |
| Current maturities of long-term debt and capitalized leases | \$2,406,250 |
| Controlled disbursements | 3,632,287 |
| Accounts payable | 13,895,996 |
| Accrued expenses and other current liabilities | 7,096,802 |
| | ----- |
| Total current liabilities | 27,031,335 |
| Long-term debt and capitalized leases | 16,729,561 |
| Deferred income taxes | 1,333,571 |
| Shareholders' investment: | |
| Preferred stock, \$.10 par value | |
| Authorized - 750,000 shares | |
| Outstanding - no share outstanding | |
| Capital stock, \$.10 par value | |
| Authorized - 3,000,000 shares | |
| Outstanding - No shares outstanding | |
| Common stock, \$.10 par value | |
| Authorized - 17,000,000 shares | |
| Issued and outstanding - 6,369,327 shares in 2004 | |
| and 7,247,865 shares in 2003 | 724,787 |
| Paid-in capital | 17,570,310 |
| Deferred compensation | (1,238,947) |
| Accumulated other comprehensive income (loss), net | (101,216) |
| Retained earnings | 11,938,809 |
| | ----- |
| Total shareholders' investment | 28,893,743 |
| | ----- |
| | \$ 73,988,210 |
| | ===== |

(3) Long-term Debt and Capitalized Leases

Long-term debt and capitalized leases at October 31, 2004 and 2003 consist of the following:

Bank credit facility:

Revolving credit borrowings

Term Loan A, quarterly principal payment of \$250,000

Term Loan B, quarterly principal payments of \$51,788

Capitalized leases:

City of South Hutchinson, Kansas, 4.75%-5.80%

Annual principal and sinking fund payments range

From \$391,000 in 2005 to \$323,000 in 2007

City of South Hutchinson, Kansas, 4.80%-5.90%

Annual principal and sinking fund payments range

From \$129,000 in 2005 to \$88,000 in 2009

Longview Industrial Corporation, Longview, Texas

Variable Rate Demand Revenue Bonds, 0.95%-1.84% in 2004

Annual principal and sinking fund payments range

From \$300,000 in 2005 to \$88,000 in 2009

Orange County Industrial Development Authority

Orlando, Florida, 5.50%

Annual principal and sinking fund payments range

From \$175,000 in 2005 to \$250,000 in 2012

Reno County, Kansas, 4.60%-5.50%

Annual principal and sinking fund payments range

From \$169,000 in 2005 to \$250,000 in 2012

Less - current maturities

2
 \$ 9,
 4,
 1,
 1,
 1,
 1,
 1,
 20,
 2,
 \$18,

On May 17, 2002 the Company entered into a Loan and Security Agreement, (the "Agreement"), with Fleet Capital Corporation, a Rhode Island Corporation (the "Bank"). The Agreement was amended in fiscal 2004 and provides a total credit facility of \$39.0 million consisting of a revolving credit facility of \$30.0 million and long-term credit facilities of \$9.0 million. The amended Agreement expires May 17, 2008. The credit facilities bear interest based on a combination of Eurodollar (LIBOR plus 1.75%) and the Bank's prime lending rate (4.75% at October 31, 2004). The revolving credit facility also provides for a maximum of \$2.5 million in letters of credit, of which \$1.5 million were outstanding at October 31, 2004. The total amount of unused revolving credit available to the Company was \$17.6 million at October 31, 2004. On May 13, 2005 the Company entered into an Amendment which provided for, among other things, two additional term loans in the original principal amount of \$2.35 million and \$1.0 million to finance the acquisition of certain real property and to finance the improvements thereon comprising the manufacturing facility that was leased by the Company in Bluffton, Ohio.

The Company uses derivative financial instruments to reduce exposure to its variable-rate debt. On July 5, 2002, the Company entered into an interest rate declining balance swap agreement on term debt of \$6.8 million to limit the effect of potential increases in the interest rates on its floating-rate term debt. This swap agreement expired in May of 2005 and was not renewed. The effect of this agreement is to convert the underlying variable-rate debt based on LIBOR to a fixed-rate debt with an interest rate between 4.42% and 4.65% plus a margin

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

of 175 basis points. The fair value of this swap at October 31, 2004 was \$40,562.

The credit facility is collateralized by receivables, inventories, equipment and certain real property. Under the terms of the Agreement, the Company is required to maintain certain financial ratios and other financial conditions. The Agreement also prohibits the Company from incurring certain additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales and capital expenditures. The delay in providing audited financial statements for the year ending October 31, 2004 would have constituted a covenant violation pursuant to the Agreement. The Company obtained a waiver from its lender regarding this event. The delay in providing the audited financial statements also resulted in non-compliance under other debt agreements, although the non-compliance did not result in an event of default. The Company has not received any default notifications. Management believes all default conditions have now been remedied and the Company is in compliance with its covenants under its lending agreements.

Certain of the Company's manufacturing facilities were financed from the proceeds of industrial revenue bonds. Lease purchase agreements with the respective cities provide that the Company may purchase the manufacturing facilities at any time during the lease terms by paying the outstanding principal amount of the bonds plus a nominal amount. At October 31, 2004, the net book value of manufacturing facilities subject to these lease purchase agreements was approximately \$7.7 million. At October 31, 2004 the Company's assets included \$.4 million in unexpended cash proceeds from Industrial Revenue Bonds issued in 2002.

The carrying amount of the Company's long-term obligations does not differ materially from fair value based on current market rates available to the Company.

The aggregate maturities of capitalized leases and long-term debt for the years subsequent to October 31, 2004 are as follows:

| | |
|---------------------|-------------|
| 2005 | \$2,371,734 |
| 2006 | 2,533,400 |
| 2007 | 2,365,900 |
| 2008 | 11,678,170 |
| 2009 | 601,458 |
| 2010 and thereafter | 1,336,250 |

The Company has aggregate maturities of \$11.7 million in capitalized leases and long-term debt due in 2008, principally as a result of a loan agreement with the Company's lead bank that expires May 17, 2008. The Company currently anticipates arranging an extension or refinancing of this debt at or prior to maturity.

(4) Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting shareholders' investment that, under generally accepted accounting principles are excluded from net income. Accumulated other comprehensive loss as of October 31, 2004, includes unrealized losses on interest rate swaps of \$40,562, reduced by \$15,000 of deferred tax benefit. Accumulated other comprehensive loss as of October 31, 2003, includes unrealized losses on interest rate swaps of \$161,216,

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

reduced by \$60,000 of deferred tax benefit. Other comprehensive income (loss) for the years ended October 31, 2004, 2003 and 2002 was \$75,654, and \$143,702 and (\$244,918) respectively.

(5) Income Taxes

The provision for income taxes consists of the following:

| | 2004 ---- | 2003 ---- (as restated) | 2002 ---- (as restated) |
|----------|-----------------------|-------------------------------|-------------------------------|
| Current | \$ 1,438,000 | \$ 1,112,000 | \$ 955,000 |
| Deferred | 92,000 | (122,000) | 305,000 |
| | ----- | ----- | ----- |
| Total | \$ 1,530,000 ===== | \$ 990,000 ===== | \$ 1,260,000 ===== |

The Company accounts for income taxes in accordance with the asset and liability method. Deferred income taxes are determined based upon the difference between the book and tax basis of the Company's assets and liabilities. Deferred taxes are provided at the enacted tax rates expected to be in effect when the differences reverse. The income tax effect of temporary differences comprising the deferred tax assets are included in other current assets and liabilities on the accompanying consolidated balance sheet and result from:

| | 2004 ---- |
|---------------------------|----------------------|
| Deferred tax assets: | |
| Self-insurance reserves | \$ 1,124,000 |
| Vacation | 196,000 |
| Warranty / recall | 474,000 |
| Doubtful accounts | 67,000 |
| Inventories | 413,000 |
| Amortization | 42,000 |
| Revenue recognition | 62,000 |
| Interest rate swaps | 15,000 |
| Restricted stock awards | 333,000 |
| Deferred compensation | 139,000 |
| Other | 105,000 |
| | ----- |
| | 2,970,000 ----- |
| Deferred tax liabilities: | |
| Accelerated depreciation | (1,570,000) |
| Prepaid health insurance | (532,000) |
| Other | - |
| | ----- |
| | (2,102,000) ----- |
| Net deferred tax assets | \$ 868,000 ===== |

No valuation allowance against deferred tax assets was provided at October 31, 2004 and 2003, as management considers it more likely than not that the recorded tax assets will be realized.

A reconciliation between the statutory federal income tax rate (34%) and the effective rate of income tax expense for each of the three years during the period ended October 31, 2004 follows:

| | 2004 | 2003 | 2002 |
|-----------------------------------|------|------|------|
| | ---- | ---- | ---- |
| Statutory federal income tax rate | 34% | 34% | 34% |
| Increase (decrease) in taxes | | | |
| Resulting from: | | | |
| State tax, net of federal benefit | 4 | 4 | 4 |
| Other | 1 | - | 1 |
| | --- | --- | --- |
| Effective tax rate | 39% | 38% | 39% |
| | === | === | === |

(6) Capital Stock

Preferred Stock - On March 28, 1995, the Company's Board of Directors adopted a stockholders rights plan (Plan) and declared a dividend distribution of one right (Right) for each outstanding share of common stock to stockholders of record on April 20, 1995. Under the terms of the Plan each Right entitles the holder to purchase one one-hundredth of a share of Series A Participating Preferred Stock (Unit) at an exercise price of \$7.44 per Unit. The Rights are exercisable a specified number of days following (i) the acquisition by a person or group of persons of 20% or more of the Company's common stock or (ii) the commencement of a tender offer or an exchange offer for 20% or more of the Company's common stock or (iii) when a majority of the Company's unaffiliated directors (as defined) declares that a person is deemed to be an adverse person (as defined) upon determination that such adverse person has become the beneficial owner of at least 10% of the Company's common stock. The Company has authorized and reserved 750,000 shares of preferred stock, \$.10 par value, for issuance upon the exercise of the Rights. The Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right in accordance with the provisions of the Plan. These Rights expired on April 1, 2005.

Stock-Based Compensation Plans - The Company has two shareholder-approved stock plans, the 1995 Stock Option Plan (the "1995 Plan") and the 1997 Omnibus Incentive Plan (the "1997 Plan").

Under the 1995 Plan, a total of 1,000,000 shares of the Company's common stock were available for grant to officers, directors and key employees. As of October 31, 2004, all of these options had been granted and options to purchase 84,100 shares were outstanding under the 1995 Plan.

Under the 1997 Plan, directors, officers and key employees may be granted stock options, restricted stock and other stock-based awards. A total of 2,000,000 shares may be granted under the 1997 Plan. At October 31, 2004 a total of 186,000 shares were available for future issuance and options for 732,500 shares were outstanding under the 1997 Plan.

In fiscal 2004, the Company issued 195,000 shares of common stock under the 1997 Plan in the form of restricted stock awards which will vest in fiscal 2008. In fiscal 2003, the Company issued 205,000 shares of common stock under the 1997 Plan in the form of restricted stock awards which will vest in fiscal 2007. In fiscal 2002, the Company issued 202,500 shares of

common stock under the 1997 Plan in the form of restricted stock awards which will vest in fiscal 2005. Restricted shares issued under the 1997 Plan were awarded as an incentive to retain key employees, officers and directors. Upon issuance of restricted stock, unearned compensation, equivalent to the excess of the market price of the shares awarded over the price paid by the recipient at the date of grant, is charged to equity and amortized against income over the related vesting period.

Under both plans, the exercise price of all options granted through October 31, 2004 equaled the stock's market price on the date of grant and fully vested six months after the date of grant. The original expiration dates of the options ranged from 5 to 10 years. Options outstanding at October 31, 2004 had a weighted average contractual life of three years and exercise prices ranged from \$3.97 to \$5.13 per share.

A summary of outstanding options under the Company's two stock option plans at October 31, 2004, 2003 and 2002 and changes during the years then ended are presented in the table following:

| | 2004 ---- | | 2003 ---- | | |
|----------------------------------|------------------|---------------------------|------------------|---------------------------|-----------------|
| | Shares ----- | Per Share (a) ----- | Shares ----- | Per Share (a) ----- | Shares ----- |
| Outstanding at beginning of year | 838,200 | \$4.27 | 849,800 | \$4.26 | 925, |
| Exercised | (21,600) | 1.93 | (3,700) | 1.94 | (76, |
| Forfeited | - | - | (7,900) | 4.44 | |
| | ----- | ----- | ----- | ----- | ----- |
| Outstanding at end of year | 816,600 ===== | \$4.33 ===== | 838,200 ===== | \$4.27 ===== | 849, ===== |
| Exercisable at end of year | 816,600 ===== | \$4.33 ===== | 838,200 ===== | \$4.27 ===== | 849, ===== |

(a) Weighted average exercise price per share.

(7) Tax Deferred Savings Plan and Trust

In 1985, the Company made available to all eligible employees the opportunity to participate in the Company's Tax Deferred Savings Plan and Trust. The Company provides a 50% matching contribution in the form of cash or unregistered common stock of the Company on the eligible amount invested by participants in the plan to purchase common stock of the Company. The Company's contribution to this plan was \$178,745 in 2004, \$159,160 in 2003, and \$81,488 in 2002. This plan held 465,542 shares of the Company's common stock at October 31, 2004 and 535,552 shares at October 31, 2003.

(8) Commitments and Contingencies

(a) *Letters of Credit* - The Company has outstanding letters of credit as more fully described in Note 3.

(b) *Repurchase Agreements* - It is customary practice for companies in the specialty vehicle industry to enter into repurchase agreements with financing institutions to provide floor plan financing for dealers. In the event of a dealer default, these agreements generally require the repurchase of products at the original invoice price net of certain adjustments. The risk of loss under the agreements is limited to the risk that market prices for these products may decline between the time of delivery to the dealer and time of repurchase by the Company. The risk is spread over numerous dealers and the Company has not incurred significant losses under these agreements. In the opinion of management, any future losses under these agreements will not have a material adverse effect on the Company's financial position or results of operations. The Company's repurchase obligation under these agreements is limited to vehicles which are in new condition and as to which the dealer still holds title. The Company's contingent obligation under such agreements was approximately \$1,188,000 at October 31, 2004.

(c) *Operating Leases* - The Company has operating leases principally for certain manufacturing facilities, vehicles and equipment. Operating lease expense was \$758,752 in 2004, \$651,998 in 2003, and \$586,297 in 2002. It is expected that in the ordinary course of business these leases will be renewed or replaced as they expire.

The following schedule details operating lease commitments for the years subsequent to October 31, 2004:

| | |
|---------------------|-----------|
| 2005 | \$481,821 |
| 2006 | 249,827 |
| 2007 | 184,873 |
| 2008 | 109,229 |
| 2009 | 44,252 |
| 2010 and thereafter | - |

(d) *Litigation* - At October 31, 2004 the Company has litigation pending which arose in the ordinary course of business. Litigation is subject to many uncertainties and the outcome of the individual matters is not presently determinable. It is management's opinion that this litigation will not result in liabilities that would have a material adverse effect on the Company's financial position or results of operations.

(e) *Self-insurance Reserves* - The Company has historically self-insured for workers compensation, health insurance, general liability and product liability claims, subject to specific retention and reinsurance levels.

Effective July 1, 2005, the Company purchased guaranteed cost workers compensation insurance for the states in which it had previously self-insured. The Company continues to be self-insured in certain states for workers compensation claims incurred prior to July 1, 2005.

Certain workers compensation claims have been denied by the Company's excess liability insurance carrier. Reserves have been recorded assuming no recovery from the excess insurance carrier is received. Management is disputing the denial of coverage by the excess liability insurance carrier but recovery of any amounts is contingent and management cannot provide any assurances regarding recovery of any amounts. The amount of excess coverage being disputed is approximately \$0.6 million.

(f) *Chassis Contingent Liabilities* - The Company obtains certain vehicle chassis from two automotive manufacturers under agreements that do not transfer the vehicle's certificate of origin to the Company and, accordingly, the Company accounts for the chassis as consigned inventory. Chassis are typically converted and delivered to customers within 90 days. The Company's contingent liability under such agreements amounted to \$15.7 million at October 31, 2004.

(g) *Warranties* - The Company's products generally carry explicit product warranties that extend from several months to more than a year, based on terms that are generally accepted in the marketplace. Certain components included in the Company's end products (such as chassis, engines, axles, transmissions, tires, etc.) may include warranties from original equipment manufacturers (OEM). These OEM warranties are generally passed on to the end customer of the Company's products and the customer generally deals directly with the applicable component manufacturer. The Company records provisions for estimated warranty and other related costs at the time of sale based on historical warranty loss experience and periodically adjusts these provisions to reflect actual experience. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue may arise which is beyond the scope of the Company's historical experience. The Company provides for any such warranty issues as they become known and estimable. It is reasonably possible that from time to time additional warranty and other related claims could arise from disputes or other matters beyond the scope of the Company's historical experience. The following table provides the changes for fiscal years 2004 and 2003 in the Company's product warranties (in thousands):

| | 2004 | 2003 |
|--|----------|----------|
| | ----- | ---- |
| Accrued warranties Beginning of Fiscal Year | \$ 1,133 | \$ 1,076 |
| Provisions for warranty charged against income | 1,561 | 1,442 |
| Payments and adjustments of warranties | (1,510) | (1,385) |
| | ----- | ----- |
| Accrued warranties at Fiscal Year End | \$ 1,184 | \$ 1,133 |
| | ===== | ===== |

(h) *SEC investigation* - The Company was advised on February 25, 2005 that the SEC initiated a preliminary investigation of certain accounting practices of the Company. The Company is cooperating with the SEC.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

(9) Segment Information

The Company has three reportable segments: ambulances, buses and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses, commercial buses and shuttle buses for sale to schools, hotel shuttle services, airports, and other governmental agencies. The terminal trucks/road construction equipment segment produces off road trucks designed to move trailers and containers for warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 of the Notes to the Consolidated Financial Statements. The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. For the fiscal years ended October 31, 2004, 2003 and 2002 nonrecurring gains or losses were not incurred and as such have no impact on this analysis.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, with all intercompany sales eliminated in consolidation.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The following table contains segment information for the years ended October 31, 2004, 2003 and 2002 following restatement as set forth in Note(2). All amounts are in thousands of dollars.

| (as restated) | | Ambulance | Buses | Terminal Trucks / Road Construction Equipment | Other |
|----------------------------------|------|-----------|----------|---|---------|
| ----- | | ----- | ----- | ----- | ----- |
| Revenues from external customers | 2004 | \$83,242 | \$57,564 | \$67,397 | - |
| | 2003 | 96,486 | 66,628 | 41,504 | - |
| | 2002 | 95,547 | 66,264 | 39,032 | - |
| Intersegment revenues: | 2004 | 177 | 687 | 32 | - |
| | 2003 | 142 | 411 | 48 | - |
| | 2002 | 787 | 2,315 | 251 | - |
| Interest income/(expense) net: | 2004 | (442) | (378) | (654) | 2 |
| | 2003 | (499) | (520) | (697) | (12) |
| | 2002 | (283) | (497) | (691) | (56) |
| Depreciation and amortization: | 2004 | (1,018) | (839) | (516) | (1,020) |
| | 2003 | (722) | (1,060) | (559) | (979) |
| | 2002 | (700) | (1,195) | (707) | (904) |
| Segment profit (loss) pre tax: | 2004 | 2,315 | 2,169 | 3,311 | (3,934) |
| | 2003 | 3,630 | 1,557 | 1,065 | (3,617) |
| | 2002 | 6,544 | (12) | 764 | (4,046) |
| Segment assets: | 2004 | 35,165 | 18,100 | 21,866 | 5,596 |
| | 2003 | 31,213 | 18,263 | 19,608 | 5,621 |
| | 2002 | 32,797 | 21,427 | 17,948 | 5,304 |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | | | | |
|--|------|-------|-----|-----|----|
| Segment expenditures for capital assets: | 2004 | 870 | 541 | 406 | 20 |
| | 2003 | 2,706 | 211 | 138 | 76 |
| | 2002 | 1,953 | 902 | 122 | 27 |

50

Other includes the elimination of intersegment transactions and expenses generated to support corporate activities not directly attributable to any specific organization within the enterprise. Non-domestic sales were \$12.6 million, \$10.9 million, and \$19.8 million for fiscal years 2004, 2003 and 2002, respectively.

All assets are held by companies operating in the United States.

During fiscal years 2004, 2003 and 2002, sales to any one customer were not in excess of 10% of consolidated sales.

The following table contains segment information for the years ended October 31, 2004, 2003 and 2002 previously reported before the restatement. All amounts are in thousands of dollars.

| | | As previously reported | | | |
|----------------------------------|------|------------------------|----------|---|---------|
| | | Ambulance | Buses | Terminal Trucks / Road Construction Equipment | Other |
| | | ----- | ----- | ----- | ----- |
| Revenues from external customers | 2004 | \$83,263 | \$57,562 | \$67,390 | - |
| | 2003 | 96,487 | 66,631 | 41,529 | - |
| | 2002 | 95,547 | 66,266 | 39,026 | - |
| Intersegment revenues: | 2004 | 177 | 687 | 32 | - |
| | 2003 | 142 | 411 | 48 | - |
| | 2002 | 787 | 2,315 | 251 | - |
| Interest income/(expense) net: | 2004 | (442) | (378) | (654) | 2 |
| | 2003 | (499) | (520) | (697) | (12) |
| | 2002 | (283) | (497) | (691) | (57) |
| Depreciation and amortization: | 2004 | (1,018) | (839) | (516) | (1,020) |
| | 2003 | (722) | (1,060) | (559) | (979) |
| | 2002 | (700) | (1,195) | (707) | (904) |
| Segment profit (loss) pre tax: | 2004 | 2,204 | 2,182 | 3,326 | (3,708) |
| | 2003 | 3,390 | 1,773 | 1,078 | (3,706) |
| | 2002 | 6,333 | (167) | 761 | (4,069) |
| Segment assets: | 2004 | 35,156 | 18,068 | 21,820 | 4,886 |
| | 2003 | 31,224 | 18,265 | 19,628 | 4,871 |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | | | | |
|--|------|--------|--------|--------|-------|
| | 2002 | 32,844 | 21,428 | 17,956 | 4,524 |
| Segment expenditures for capital assets: | 2004 | 870 | 541 | 406 | 20 |
| | 2003 | 2,706 | 211 | 138 | 76 |
| | 2002 | 1,953 | 902 | 122 | 27 |

51

(10) Quarterly Financial Information

(Unaudited) (Dollars in thousands except per share information)

The following information for fiscal year 2003 and the first, second and third quarters for fiscal year 2004 is restated. See Note (2). Information for the fourth quarter of fiscal year 2004 is revised from that previously furnished by the Company in its November 22, 2004 Current Report on Form 8-k.

52

Financial Results

| | AS PREVIOUSLY REPORTED | | Gross Profit | |
|--------------------|------------------------|------------------|-----------------|-----------------|
| | Net Sales | | | |
| | 2004 | 2003 | 2004 | 2003 |
| | ---- | ---- | ---- | ---- |
| First Quarter | \$ 41,094 | \$ 43,836 | \$ 4,226 | \$ 4,701 |
| Second Quarter | 50,011 | 45,580 | 6,269 | 5,349 |
| Third Quarter | 59,070 | 57,581 | 6,745 | 6,105 |
| Fourth Quarter | 58,040 | 57,650 | 6,787 | 6,886 |
| | ----- | ----- | ----- | ----- |
| Fiscal Year | \$208,215 | \$204,647 | \$24,027 | \$23,041 |
| | ===== | ===== | ===== | ===== |

| | Basic Earnings (Loss) | | Dil Per |
|--------------------|-----------------------|---------------|---------|
| | Per Common Share | | |
| | 2004 | 2003 | |
| | ---- | ---- | |
| First Quarter | \$ (.01) | \$ (.02) | |
| Second Quarter | .11 | .01 | |
| Third Quarter | .15 | .09 | |
| Fourth Quarter | .18 | .16 | |
| | ----- | ----- | |
| Fiscal Year | \$.43 | \$.24 | |
| | ===== | ===== | |

| | AS RESTATED | |
|--|-------------|--------------|
| | Net Sales | Gross Profit |
| | ----- | ----- |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | 2004 ---- | 2003 ---- | 2004 ---- | 2003 ---- |
|--------------------|------------------|------------------|-----------------|-----------------|
| | (as restated) | (as restated) | (as restated) | (as restated) |
| First Quarter | \$ 41,148 | \$ 43,860 | \$ 4,484 | \$ 4,677 |
| Second Quarter | 50,011 | 45,580 | 6,253 | 5,447 |
| Third Quarter | 59,070 | 57,581 | 6,761 | 6,373 |
| Fourth Quarter | 57,974 | 57,597 | 6,576 | 6,513 |
| | ----- | ----- | ----- | ----- |
| Fiscal Year | \$208,203 | \$204,618 | \$24,074 | \$23,010 |
| | ===== | ===== | ===== | ===== |

| | Basic Earnings (Loss) Per Common Share | | |
|--------------------|---|---------------|--------------|
| | 2004* ---- | 2003 ---- | |
| | (as restated) | (as restated) | (as r --- |
| First Quarter | \$.01 | \$ (.02) | |
| Second Quarter | .11 | .02 | |
| Third Quarter | .15 | .12 | |
| Fourth Quarter | .14 | .13 | |
| | ----- | ----- | |
| Fiscal Year | \$.40 | \$.25 | |
| | ===== | ===== | |

* - Fiscal year 2004 basic earnings is less than the sum of the quarters due to rounding and the reduction of shares outstanding from the purchase and retirement of treasury stock.

53

(11) Subsequent Events

Audit Committee Investigation

On January 31, 2005, the Company announced that it delayed filing the Form 10-K for the year ended October 31, 2004 because Company management and the Audit Committee of its Board of Directors were investigating and analyzing the Company's manner of establishing reserves in various workers' compensation cases in the states of Kansas and Florida. The decision to delay filing of the Form 10-K for the period ended October 31, 2004 was made to permit the Company's management and Audit Committee to complete the investigation and analysis, and to allow its independent registered public accounting firm sufficient time to complete the audit of the Company's October 31, 2004 financial statements.

The Audit Committee hired independent legal counsel and an independent insurance consultant to assist in its investigation of the workers compensation reserves. Due to the complexity of calculating the reserves required at the various dates and the difficulty of estimating the reserve amount in each case, additional time was needed to ensure a complete investigation and this caused the Company to not be in position to file its periodic reports with the SEC on a timely basis.

The Company discovered issues with workers' compensation claims for injuries dating back to 1990. The special investigation revealed that Company personnel

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

with responsibility for setting reserves did so in an aggressive manner which caused the third-party administrator adjusters to recommend reserves at levels lower than they would have otherwise recommended. Personnel also employed a practice known as stair-stepping reserves for certain claims. This involves recording reserves initially at an amount lower than the amount the claim would be expected to settle for and increasing the reserve over time. In addition, several Florida claims that had existed for an extended period of time had reserves which had been set artificially low and then increased periodically to reflect on-going payments to claimants. The accrual of these amounts in the period that claims were incurred resulted in a charge to retained earnings for periods prior to October 31, 2001 and a reversal of reserves in subsequent years to reflect amounts that should already have been recorded.

On May 12, 2005, the Company announced that its Audit Committee had recommended revised procedures for establishing workers' compensation reserves. Revised procedures were put in place to help ensure reserve recommendations made by the third party administrator ("TPA") are recorded. Procedures also prohibit inappropriate influence by management in the determination of the TPA's recommended reserve amounts. The revised procedures require increased accounting oversight to help insure reserves are recorded in accordance with generally accepted accounting principles. The Board of Directors approved the recommendation.

Other

The Company failed to meet the continued listing qualifications set forth in NASDAQ Marketplace Rule 4310(c)(14) due to the delayed filing of its annual report on Form 10-K with

54

the Securities and Exchange Commission and as of May 16, 2005 its securities were delisted from the NASDAQ National Market.

On May 13, 2005, the Company's Mid Bus subsidiary completed the purchase of its Bluffton, Ohio manufacturing facility for a purchase price of \$2,000,000. This property was leased prior to being purchased with financing through the Company's lead bank. In addition to the purchase price, the Company agreed to purchase up to \$1,000,000 of parts or products over the next five years from an affiliate of the seller. Certain penalties are imposed on the Company if it is unable or unwilling to meet this purchase commitment.

On March 21, 2005, the Company reported that the Executive Vice President - Operations, Terry L. Clark, and Chief Financial Officer, Larry Sayre, retired effective March 18, 2005. April 1, 2005, Randall Swift became Vice President and Chief Operating Officer of the Company. On May 23, 2005, Cletus Glasener became Vice President and Chief Financial Officer of the Company. A charge to income totaling approximately \$1.1 million was recorded in the second quarter of fiscal year 2005. This amount represents the estimated severance obligation of the two executives who retired.

Item 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

For the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation and due to the material weaknesses in internal control over financial reporting described below, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rule 13a - 15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are not effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the required time periods. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Attached as Exhibits 31.1 and 31.2 to this annual report are certifications of the Chief Executive Officer and Chief Financial Officer required in accordance with Rule 13a-14(a) of the Exchange Act. This portion of the Company's annual report includes the information concerning the controls evaluation referred to in the certifications and should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Except as described below, there were no changes in the Company's internal control over financial reporting that occurred during the last quarter of fiscal year 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over

55

financial reporting. In conjunction with their audit of our fiscal year 2004 consolidated financial statements KPMG LLP (KPMG), the Company's independent registered public accounting firm, identified and reported to management and the Audit Committee two material weaknesses under standards established by the Public Company Accounting Oversight Board (PCAOB). A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

60

The material weaknesses were identified as:

- (1) Control Policies and Procedures

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

The Company did not have effective policies and procedures regarding management override of controls, and it did not have effective policies and procedures implementing its Code of Conduct. As a result, it did not maintain a control environment that promoted open and candid communication. In some instances, certain officers and personnel did not communicate critical information needed to properly record transactions. These deficiencies result in more than a remote likelihood that a material misstatement of interim or annual financial statements could occur and not be detected.

(2) Workers' Compensation Reserves

The Company had inadequate controls in place to record worker's compensation reserves in accordance with generally accepted accounting principles. Specifically, it did not have appropriate policies and procedures to ensure the estimates provided by an independent insurance advisor, which was utilized to assist in estimating workers' compensation reserves were appropriate. As a result, workers compensation reserves were materially misstated in previously filed consolidated financial statements. Historical consolidated financial statements have been restated to correct these errors.

56

The Company will continue to evaluate the material weaknesses and will take all necessary action to correct the internal control deficiencies identified. The Company will also further develop and enhance its internal control policies, procedures, systems and staff to allow it to mitigate the risk that material accounting errors might go undetected and be included in its consolidated financial statements.

The Company contemplates undertaking a thorough review of its internal controls as part of the Company's preparation for compliance with the requirements under Section 404 of the Sarbanes-Oxley Act of 2002 and the Company is using this review to further assist in identifying and correcting control deficiencies. At this time, the Company has not completed its review of the existing controls and their effectiveness. Unless and until the material weaknesses described above, or any identified during this review, are completely remedied, evaluated and tested, there can be no assurances that the Company will be able to assert that its internal control over financial reporting is effective, pursuant to the rules adopted by the SEC under Section 404, when those rules take effect.

Item 9B. OTHER INFORMATION

None.

57

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information with respect to the directors and executive officers of the Company.

| Name | Age | Position Within The Company |
|----------------------|-----|--|
| Don L. Collins | 74 | Chairman and Director |
| Donald Lynn Collins | 53 | President, Chief Executive Officer Director |
| Don S. Peters | 75 | Director |
| Arch G. Gothard, III | 59 | Director |
| William R. Patterson | 63 | Director |
| Terry L. Clark (1) | 54 | Former Executive Vice President of Operations |
| Larry W. Sayre (1) | 57 | Former Vice President of Finance, C Financial Officer and Secretary |
| Randall Swift (2) | 39 | Vice President and Chief Operating |
| Cletus Glasener (3) | 46 | Vice President of Finance, Chief Fi Officer |
| Rodney T. Nash | 60 | Vice President of Engineering |
| Kent E. Tyler | 38 | Vice President of Marketing |

(1) Retired from the Company March 18, 2005.

(2) Promoted to Vice President and Chief Operating Officer April 1, 2005. (3) Joined the Company May 23, 2005.

Don L. Collins, founder of the Company, has served as Chairman of the Board since its inception in 1971 and served as Chief Executive Officer until 1998. He is Chairman of the Board's Executive Committee.

Donald Lynn Collins joined the Company in 1980 after being associated with Arthur Andersen LLP, an international accounting firm. Mr. Collins has served as Chief Executive Officer of the Company since 1998, as President since 1990 and as a director since 1983. He served as the Chief Operating Officer from 1988 until 1998. He is Chairman of the Board's Policy Committee and a member of the Board's Executive Committee. He is the son of Don L. Collins.

Don S. Peters, an independent director of the Company since 1983, founded and was chairman of Peters, Gamm, West and Vincent, Inc. an investment advisory firm in Wichita, Kansas, from 1983 to December 1991. He has been a financial consultant with Central Plains Advisors, Inc., an investment advisory firm, since December 1991. He is Chairman of the Board's Finance Committee and a

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

member of the Board's Audit, Compensation, Nominating and Policy Committees.

Arch G. Gothard, III, an independent director of the Company since 1987, was president of First Kansas Group, an investment firm in Junction City, Kansas, from 1988 to 1999. He was chief financial officer, treasurer and director of Communications Services, Inc. from 1985 to 1989. He is Chairman of the Board's Compensation and Nominating Committees and is a member of the Board's Audit, Finance and Policy Committees. Mr. Gothard also serves as a director of Kenco Plastics, a manufacturer and molder of plastic products, Colorado Power Sports, a distributor of ATV's, motorcycles, watercraft and similar products, Pay Phone Concepts and Dornoch Medical Systems.

William R. Patterson, an independent director of the Company since 1998, and has been a principal of Stonecreek Management, LLC, a private investment firm, since 1998. From October 1996 to August 1998, he was Executive Vice President of Premium Standard Farms, Inc., a fully-integrated pork producer and processor, where he served as a consultant and as acting Chief Financial Officer from January 1996 to October 1996. From September 1976 through December 1995 he was a partner in Arthur Andersen LLP. Mr. Patterson is Chairman of the Board's Audit Committee and is a member of the Board's Compensation, Executive, Finance and Nominating Committees. Mr. Patterson also serves as a director of American Italian Pasta Company, a producer of dry pasta, and Premium Standard Farm, Inc., an integrated pork producer and processor and as a director and chairman of the board of Paul Mueller Company, a manufacturer of high-quality stainless steel tanks and industrial processing equipment

Randall Swift was named Vice President and Chief Operating Officer on April 1, 2005. He joined the Company in 1998 as V.P./Sales and Marketing for Capacity of Texas, Inc., a wholly-owned subsidiary of the Company. In 1999, Mr. Swift was promoted to President of Capacity where he continued to serve prior to this appointment. Mr. Swift possesses an extensive background in sales, engineering and manufacturing with over six years at Cummins Southern Plains, Inc. prior to coming to Capacity.

Cletus Glasener was named Vice President of Finance and Chief Financial Officer on May 23, 2005. Prior to joining the Company he served as Vice President, Controller and Treasurer of Vought Aircraft Industries since 2000.

Rodney T. Nash joined the Company in 1979 as Engineering Manager and was named Vice President of Engineering of the Company in November 1986. Prior to joining the Company, he

59

held engineering positions with Hesston Corporation, a farm equipment manufacturer and Butler Manufacturing, a manufacturer of specialized buildings.

Kent E. Tyler joined the Company in December 1997 as Vice President of Marketing. Prior to joining the Company, he was Vice President of Ackerman McQueen, a full-service national marketing and advertising agency.

All executive officers serve at the discretion of the Board of Directors.

Section 16(a) - Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires executive officers and directors of the Company, and persons who beneficially own more than ten percent (10%) of the

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

common stock (collectively referred to herein as "Reporting Persons"), to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission (the "Commission"). Reporting Persons are required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of copies of Forms 3, 4 and 5 and amendments thereto furnished to the Company during its most recent fiscal year, and any written representations from a person that no Form 5 is required, the Company believes that all of these forms required to be filed by Reporting Persons were timely filed pursuant to Section 16(a) of the Exchange Act, except for one late filing by Donald Lynn Collins and one late filing by Don L. Collins with respect to an indirect stock transaction in fiscal year 2004.

COMMITTEES OF THE BOARD AND OTHER CORPORATE GOVERNANCE MATTERS

The Board of Directors has established standing Audit, Compensation and Nominating Committees. The principal responsibilities of each committee are described below.

The Audit Committee consists of three directors, each of whom is "independent", as defined by the rules of the National Association of Securities Dealers and the Sarbanes-Oxley Act of 2002. The Audit Committee met nine (9) times during Fiscal 2004. It appoints a firm of independent public accountants to examine the accounting records of the Company and its subsidiaries for the coming year. In making this appointment, it reviews the nature of both audit-related and non-audit-related services rendered or to be rendered to the Company and its subsidiaries by the independent public accountants. The Audit Committee meets with representatives of the Company's independent public accountants and reviews with them audit scope, procedures and results, including any recommendations. It also meets with the Company's chief financial officer to review reports on the functioning of financial controls. A more complete description of the Audit Committee's functions is provided in its Charter. The Board of Directors has determined that William R. Patterson is an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K. The members of the Audit Committee are William R. Patterson, III, Arch G. Gothard, III and Don S. Peters.

60

The Compensation Committee, consisting of three independent directors, met once during Fiscal 2004. The Compensation Committee establishes the compensation policies of the Company and makes salary and bonus recommendations to the Board of Directors for all executive officers. The members of the Compensation Committee are Arch G. Gothard, III, William R. Patterson, III and Don S. Peters.

The Nominating Committee, consisting of three independent directors, met once during Fiscal 2004. It recommends to the Board of Directors nominees for director to be proposed for election by the stockholders and also reviews the qualifications of, and recommends to the Board of Directors, candidates to fill Board of Director vacancies as they may occur during the year. The Nominating Committee considers suggestions from many sources, including shareholders, regarding the process for evaluation and possible candidates for director. Such suggestions, together with appropriate biographical information, should be submitted to the Secretary of the Company for consideration by the Nominating Committee by September 23, 2005 for the next annual stockholders meeting. The Nominating Committee guidelines regarding the qualifications of candidates for directors, including shareholder proposed candidates, insofar as they apply to

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

non-employees, generally favor individuals who have managed relatively large, complex business, educational, or other organizations or who, in a professional or business capacity, are accustomed to dealing with complex business or financial problems. In addition to these guidelines, the Committee will also evaluate whether the candidate's skills are complementary to the existing Board members' skills, and the Board's needs for operational, management, financial and other expertise. The members of the Nominating Committee are Arch G. Gothard, III, William R. Patterson, III and Don S. Peters.

Actions taken by any committee of the Board of Directors are reported to the Board of Directors, usually at its next meeting.

There were eleven (11) meetings of the Board of Directors during Fiscal 2004. In Fiscal 2004, each director attended more than 75% of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board on which he served. The Board of Directors has affirmatively determined that Messrs. Gothard, Patterson and Peters are independent as defined by the rules of the National Association of Securities Dealers.

Shareholder Communications

Historically, the Company has not adopted a formal process for shareholder communication with the Board of Directors. Nevertheless, every effort has been made to ensure that the views of shareholders are heard by the Board of Directors or individual directors, as may be applicable, and that appropriate responses are provided to shareholders in a timely manner. We believe our responsiveness to shareholder communications to the Board of Directors has been excellent.

The Company asks that each director attend the Annual Meeting of Shareholders. All of the Company's directors attended the last Annual Meeting held on February 27, 2004.

Code of Ethics - The Code of Ethics of the Company (the "Code"), was adopted January 27, 2004, and is applicable to all directors and employees. The Code is available free of charge from

the Investor Relations section of the Company website at <http://www.collinsind.com>. The Company will satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver of the Code for any officer, principal financial officer, principal accounting officer and persons performing similar functions by disclosing the nature of such amendment or waiver on the Company's website or in a report on Form 8-K.

Item 11. EXECUTIVE COMPENSATION

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

SUMMARY COMPENSATION TABLE

The following table sets forth certain information regarding compensation paid during each of the Company's last three fiscal years to the Company's Chief Executive Officer and the other named executive officers.

| Name and Principal Position ----- | Year ---- | ANNUAL COMPENSATION | | |
|---|--------------|----------------------|---------------------|--|
| | | Salary (\$) ----- | Bonus (\$) ----- | Other Annual Compensation (\$) (1) ----- |
| Don L. Collins | 2004 | 400,000 | - | - |
| Chairman | 2003 | 400,000 | - | - |
| | 2002 | 403,287 | 90,000 | - |
| Donald Lynn Collins | 2004 | 385,000 | 125,000 | 28,750 |
| President and Chief | 2003 | 380,000 | 100,000 | - |
| Executive Officer | 2002 | 374,012 | 100,000 | - |
| Terry L. Clark (5) | 2004 | 238,500 | 55,000 | 39,450 |
| Former Executive Vice | 2003 | 237,000 | 44,000 | - |
| President of Operations | 2002 | 234,144 | 44,000 | - |
| Larry W. Sayre (5) | 2004 | 195,000 | 40,000 | 36,000 |
| Former Vice President of | 2003 | 190,000 | 30,000 | - |
| Finance, CFO and | 2002 | 182,763 | 30,000 | - |
| Secretary | | | | |
| Kent E. Tyler | 2004 | 157,500 | 25,000 | 38,550 |
| Vice President of | 2003 | 155,000 | 20,000 | - |
| Marketing | 2002 | 154,144 | 20,000 | - |

- (1) Other Annual Compensation relates to relocation expenses paid in Fiscal 2004.
- (2) Under the terms of the Company's 2002 Restricted Stock Award Agreements, the Restricted Stock fully vests three (3) years after the date of the initial award. Under the terms of the Restricted Stock Award Agreements granted in 2003 and 2004, the Restricted Stock vests four (4) years after the date of the initial award. Dividends are paid on Restricted Stock at the same rate as paid on all other outstanding shares of the Company's common stock.
- (3) Aggregate value at October 31, 2004 amounted to \$406,400 based on an aggregate total of 80,000 Restricted shares.
- (4) Aggregate value at October 31, 2004 amounted to \$1,066,800 based on an aggregate total of 210,000 Restricted shares.
- (5) Retired from the Company on March 18, 2005.
- (6) Aggregate value at October 31, 2004 amounted to \$228,600 based on an aggregate total of 45,000 Restricted shares.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

- (7) Aggregate value at October 31, 2004 amounted to \$228,600 based on an aggregate total of 45,000 Restricted shares.
- (8) Aggregate value at October 31, 2004 amounted to \$228,600 based on an aggregate total of 45,000 Restricted shares.
- (9) Retired from the Company on March 18, 2005.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table provides information related to options exercised by the named executive officers during the 2004 fiscal year and the number and value of options held at October 31, 2004. The Company does not have any outstanding stock appreciation rights.

| Name | Shares Acquire on Exercise (#) | Value Realized (\$) | Number of Underlying Unexercised Options Exercisable/Unexercisable | Value In-th at Fi Excer |
|---------------------|-----------------------------------|---------------------|---|----------------------------------|
| ----- | ----- | ----- | ----- | ----- |
| Don L. Collins | -- | -- | 205,800/0 | \$ |
| Donald Lynn Collins | -- | -- | 282,600/0 | \$ |
| Terry L. Clark | -- | -- | 80,800/0 | \$ |
| Larry W. Sayre | -- | -- | 55,000/0 | \$ |
| Kent E. Tyler | -- | -- | 30,000/0 | \$ |

(1) The dollar values are calculated by determining the difference between the fair market value of the underlying common stock and the exercise price of the options at fiscal year end.

Directors' Compensation

During Fiscal 2004, the Company paid each employee director \$1,300 for each Board of Directors meeting attended. Outside directors received \$1,900 for each Board of Directors meeting attended and \$1,200 to \$1,300 for each Board of Directors committee meeting attended. In addition, Mr. Peters, Mr. Gothard and Mr. Patterson each received Board of Directors retainer fees of \$2,000 per month. Committee fees are not paid (i) to employee directors and (ii) to outside directors when such committee meetings are held on the same day as a Board of Directors meeting or in conjunction with a general managers meeting.

Compensation Committee Interlocks and Insider Participation

During Fiscal 2004, the members of the Compensation Committee were primarily responsible for determining executive compensation. Messrs. Arch G. Gothard, III, William R. Patterson, III and Don S. Peters comprise the Compensation Committee, none of whom is or was an officer or employee of the Company during any of the past three fiscal years.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT**

The following table sets forth information as of June 15, 2005, with respect to (i) each person who is known by the Company to own beneficially in excess of 5% of the outstanding Common Stock, (ii) each director of the Company, (iii) each named executive officer and (iv) all directors and executive officers of the Company as a group. Each person listed below exercises sole voting power and sole investment power unless otherwise indicated by footnote. As of June 15, 2005, there were 6,610,324 shares of Common Stock of the Company issued and outstanding.

| Name and Address | Shares Beneficially Owned | Perce O |
|---|---------------------------------|------------|
| Venture Securities Corporation 516 North Bethlehem Pike Spring House, PA 19477 | 646,061 | (1) |
| Collins Industries Tax Deferred Savings Plan and Trust c/o InTrust Bank, Trustee P.O. Box 8338 Prairie Village, KS 66208 | 443,133 | (2) |
| Don L. Collins 157 East New England Avenue, Suite 364 Winter Park, FL 32789 | 715,148 | (3) |
| Donald Lynn Collins 15 Compound Drive Hutchinson, KS 67502 | 627,552 | |
| Arch G. Gothard, III 15 Compound Drive Hutchinson, KS 67502 | 202,985 | (4) |
| Don S. Peters 15 Compound Drive Hutchinson, KS 67502 | 132,339 | (5) |
| William R. Patterson 15 Compound Drive Hutchinson, KS 67502 | 79,000 | (6) |
| Terry L. Clark 22997 Sutter Ave Keytesville, MO 65261 | 58,405 | (9) |
| Larry W. Sayre 7300 Belle Meade Drive Colleyville, TX 76034 | 75,036 | (10) |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| Name and Address | Shares Beneficially Owned |
|---|---------------------------------|
| Kent E. Tyler 15 Compound Drive Hutchinson, KS 67502 | 80,704 (7) |
| All executive officers and directors as a group (11 persons) ----- | 2,132,296 (8) |

- (1) Pursuant to Schedule 13G/A filed with the Securities and Exchange Commission on February 8 2005, Venture Securities Corporation, ("Venture") is a registered investment advisor and furnishes investment advice to over 1,200 clients and certain of those clients hold Collins Industries Common Stock. In its role as investment advisor and investment manager, Venture possesses both voting and investment power over certain securities owned by their clients. All securities reported herein are owned by Venture or its clients and Venture is deemed to have beneficial ownership of 646,061 shares of the Company's Common Stock as of December 30, 2004. However, neither one client of Venture nor Venture itself holds more than 5% of the stock of Collins Industries in their account. Of the 646,061 shares as to which Venture is deemed to have beneficial ownership, Venture is deemed to have (i) sole voting power with respect to 303,975 shares (ii) shared voting power with respect to 0 shares (iii) sole dispositive power with respect to 646,061 shares and (iv) shared dispositive power with respect to 0 shares.
- (2) As of June 15, 2005, based on information received from the Trustee of the Plan.
- (3) Does not include 7,559 shares owned by Sharon Collins, the wife of Mr. Collins, as to which Mr. Collins disclaims beneficial ownership.
- (4) Includes 45,000 shares deemed beneficially owned pursuant to options exercisable within 60 days. Mr. Gothard also has shared investment power with respect to 44,160 shares.
- (5) Mr. Peters also has shared investment power with respect to 132,961 shares.
- (6) Includes 10,000 shares deemed beneficially owned pursuant to options exercisable within 60 days.
- (7) Includes 30,000 shares deemed beneficially owned pursuant to options exercisable within 60 days.
- (8) Includes 95,400 shares deemed beneficially owned pursuant to options exercisable within 60 days.
- (9) Mr. Clark retired from the company on March 18, 2005.
- (10) Mr. Sayre retired from the company on March 18, 2005.

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

Equity Compensation Plan - The following table sets forth information as of the end of the Company's 2004 fiscal year with respect to compensation plans under which equity securities of the Company are authorized for issuance.

| Plan Category | Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (B) | Number Avail Under (Exclu |
|--|--|---|------------------------------------|
| Equity compensation plans approved by security holders (1) | 816,600 | \$4.33 | |
| Equity compensation plans not approved by security holders | - | \$ - | |
| Total | 816,600 ===== | \$4.33 ===== | |

(1) These plans are the 1995 Stock Option Plan and the 1997 Omnibus Incentive Plan.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

FEES AND SERVICES OF KPMG LLP

The following table summarizes fees billed to the Company for each of the fiscal years ended October 31, 2004 and 2003 by the Company's principal accounting firm, KPMG LLP:

| | 2004 ---- | 2003 ---- |
|--|----------------|--------------|
| Audit Fees - Annual Audit & Quarterly Reviews | \$ 707,000 | \$ 202,000 |
| Audit Related Fees | - | - |
| Tax Fees - Review of Tax Returns & Tax Consulting | 12,200 | 9,250 |
| All Other Fees - Audit Fee for Stock Repurchased in Fiscal 2004 | 1,500 ----- | - ----- |
| Total Fees | \$ 720,700 | \$ 211,250 |

The Audit Committee has considered whether the provision of these services is

compatible with maintaining the principal accountant's independence. The Company's Audit Committee approves all fees paid to KPMG LLP for audit and non-audit services in advance of performance of services. There are no other specific policies or procedures relating to the pre-approval of services performed by KPMG LLP. The Audit Committee has not yet met to discuss and formally appoint the auditors for fiscal 2005. Representatives of KPMG LLP are expected to be present at the Annual Meeting and shall have the opportunity to make a statement and to respond to appropriate questions.

68

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) Financial Statements:

All financial statements and notes thereto as set forth under Item 8 of this Report on Form 10-K:

Reports of Independent Public Accountants

Consolidated Statements of Income and Comprehensive Income for the Three Years Ended October 31, 2004

Consolidated Balance Sheets--October 31, 2004 and 2003

Consolidated Statements of Cash Flows for the Three Years Ended October 31, 2004

Consolidated Statements of Shareholders' Investment for the Three Years Ended October 31, 2004

(2) Financial Statement Schedules:

All schedules have been omitted as not applicable or not required under the instructions contained in Regulation S-X or the information is included in the financial statements or notes thereto.

(3) Exhibits:

The exhibits required to be filed pursuant to Item 601 of Regulation S-K are listed in the Exhibit Index, which immediately follows the signature page of this report.

69

SIGNATURES

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

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.

COLLINS INDUSTRIES, INC.

By /s/ Donald Lynn Collins

Donald Lynn Collins, President
and Chief Executive Officer

Dated: July 29, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant, in their respective capacities and on the dates indicated.

Dated: July 29, 2005

/s/ Don L. Collins

Don L. Collins, Director

Dated: July 29, 2005

/s/ Donald Lynn Collins

Donald Lynn Collins, Director,
President and Chief Executive
Officer
(Principal Executive Officer)

Dated: July 29, 2005

/s/ Don S. Peters

Don S. Peters, Director

Dated: July 29, 2005

/s/ Arch G. Gothard, III

Arch G. Gothard III, Director

Dated: July 29, 2005

/s/ William R. Patterson

William R. Patterson, Director

Dated: July 29, 2005

/s/ Cletus C. Glasener

Cletus C. Glasener, Vice President of
Finance
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| | | |
|--------|---|---|
| 3.1 | - | Certificate of Incorporation of Registrant (included as Exhibit 3.1 of the Company's Form S-1, No. 2-93247 and incorporated here |
| 3.2 | - | Amendment to Certificate of Incorporation (included as Exhibit 3.3 of the Company's form S-1, No 2-93247 and incorporated here |
| 3.3 | - | Amendment to Certificate of Incorporation (included as Exhibit 3.3(c) of the Company to Form S-1, No. 33-48323 and incorporated |
| 3.4 | - | Amended Bylaws of Collins Industries, Inc. 2005. (Incorporated herein by reference to Registrant's Report on Form 8-K filed Ja |
| 10.1 | - | Various bailment and consignment agreement Registrant and Automotive manufacturers (i 10.2 to the Company's Registration Stateme 33-48323 and incorporated herein by refere |
| 10.2 * | - | Collins Industries, Inc. 1997 Omnibus Ince effective as of February 28, 1997. (Incorp reference to Appendix A to the Registrant' 14A Filed February 1997.) |
| 10.3 * | - | Collins Industries, Inc. 1995 Stock Optio of February 24, 1995. (Incorporated herein Appendix A to the Registrant's Report on t February 1995.) |

71

| Exhibit Number ----- | | Document ----- |
|-------------------------|---|--|
| 10.4 | - | Form of Indemnification Agreement between directors. |
| 10.5 | - | Amended and Restated Lease dated November the Registrant and the City of South Hutch (Incorporated herein by reference to Exhib Registrant's Report on Form 10-K for the f October 31, 1998.) |
| 10.6 | - | 1999 Supplemental Lease dated June 1, 1999 the City of South Hutchinson, Kansas and C Corporation. Original Lease dated August 1 November 15, 1997, Amended and Restated Le same parties. (Incorporated herein by refe 10.1 to the Registrant's Report on Form 10 quarterly period ended July 31, 1999.) |
| 10.7 | - | Loan Agreement dated April 1, 1999, betwee Industrial Corporation and Collins Industries, Inc. (Incorporated herein |

by reference to Exhibit 10.2 to the Registrant's Report on Form 10-Q for the quarterly period ended July 31, 1999.)

| Exhibit Number ----- | - | Document ----- |
|-------------------------|---|--|
| 10.8 | - | Loan and Security Agreement dated as of May 17, 2002, between Collins Industries, Inc., and Fleet Capital Corporation. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarterly period ended April 30, 2002.) |
| 10.9 * | - | Deferred Compensation Plan dated as of November 1, 2002, between Collins Industries, Inc and Intrusion Detection. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Report on Form 10-Q for the quarterly period ended April 30, 2002.) |
| 10.10 | - | Lease dated June 20, 2002, by and between Collins Industries, Inc. and Wheeled Coach Industries, Inc. (Incorporated herein by reference to Exhibit 10.8 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 2002.) |
| 10.11 | - | Amendment No. 1 dated as of October 15, 2002, to the Security Agreement dated as of May 17, 2002, between Collins Industries, Inc., and Fleet Capital Corporation. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 2002.) |
| 10.12 | - | Financing Agreement dated October 16, 2002, between Orange County Industrial Development Authority, Orange County Florida, and Wheeled Coach Industries, Inc. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Report on Form 10-K for the fiscal year ended October 31, 2002.) |
| 10.13 | - | Amendment No. 2 dated as of December 31, 2002, to the Security Agreement dated as of May 17, 2002, between Collins Industries, Inc., and Fleet Capital Corporation. (Incorporated herein by reference to Exhibit 99(b)(3) to the Registrant's Report on Form 10-K for the fiscal year ended October 10, 2003.) |

Edgar Filing: COLLINS INDUSTRIES INC - Form 10-K

| Exhibit Number ----- | | Document ----- |
|-------------------------|---|--|
| 10.14 | - | Amendment No. 3 dated as of October 9, 2003, Security Agreement dated as of May 17, 2003, Collins Industries, Inc., and Fleet Capital Markets, Inc. (Incorporated herein by reference to Exhibit 10.14 of Registrant's Report on Form SC TO-I filed 10/10/03.) |
| 10.15 | - | Amendment No. 4 dated as of December 5, 2003, Security Agreement dated as of May 17, 2003, Collins Industries, Inc., and Fleet Capital Markets, Inc. (Incorporated herein by reference to Exhibit 10.15 of Registrant's Report on Form 10-K for the quarter ended October 31, 2003.) |
| 10.16 | - | Amendment No. 5 dated as of January 7, 2004, Security Agreement dated as of May 17, 2003, Collins Industries, Inc., and Fleet Capital Markets, Inc. (Incorporated herein by reference to Exhibit 10.16 of Registrant's Report on Form 10-K for the quarter ended October 31, 2003.) |
| 10.17 | - | Amendment No. 6 dated as of January 31, 2004, Security Agreement dated as of May 17, 2003, Collins Industries, Inc., and Fleet Capital Markets, Inc. (Incorporated herein by reference to Exhibit 10.17 of Registrant's Report on Form 10-K for the quarter ended October 31, 2003.) |
| 10.18 | - | Amendment No. 7 dated as of August 31, 2004, Security Agreement dated as of May 17, 2003, Collins Industries, Inc., and Fleet Capital Markets, Inc. (Incorporated herein by reference to Exhibit 10.18 of Registrant's Report on Form 10-Q for the quarter ended July 31, 2004.) |
| 21.1 | - | List of Subsidiaries of Collins Industries, Inc. |
| 23.1 | - | Accountants Consent |

74

| Exhibit Number ----- | | Document ----- |
|-------------------------|---|--|
| 31.1 | - | Section 302 Certification of Periodic Report-CEO |
| 31.1 | - | Section 302 Certification of Periodic Report-CFO |
| 32.1 | - | Section 906 Certification of Periodic Report-CEO |
| 32.2 | - | Section 906 Certification of Periodic Report-CFO |

* Management contract or compensatory plan or agreement