

ABLEST INC  
Form 10-K  
March 14, 2007

**Table of Contents**

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

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

**For the fiscal year ended December 31, 2006**

**Commission File Number 1-10893**

**Ablest Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

**65-0978462**

*(State of Incorporation)*

*(I.R.S. Identification No.)*

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

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

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

**Title of Each Class**

**Name of Each Exchange on Which Registered**

Common Stock, par value \$.05 per share

American Stock Exchange

**Securities registered pursuant to Section 12(g) of the Exchange Act: None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated Filer  Non-accelerated filer

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

The aggregate market value of the Registrant's common shares held by non-affiliates as of the last day of the Registrant's most recently completed second fiscal quarter was approximately \$4,289,000. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of common shares of the Registrant outstanding at March 12, 2007 was 2,927,424.

**Documents Incorporated by Reference**

Portions of the registrant's definitive Proxy Statement for the 2006 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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**TABLE OF CONTENTS**

**PART I**

ITEM 1. Business

ITEM 1A. Risk Factors

ITEM 1B. Unresolved Staff Comments

ITEM 2. Properties

ITEM 3. Legal Proceedings

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

**PART II**

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

ITEM 6. Selected Financial Data

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

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

ITEM 8. Financial Statements and Supplemental Data

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

ITEM 9A. Controls and Procedures

ITEM 9B. Other Information

**PART III**

ITEM 10. Directors, Executive Officers and Corporate Governance of the Registrant

ITEM 11. Executive Compensation

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

ITEM 13. Certain Relationships and Related Transactions and Director Independence

ITEM 14. Principal Accountants Fees and Services

**PART IV**

ITEM 15. Exhibits and Financial Statement Schedules

**SIGNATURES**

**EX-21 SUBSIDIARIES OF THE COMPANY**

**EX-23.1 CONSENT OF PUBLIC ACCOUNTING FIRM**

**EX-31.1 SECTION 302 CERTIFICATION OF THE CEO**

**EX-31.2 SECTION 302 CERTIFICATION OF THE CFO**

**EX-32.1 SECTION 906 CERTIFICATION OF THE CEO**

**EX-32.2 SECTION 906 CERTIFICATION OF THE CFO**

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**Table of Contents**

**PART I**

**ITEM 1. Business**

*References in this document to the Registrant, ( Company ), Ablest , we , our , or us refer to Ablest Inc., except where context otherwise requires.*

**General**

Ablest Inc. ( Company ) offers staffing services in the United States. Staffing services are principally provided through 61 company-owned service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, industrial, information technology, and finance and accounting needs of their customers. Positions often filled include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accounting, financial analysis, and internal auditing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list. The Company was founded in 1978 and is headquartered in Tampa, Florida. The state of incorporation is the State of Delaware.

**Availability of Reports and Other Information**

Copies of the Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 with the Securities and Exchange Commission ( SEC ) are available, free of charge, on our website, [www.ablest.com](http://www.ablest.com), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on the website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered part of this report.

**The Staffing Industry**

The staffing services business is highly competitive with few barriers to entry. There are numerous local, regional and national firms principally engaged in offering such services. The primary competitive factors in the staffing services field are quality of service, reliability of personnel and price. Historically, the temporary staffing industry has experienced its greatest growth during economic recoveries.

The staffing services industry was once used predominately as a short-term solution for greater workforce needs during peak production periods and to replace workers who were abruptly terminated or who were absent due to illness or vacation. For several decades, the use of temporary services has evolved into a permanent and significant component of staffing plans of many employers. Corporate restructuring, government regulations, advances in technology and the desire by many business entities to shift employee costs from a fixed to a variable expense have resulted in the use of a wide range of staffing alternatives by businesses. Flexible staffing alternatives allow businesses to respond quickly and aggressively to changing market conditions which many economists and analysts believe is critical to future economical growth.

Additionally, it is widely accepted by economists that temporary staffing also encourages greater work force participation, which is critical as the United States faces a labor shortage. Temporary staffing provides employment flexibility and options to people who might otherwise choose not to work. Flexible work arrangements offer choices that fit the diverse needs and preferences of potential employees thereby contributing to increased participation and enhanced productivity. The clerical, light industrial, information technology and financial sectors represent the four largest sectors of the temporary staffing industry.

**Table of Contents****Operations**

The table below is a summary of information relating to the Company's operations for each of the last three fiscal years.

(Amounts in thousands)	For the fiscal year ended		
	December 31, 2006	December 25, 2005	December 26, 2004
Net Service Revenues			
Staffing Services	\$ 140,764	\$ 137,457	\$ 116,353
Operating Income			
Staffing Services	2,436	3,087	1,372
Total Assets			
Staffing Services	27,564	26,455	24,743

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

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

*Employees.* We employ approximately 200 staff members in our corporate headquarters and company-owned branch offices. In 2006, we assigned more than 35,000 temporary employees with a variety of customers around the United States. At any given time of the year, only a portion of these employees were placed on temporary assignments. The Company considers its employee relations to be good.

*Branch Offices.* All offices are company-owned and provide clerical, light industrial, information technology and financial staffing, primarily concentrated in 12 states. These offices are organized into regions and managed by regional managers and other area staff who provide operation support for the offices in their regions. These offices are organized based upon geographic location and/or service offerings. Each office has a manager who is accountable for the day-to-day operations and profitability. The table below sets forth the geographic distribution of the offices as of December 31, 2006.

	Branch Offices
Midsouth (1)	9
Midwest (2)	11
Northeast (3)	24
Southeast (4)	17
Total	61

(1) The Midsouth includes the states of Mississippi and Tennessee

(2) The Midwest includes the states of Illinois, Texas and

Arizona

- (3) The Northeast includes the states of Maryland, New York, North Carolina, and Virginia

- (4) The Southeast includes the states of Florida, Georgia and South Carolina

Managers report to their regional managers and together they are responsible for sales, client development and retention, recruitment, placement and retention of associates and general administration for their respective offices and regions. The Company believes that this decentralization contributes to the initiation and commitment of its management team and that its incentive compensation approach motivates managers to increase profits.

**Table of Contents**

The Company continually reassesses its current operations based on its strategic initiatives and may consolidate or close these offices if they do not meet management's expectations.

**Seasonality**

The Company's quarterly operating results are affected by the number of billing days in the quarter and the seasonality of its clients' businesses. Historically, revenue growth has accelerated in each of the fiscal quarters as manufacturers, retailers and service businesses increase their level of business activity. In the first fiscal quarter, gross margins have historically been lower with the affect of state unemployment insurance taxes resetting with the start of the new calendar year. The fourth fiscal quarter has historically been strong as a result of manufacturing and retail emphasis on holiday sales.

**Cyclical Nature of the Business**

The staffing industry has historically been considered to be cyclical, often acting as an indicator of both economic downswings and upswings. Staffing customers tend to use temporary staffing to supplement their existing workforces and generally hire permanent workers when long-term demand is expected to increase. As a consequence of this, our revenues tend to increase quickly when the economy begins to grow. Conversely, revenues also tend to decrease quickly when the economy begins to weaken as the customers reduce temporary workers before terminating their own employees.

**Clients**

The Company serves the needs of small, mid-size and Fortune 500 businesses in a variety of industries. During fiscal years 2006 and 2005, the Company serviced over 2000 clients nationwide. The Company's ten highest volume clients in fiscal years 2006 and 2005 accounted for 30.0% and 27.3%, respectively, of the Company's total revenues. One client, ModusLink Corporation, accounted for 12.1 % of the Company's total revenues for fiscal year 2006. No single client accounted for more than 9.3% of the Company's total revenues for fiscal year 2005.

**Competition**

The temporary services industry is highly competitive with limited barriers to entry. The Company believes that its largest competitors in the clerical and light industrial sectors include Adecco S.A., Kelly Services, Inc., Manpower Inc., Spherion Corporation, Barrett Business Services, Inc., SelectRemedy, Inc. and Westaff Inc.. These and other large competitors have nationwide operations with greater resources than the Company, which among other things could enable them to attempt to maintain or increase their market share by reducing prices. In addition, there are a number of other mid-sized firms that are regional or emphasize specialized niches and compete with the Company in certain markets where they have a stronger presence. Numerous small or single-office firms compete effectively with the Company's offices in their limited areas. In the information technology and financial sectors, the Company believes that its competitors include MPS Group, Inc., Robert Half International, Inc., Adecco S.A., Alternative Resources Corporation, On Assignment, Inc., KForce, Comsys, and CDI Corporation.

Although the Company believes that it competes favorably with respect to the forgoing factors, the Company's management believes that the most important competitive factors in obtaining and retaining its targeted clients is understanding the customer specific job requirements, the ability to provide qualified temporary personnel in a timely manner and the quality of services. The primary competitive factors in obtaining qualified candidates for temporary employment assignments are wages, benefits and responsiveness to work schedules.

The Company expects ongoing vigorous competition and pricing pressure from national, regional and local providers, and there is no assurance that the Company will be able to maintain or increase its market share or profitability.



**Table of Contents**

**Code of Ethics**

We have adopted a code of ethics applicable to our principal executive officer and senior financial officer, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002, the rules of the SEC promulgated there under and the American Stock Exchange rules. In the event that we make any changes to, or provide any waivers from, the provisions of our code of ethics, we intend to disclose these events on our website or in a report on Form 8-K within four business days of such event.

**Recent Developments**

As previously reported, on January 18, 2007, the Company's Board of Directors received a proposal from certain existing investors, including Charles H. Heist, III, the Company's Chairman of the Board, Kurt R. Moore, the Company's President and Chief Executive Officer, The Burton Partnership (QP), Limited Partnership and The Burton Partnership, Limited Partnership, to acquire all of the Company's publicly held common stock for \$7.50 per share in cash.

The Company's Board of Directors formed a Special Committee of four independent directors to review and evaluate the foregoing proposal and any strategic alternatives to the proposal that may be available to the Company.

Subsequent to the Company's public announcement of receipt of the foregoing buyout proposal, the Special Committee received an indication of interest from a potential third-party acquirer. The Special Committee has not made a determination whether either proposed transaction is in the best interests of the Company and its stockholders or whether the Company should pursue any other available strategic alternatives. The Special Committee continues to evaluate the foregoing proposals, as well as other strategic alternatives for the Company. Accordingly, no assurances can be given as to whether any particular strategic alternative will be pursued or implemented. The Special Committee currently does not intend to make any further public announcements regarding its review of possible strategic alternatives until its evaluation process has been completed. See also Item 3. Legal Proceedings.

**ITEM 1A. Risk Factors**

In evaluating the Company's business, one should carefully consider the following risk factors in addition to information contained elsewhere in this Annual Report on Form 10-K.

***Any significant economic downturn could result in our clients using fewer temporary employees, which could materially adversely affect the Company.***

Demand for temporary services is significantly affected by the general level of economic activity. As economic activity slows, businesses may reduce their use of temporary employees before undertaking layoffs of their full-time employees, resulting in decreased demand for the Company's temporary personnel. Further, in an economic downturn, the Company may face pricing pressure from its clients and increased competition from other staffing companies, which could have a material adverse effect on the Company's business.

***The Company operates in highly competitive markets with low barriers to entry, potentially limiting its ability to maintain or increase its market share or profit margins.***

The temporary services industry is highly competitive with limited barriers to entry and in recent years has been undergoing significant consolidation. The Company competes in national, regional and local markets with full service agencies and with specialized temporary service agencies. Many competitors are smaller than the Company, but have an advantage over the Company in discrete geographic markets because of their stronger local presence. Other competitors are more well-known and have greater marketing and financial resources than the Company, which among other things could enable them to maintain or increase their market share by reducing prices. The Company expects the level of competition to remain high in the future and competitive pricing pressures may have an adverse effect on the Company's operating margins.

**Table of Contents**

***The Company's success depends upon its ability to attract and retain qualified temporary personnel.***

The Company depends upon its ability to attract qualified temporary personnel who possess the skills and experience necessary to meet the staffing requirements of its clients. It must continually evaluate and upgrade its base of available qualified personnel to keep pace with changing client needs and emerging technologies. Competition for individuals with proven skills is intense and demand for these individuals is expected to remain very strong for the foreseeable future. There can be no assurance that qualified personnel will continue to be available to the Company in sufficient numbers and on terms of employment acceptable to management. The success will depend on the Company's ability to recruit qualified temporary personnel and retain them.

***The Company's business may suffer if it loses its key personnel.***

The Company's operations are dependent on the continued efforts of its executive officers and senior management. Additionally, it is dependent on the performance and productivity of its local managers and field personnel. The ability to attract and retain business is significantly affected by local relationships and the quality of service rendered. The loss of those key executive officers and senior management who have acquired experience in operating a staffing service company may cause a significant disruption to the business. Moreover, the loss of key local managers or field personnel may jeopardize existing customer relationships with businesses that continue to use the Company's staffing services based upon past direct relationships with these local managers and field personnel. Either of these types of losses could adversely affect the Company's operations, including its ability to establish and maintain customer relationships.

***The Company may be exposed to employment-related claims and costs that could materially adversely affect its business.***

The Company is in the business of employing people and placing them in the workplace of other businesses. Attendant risks of these activities include possible claims by clients of employee misconduct or negligence, claims by employees of discrimination or harassment (including claims relating to actions of its clients), claims related to the inadvertent employment of illegal aliens or unlicensed personnel, payment of workers' compensation claims and other similar claims. The Company has policies and guidelines in place to help reduce its exposure to these risks and has purchased insurance policies against certain risks in amounts that it believes to be adequate. However, there can be no assurances that it will not experience these problems in the future or that it may not incur fines or other losses or negative publicity with respect to these problems that could have a material adverse effect on its business.

***The cost of unemployment insurance premiums and workers' compensation costs for temporary employees may rise and reduce the Company's profit margins.***

Businesses use temporary staffing in part to shift certain employment costs and risks to personnel services companies. For example, the Company is responsible for, and pays unemployment insurance premiums and workers' compensation for, its temporary employees. These costs have generally risen as a result of increased claims, general economic conditions and governmental regulation. There can be no assurance that the Company will be able to increase the fees charged to its clients in the future to keep pace with increased costs. Price competition in the personnel services industry is intense. If the Company is unable to maintain its margins, it expects that it may choose to stop servicing certain clients. Further, there can be no assurance that certain clients will continue to use the Company at increased cost. There can be no assurance that it will maintain its margins, and if it does not, its results of operations, financial condition and liquidity could be adversely affected.

The Company retains a portion of the risk under its workers' compensation program. The estimated remaining deductible liability for all existing and incurred but not reported claims is accrued based upon actuarial methods using current claims information, as well as prior experience, and may be subsequently revised based on new developments related to such claims. Changes in the estimates underlying the claims reserve are

**Table of Contents**

charged or credited to earnings in the period determined, and therefore large fluctuations in any given quarter could materially adversely affect earnings in that period.

***The Company is continually subject to the risk of new regulations, which could harm its business.***

The Company is subject to bills introduced in Congress and various state legislatures, which, if enacted, could impose conditions that could have a negative financial impact on the Company and harm its business operations. The Company takes an active role (through its affiliations with, and participation in, various staffing industry organizations) in opposing proposed legislation adverse to its business and in informing policy makers as to the social and economic benefits of its business. However, there can be no assurance or guarantees that any of these bills (or future bills) will not be enacted, in which case, demand for the Company's services or its financial condition, or both, may suffer.

***The Company faces litigation that could have a material adverse effect on its business, financial condition and results of operations.***

In the ordinary conduct of business, the Company is subject to various lawsuits, investigations and claims, covering a wide range of matters, including, but not limited to, employment matters. It is possible that the Company may be required to pay substantial damages or settlement costs in excess of its insurance coverage, which could have a material adverse effect on its financial condition or results of operations. The Company could also incur substantial legal costs, and management's attention and resources could be diverted from the business.

***The Company's business may be at risk if there is failure of implementing a new information system.***

In 2006, the Company implemented new front-office and back-office systems to be utilized in connection with the commercial and professional staffing operations. This implementation of new management information systems required a significant investment in software, hardware, outside consultant assistance and internal personnel resources. Although it is believed that this technology initiative will increase productivity, improve operating efficiencies and lower long-term operating costs, there is no assurance that such an initiative will yield its intended results.

The Company is dependent on the proper functioning of information systems in operating its business, particularly with respect to monitoring client assignments and billing. If our critical information systems fail or are otherwise unavailable, we would have to accomplish these functions manually, which would temporarily impact our client records and billing capabilities. The Company's information systems are protected through physical and software safeguards including the use of a third party processing center. However, the Company's corporate headquarters and a number of our customers are located in Florida, which is a hurricane-sensitive area. During fiscal 2005, four hurricanes made land-fall in Florida, with Hurricane Wilma moving directly through South Florida and causing significant infrastructure damage and disruption to the area. Our revenues from offices in South Florida were adversely affected by these hurricanes during fiscal 2005. Similar disruptions to our offices and the business of our customers from natural disasters, terrorist acts, power loss, telecommunications failures, physical or software break-ins, computer viruses and similar events may adversely impact our revenues.

***The Company's business may be at risk if there is any negative development with significant customers.***

Of our revenues for the year ended December 31, 2006, approximately 12.1% came from one major customer and 30.0% came from our top ten customers.

***The addition of offices and entry into new geographic markets may not occur on a timely basis or achieve anticipated financial results.***

A key element of our growth strategy includes entering new geographic markets. Our success in entering new

**Table of Contents**

markets depends on a number of factors including our ability to:

develop, recruit and maintain qualified personnel in the new geographic market;

develop and sustain customer relationships in each new market;

accurately assess the demand for our services in a new geographic market.

The addition of offices and new geographic areas typically result in an increase in our operating expenses, primarily due to increased employee headcount. Because there is typically a delay between a new office opening and reaching full productivity, new office openings may adversely affect our results of operations for a period of time. In addition, we may not accurately forecast the demand for our services in new markets that we enter. If we do not adequately manage for foregoing factors, our operating results and financial condition could be adversely affected.

***Significant increases in payroll-related costs could adversely affect the Company's business.***

We are required to pay a number of federal, state and local payroll and related costs, including unemployment taxes, workers compensation and insurance, FICA, and Medicare, among others, for our employees. Significant increases in the effective rates of any payroll-related costs likely would have a material adverse effect upon our results of operations. Costs could also increase as a result of health care reforms or the possible imposition of additional requirements and restrictions related to the placement of personnel. Recent federal and state legislative proposals have included provisions extending health insurance benefits to personnel who currently do not receive such benefits. We may not be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs, if any such proposals are adopted.

**ITEM 1B. *Unresolved Staff Comments***

None.

**ITEM 2. *Properties***

The Company currently leases 14,336 square feet of office space in Tampa, Florida that serves as its corporate headquarters. The Company leases 55 additional facilities under rental agreements and under terms and conditions prevailing in the various service locations. The remaining six branches are located at customer sites. The Company considers all of its offices and facilities suitable and adequate for servicing its customers and evaluating proximity to available temporary personnel. The inability to renew all or a majority of the leases on similar or favorable terms to the Company could have a material impact in the financial condition of the Company.

**ITEM 3. *Legal Proceedings***

The Company is subject, from time to time, to claims encountered in the normal course of business. In the opinion of management, the resolution of all pending matters will not have a material adverse effect on the Company's financial condition or liquidity. The Company maintains reasonable and prudent insurance coverages and deductibles. The principal risks insured against are workers' compensation, personal injury, bodily injury, property damage, professional malpractice, errors and omissions, employment practices and fidelity losses. Management does not expect that the outcome of any pending lawsuits relating to such matters, individually or collectively, will have a material adverse effect on our financial condition, results of operations or cash flows.

The Company understands that on March 5, 2007, David Ryman, an alleged shareholder of the Company, filed a lawsuit against the Company, certain Company directors and officers, and other parties, on behalf of a putative class of the Company's public shareholders. The litigation is pending in the Circuit Court of the 13th Judicial Circuit in and for Hillsborough County, Florida. The Company has not been advised that any defendant has been served with the Complaint. The litigation relates to the Company's January 23, 2007 announcement that: (i) certain existing investors, including Charles H. Heist, III, the Company's Chairman of the Board, Kurt R. Moore, the Company's President and Chief Executive Officer, and two partnerships that

**Table of Contents**

own Company shares, have presented the Company with a proposal to acquire all of the Company's publicly held common stock; and (ii) the Company's Board of Directors has formed a Special Committee of four independent directors to review and evaluate the proposal, as well as other strategic alternatives for the Company. In his Complaint, the plaintiff seeks: (i) an order enjoining the defendants from proceeding with, consummating or closing the proposed transaction; (ii) in the event that the transaction is closed, an order rescinding the transaction or awarding damages; and (iii) an award of attorney's fees, expert's fees and costs. The Company believes that the claims being made in the foregoing litigation are without merit and, if such litigation proceeds, it intends to vigorously defend against such claims.

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

No matters were submitted to a vote of security holders of the Company during the fourth quarter of fiscal 2006.

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

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

**Price Range of Common Stock**

The following table presents the quarterly high and low sales prices of our common stock as reported by the American Stock Exchange during each quarter of our fiscal years ended December 31, 2006 and December 25, 2005:

	2006		2005	
	High	Low	High	Low
1 <sup>st</sup> Quarter	\$9.95	\$8.11	\$ 8.00	\$7.00
2 <sup>nd</sup> Quarter	9.65	8.33	7.70	6.63
3 <sup>rd</sup> Quarter	8.75	5.92	12.75	6.51
4 <sup>th</sup> Quarter	7.15	6.17	10.85	7.50

**Number of Common Stockholders**

On February 26, 2007, there were 453 holders of record of our common stock.

**Dividends**

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

**Equity Compensation Plan Information**

The following table provides information about the Company's common stock that may be issued upon the exercise of options, warrants, rights and restricted stock under all existing equity compensation plans as of December 31, 2006, including the 2000 Independent Directors' Stock Option Plan and 2002 Restricted Stock Plan.

**Table of Contents**

## Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation Plans approved by Security holders	54,000	\$ 5.38	373,800
Total	54,000	\$ 5.38	373,800

**Performance Graph**

The following stock performance graph presented on the following page compares the common stock of the company to the Standard and Poors 500 Index (a broad market index) and a peer group index for the five years ended December 31, 2006. The graph assumed an investment of \$100 on December 31, 2001 in stock or index, including any dividends were reinvested.

**CPMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

Among Ablest Inc., The S & P 500 Index  
And A Peer Group

\* \$100 invested on 12/31/01 in stock or index-including reinvestment of dividends. Fiscal year ending December 31. Copyright © 2007, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved. [www.researchdatagroup.com/S&P.htm](http://www.researchdatagroup.com/S&P.htm)

**Table of Contents****ITEM 6. Selected Financial Data**

The selected financial data with respect to the Company set forth below should be read in conjunction with

Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's consolidated financial statements and notes thereto. The fiscal year of 2006 of the Company is a 53-week period and the fiscal years 2002 through 2005 of the Company are 52-week periods all ending the Sunday closest to December 31.

Fiscal Year Ended December	2006	2005	2004	2003	2002
(Amounts in thousands, except per share data)					
Net service revenues	\$ 140,764	\$ 137,457	\$ 116,353	\$ 104,048	\$ 101,193
Operating income	2,436	3,087	1,372	1,061	566
Income tax expense (benefit)	1,148	2,542	515	(1,769)	218
Net income from continuing operations	1,339	536	883	2,883	608
Income per common share from continuing operations: basic	0.47	0.19	0.31	1.01	0.21
diluted	0.45	0.18	0.30	0.99	0.21
Total assets	27,564	26,455	24,743	22,579	19,216
Long-term debt					

The following summarizes quarterly operating results:

2006 Quarters	1st	2nd	3rd	4th
(Amounts in thousands, except per share data)				
Net service revenues	\$ 35,864	\$ 34,340	\$ 34,672	\$ 35,888
Gross profit	6,111	5,942	6,181	6,204
Operating income	561	505	666	704
Net income from continuing operations	348	285	396	310
Income per common share, basic	\$ 0.12	\$ 0.10	\$ 0.14	\$ 0.11
Income per common share, diluted	\$ 0.12	\$ 0.10	\$ 0.13	\$ 0.10
2005 Quarters	1st	2nd	3rd	4th
(Amounts in thousands, except per share data)				
Net service revenues	\$ 30,835	\$ 32,751	\$ 34,873	\$ 38,998
Gross profit	4,977	5,742	5,766	6,501
Operating income	428	927	589	1,143
Net income (loss) from continuing operations	264	574	367	(669)
Income (loss) per common share, basic	\$ 0.09	\$ 0.20	\$ 0.13	\$ (0.23)
Income (loss) per common share, diluted	\$ 0.09	\$ 0.20	\$ 0.13	\$ (0.23)

**Table of Contents****ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***  
**Forward-looking Statements**

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

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

**History of the Company**

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

On January 1, 2001, the Company's subsidiaries Ablest Service Corp. (a Delaware corporation), Milestone Technologies, Inc. (an Arizona corporation) and PLP Corp. (an Alabama corporation) were formally merged into Ablest Inc. (a Delaware corporation), to form a single operating company under the Ablest Inc. name. The outstanding shares of the merging corporations were cancelled and no shares of Ablest Inc. were issued in



**Table of Contents**

exchange. The outstanding shares of Ablest Inc. remain outstanding and were not affected by the merger. The following discussions and analysis of operations and financial condition pertain to the Company's staffing services business, which constitutes its continuing operations.

**Overview**

We derive our revenues by providing clerical, industrial, technical, and finance and accounting staffing services in the United States. We currently provide our staffing services principally through 61 Company-owned service locations in the Eastern United States and selected Southwestern markets. We fill positions in data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accounting, financial analysis, and internal auditing, among others. We do not service any specific industry or field; instead, our services are provided to a broad-based customer list.

During the 53 week period ended December 31, 2006, the Company placed approximately 35,000 workers and provided approximately 11 million hours of staffing services to over 2000 clients.

Substantially all of our revenues are driven by hours billed and billing rates. Our billing rates are generally negotiated and invoiced on a per-hour basis. Accordingly, as we place temporary employees, we record revenue based on their hours worked. Our gross margins are determined by deducting temporary employee pay, related taxes, benefits and other direct placement costs such as drug screens, background and reference checks. Piecework contracts are billed to the customer on a cost per unit basis versus an hourly basis. Revenue from piecework contracts is recognized at the time service is performed. Permanent placement services are fee-based services to recruit and fill regular staff positions for customers. Revenue from permanent placement services is recognized when a candidate begins full-time employment.

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

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

Historically, our business has expanded through both internal growth of existing branch offices and opening new branch offices. During 2006 and 2005, we opened new branch office locations and focused on increasing revenues of existing branch offices. During 2007, we intend to open strategically located branches that we believe will enhance our current customer relationships as well as facilitate establishing new ones. We believe that the amount of capital required to open new branches is less than the amount of capital required to consummate acquisitions. We cannot assure you that we will successfully open new branches or that, if opened, such branches will result in any material revenues or contribute positively to our earnings.

We continue to try to improve our gross margins by working closely with our customers to minimize costs associated with workers' compensation claims. We have implemented safety training and education programs at all branch locations and key customer locations. We also review the risk profiles of certain clients to assess the potential workers' compensation claims liabilities as compared to their potential profitability level. In addition, we expanded our return-to-work program closely monitoring each employee's injury status to enable the employees to return to work as soon as medically advisable. We attempt to manage unemployment insurance costs through aggressive claim adjudication and actively offering displaced employee's alternative

**Table of Contents**

job assignments. We cannot assure you that our continued efforts to manage workers' compensation claims and unemployment insurance costs or our new compensation plan will result in increased operating margins. In 2005, we entered into a Services Agreement and License & Support Agreement with VCG, Inc. for the installation, maintenance and support of a new front-office system, StaffSuite®, to be utilized in connection with our commercial and professional staffing operations. In addition, we entered into a Professional Services Agreement (including Proposal for Implementation) with IDEAL Consulting, Inc. for the installation of Great Plains® software for use in connection with our back-office systems, including our corporate accounting, finance, human resources and customer service processes. These two systems replaced our existing management information systems to support future growth of the Company. This implementation of a new management information system has required a significant investment in software, hardware, outside consultant assistance and internal personnel resources. Although we believe this technology initiative will increase productivity, improve operating efficiencies and lower long-term operating costs, there is no assurance that such an initiative will yield its intended results. The following table sets forth for the last five fiscal years, the total number of offices and their associated revenues. Average revenues per office are computed by dividing the relevant revenues by the number of offices. Our long-term revenue growth depends in part upon our ability to continue to attract new clients, retain existing clients, open new offices, as well as our ability to enhance the sales of existing offices beyond historical levels.

	For the Fiscal Years Ended				
	2006	2005	2004	2003	2002
	(Dollars in thousands)				
Number of offices	61	56	49	45	47
Total hours billed	10,927,323	11,121,141	9,683,921	8,611,203	8,333,481
Average hours billed per office	179,136	198,592	197,631	191,360	177,308
Total revenue	\$ 140,827	\$ 137,457	\$ 116,353	\$ 104,048	\$ 101,193
Average revenue per office	\$ 2,309	\$ 2,455	\$ 2,375	\$ 2,312	\$ 2,153

***For the fiscal year ended December 31, 2006, compared to December 25, 2005.***

Fiscal Year 2006 was comprised of 53 weeks, as opposed to fiscal 2005, which was comprised of 52 weeks.

**Results of Operations:**

Net service revenues totaled \$140.8 million for fiscal 2006 as compared to \$137.5 million for fiscal 2005. Net service revenue increased \$3.3 million, or 2.4%, the increase is primarily due to the additional week of operations. Gross profit was \$24.4 million for fiscal 2006 and \$23.0 million for fiscal 2005. Gross profit increased \$1.5 million, or 6.3% over prior year. Gross profit for fiscal year 2006 as a percent of revenue was 17.4% as compared to 16.7% for fiscal year 2005. This improvement is due to management's decision to eliminate higher risk and lower margin business and the increase in clerical, direct hire and temporary-to-permanent business. Selling, general and administrative expenses increased by \$2.1 million or 10.6%, to \$22.0 million for fiscal 2006 as compared to fiscal 2005. These expenses were 15.6% in fiscal year 2006 as compared to 14.5% in fiscal year 2005 as a percentage of revenue. Approximately \$1.4 million of this increase was attributable to our new branch openings. The remaining variance in these expenses is due to increased workers' compensation costs and hiring additional workforce.

**Table of Contents**

Other income (expense), net, increased to \$51,000 in income for fiscal 2006 from \$9,000 in expense for fiscal 2005. This increase is materially due to interest income earned as the Company invested excess cash in short-term bonds. As of December 31, 2006, there was no excess cash invested.

***For the fiscal year ended December 25, 2005, compared to December 26, 2004.***

Fiscal Year 2005 was comprised of 52 weeks, as was fiscal 2004.

**Results of Operations:**

Net service revenues totaled \$137.5 million for fiscal 2005 as compared to \$116.4 million for fiscal 2004. Net service revenue increased \$21.1 million, or 18.1%, due to the expansion of our customer base through the opening of new offices as well as the focus of the existing branches to increase account penetration and improve pricing. The opening of 10 new branches added \$9.2 million in revenues.

Gross profit was \$23.0 million for fiscal 2005 and \$18.4 million for fiscal 2004. Gross profit increased \$4.6 million, or 24.8% over prior year. Gross profit for fiscal year 2005 as a percent of revenue was 16.7% as compared to 15.8% for fiscal year 2004. This improvement is due to increased revenue levels, management's decision to eliminate higher risk and lower margin business and the increase in direct hire and temporary-to-permanent business.

Selling, general and administrative expenses increased by \$2.9 million or 16.8%, to \$19.9 million for fiscal 2005 as compared to fiscal 2004. These expenses were 14.5% in fiscal year 2005 as compared to 14.7% in fiscal year 2004 as a percent of revenue. During the 2005 fiscal year, the Company and its former Chief Financial Officer entered into a Settlement Agreement and Complete and Permanent Release, dated September 22, 2005, pursuant to which, the Company agreed to pay severance of \$290,000. In addition, \$817,000 of this increase was attributable to our new branch openings. The remaining variance in these expenses is due to increased compensation costs and hiring additional workforce for the higher sales volume. The Company continues to closely manage expense levels to leverage its cost structure as business volume increases.

Other income (expense), net, increased to \$9,000 in expense for fiscal 2005 from \$26,000 in income for fiscal 2004. This increase is materially due to \$7,000 interest expense paid as the Company had borrowings against its revolving credit facility in only the fourth quarter of fiscal 2005. Fiscal year 2004 included a \$15,000 state incentive payment to the Company.

Our fiscal 2006 tax expense was \$1,148,000 and the effective tax rate for 2006 was 46.2%. The Internal Revenue Service (the IRS) has completed and closed its examinations of the Company's tax returns for all years through 2003. In connection with these examinations, in January 2006, the IRS issued the Company an assessment related to the previously filed 2001 tax return, which disallowed \$3,114,000 of net operating loss (NOL) carryforwards. These NOLs represented \$1,182,000 of the Company's deferred tax assets, and were derived from the 2000 sale of the industrial maintenance business. Therefore, the effective tax rate for fiscal 2005 was 82.6%, which resulted in tax expense of \$2,542,000. This is compared to our fiscal 2004 tax expense of \$515,000. The effective tax rate for fiscal 2004 was 36.8%. The Company has notified the IRS of their acceptance of the IRS findings and we have received the final IRS ruling letter. As a result of this ruling, the Company has reduced the deferred tax asset to reflect this settlement and has exhausted the deferred tax asset related to the sale. However, this adjustment did not impact revenues or operating expenses for 2005 and resulted in no cash impact for the 2005 fiscal year. Accordingly, for future periods, the Company anticipates that cash outlays will occur for income tax purposes.

**Table of Contents****Critical Accounting Policies and Estimates:**

The discussion and analyses of the Company's financial condition and results of operations were based on the Company's financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. The Company has identified the policies below as critical to the Company's business operations and the understanding of its results of operations. For a detailed discussion on the application of these and other accounting policies, see the notes to the Financial Statements in Item 8 of this Annual Report on Form 10-K. Note that the preparation of this Annual Report on Form 10-K requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company's management reviews and evaluates these estimates and assumptions, including those that relate to revenue recognition, accounts receivable, workers' compensation costs, goodwill, other long-lived assets, income taxes including the deferred tax assets, contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies are those most significantly affected by the judgment, estimates and/or assumptions used in the preparation of the Company's financial statements.

**(a) Allowance for Doubtful Accounts**

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

**(b) Self-Insurance Reserves**

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

**(c) Goodwill**

In July 2001, the Financial Accounting Standards Board issued Financial Accounting Standards No. 142 (SFAS No. 142), *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. At December 31, 2006 and December 25, 2005, the Company did not have indefinite lived intangible assets other than goodwill and did not have any intangible assets with definite lives. Factors included in the impairment analysis include expected revenue and EBITDA growth rates, working capital needs, discount rates and earnings multiples. These assumptions are based on management's best estimate of the current and expected economic environment. As prescribed, the Company screened for impairment of goodwill during the fourth fiscal quarters of 2006 and 2005 and found no instances of impairment of its recorded goodwill.

**Table of Contents****(d) Deferred Tax Assets**

Income taxes are accounted for by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss and credit carryforwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

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

For more information, see 2006 Results of Operations.

**(e) Revenue Recognition**

The Company generates revenue from the sale of temporary staffing and direct-hire services by its operations. Temporary staffing revenues and the related labor costs and payroll taxes are recorded in the period in which the services are performed. Direct hire revenues are recognized when the direct hire candidate begins full-time employment.

**Liquidity and Capital Resources:**

Historically, we have financed our operations through existing cash balances, operating cash flows and a revolving line of credit. The principal uses of cash are capital expenditures and working capital needs. The nature of the staffing business requires payment of wages to temporary employees and consultants on a weekly basis, while payments from customers are generally received 30-60 days after billing.

The quick ratio was 3.3 to 1 and 3.1 to 1 at December 31, 2006 and December 25, 2005, respectively, and the current ratio was 3.6 to 1 and 3.4 to 1 for the same respective periods. The primary source of funding is generated from results of operations. Net working capital increased by \$282 thousand during fiscal 2006 as a result of operations.

Contributing to this was a decrease in accounts receivable of approximately \$1.2 million offset by an increase in cash of approximately \$1.1 million during this period due to collection efforts. This was offset by an increase in net accrued expenses of \$432,000.

***Cash Flows***

As of December 31, 2006, the Company had total cash resources available of \$3.0 million all held in the United States. On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders Trust Company ( M&T ) that extends for three years the \$7,500,000 Committed Revolving Credit Facility ( Facility ) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank's prime rate or the thirty, sixty or ninety day LIBOR (as defined in the agreement) plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter's EBITDA, as defined in the agreement. Throughout 2006 and 2005, the Company was in compliance with all covenants. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

**Table of Contents**

**Operating cash flows**

Operating cash flows for 2006 of approximately \$3.1 million are primarily comprised of earnings, \$615 thousand of non-cash expenses for depreciation and amortization, and a non-cash deferred income tax benefit of 195 thousand offset by working capital usage of \$916 thousand. Days sales outstanding ( DSO ) for 2006 increased to 47 days from 50 days in the prior year. Each one-day increase in DSO approximates a source of \$379,000 of working capital.

Operating cash flows for 2005 of \$2.1 million are primarily comprised of earnings, \$336,000 of non-cash expenses for depreciation and amortization, stock compensation of \$461,000 and a non-cash deferred income tax benefit of \$2.4 million offset by working capital usage of \$1.8 million. Days sales outstanding ( DSO ) for 2005 increased to 50 days from 53 days in the prior year. Each one-day increase in DSO approximates a source of \$377,000 of working capital.

Operating cash flows for 2004 of \$113,000 are primarily comprised of earnings, \$461,000 of non-cash expenses for depreciation and amortization, stock compensation of \$273,000 and a non-cash deferred income tax benefit of \$428,000 offset by the working capital usage of \$1.9 millions. Working capital for 2004 was used primarily to fund accounts receivable as DSO decreased to 53 days from 48 days in the prior year.

**Investing cash flows**

Investing cash flows for 2006 of approximately \$2.0 million are related to continuing capital expenditures associated with the implementations of both StaffSuite® and Great Plains® as described in the 2005 section immediately below and the move of the corporate headquarters office and its build-out.

Investing cash flows for 2005 of approximately \$1.5 million are related to capital expenditures. The reason for the increase is due to the Company entering into a Services Agreement and License & Support Agreement with VCG, Inc. for the installation, maintenance and support of a new front-office system, StaffSuite®, which is utilized in connection with the Company's commercial and professional staffing operations. In addition, the Company entered into a Professional Services Agreement (including Proposal for Implementation) with IDEAL Consulting, Inc. for the installation of Great Plains® software for use in connection with the Company's back-office systems, including its corporate accounting, finance, human resources and customer service processes. These two systems replaced its existing management information systems to support future growth of the Company. This implementation of a new management information system has required a significant investment in software, hardware, outside consultant assistance and internal personnel resources.

Investing cash flows for 2004 of \$370,000 are related to capital expenditures.

The Company expects the total 2007 capital expenditures to be between \$300,000 and \$500,000 and to be funded through operating cash flows or through borrowings under the existing revolving line of credit.

**Financing cash flows**

The net financing cash outflows for 2006, 2005 and 2004 are zero. In 2005, the Company borrowed against the existing line of credit and repaid the line back within the same fiscal year.

The Company believes that a combination of our existing cash balances, other liquid assets, operating cash flows, and existing revolving line of credit, taken together, provide adequate resources to fund ongoing operating requirements, however, our operating cash flow could be impacted by factors outside of our control.

**Table of Contents****Material Commitments:**

The Company's contractual cash obligations as of December 31, 2006 are summarized in the table below:

	(Amounts in thousands)				
	Payable during 2007	Payable 2008 - 2010	Payable 2011 - 2013	Payable after 2013	Total
Operating leases (1)	\$ 1,511	\$ 2,898	\$ 1,042	\$	\$ 5,451
Total	\$ 1,511	\$ 2,898	\$ 1,042	\$	\$ 5,451

(1) Includes minimum lease payment obligations for equipment and real property leases in effect as of December 31, 2006.

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

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

**Table of Contents****ITEM 8. *Financial Statements and Supplemental Data***

## Index to Financial Statements

	Page Reference
The financial statements of the registrant required to be included in Item 8 are listed below:	
Report of Independent Registered Certified Public Accounting Firm	21
Balance Sheets as of December 31, 2006 and December 25, 2005	22
Statements of Income for the periods ended December 31, 2006, December 25, 2005 and December 26, 2004	23
Statements of Stockholders' Equity for the periods ended December 31, 2006, December 25, 2005 and December 26, 2004	24
Statements of Cash Flows for the periods ended December 31, 2006, December 25, 2005 and December 26, 2004	25
Notes to Financial Statements	27



**Table of Contents**

**Report of Independent Registered Certified Public Accounting Firm**

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

In our opinion, the accompanying balance sheets and the related statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Ablest Inc. at December 31, 2006 and December 25, 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

/s/ PricewaterhouseCoopers LLP

Tampa, Florida

March 9, 2007

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

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

	December 31, 2006	December 25, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,040	\$ 1,931
Accounts receivable, net	17,564	18,760
Prepaid expenses and other current assets	439	469
Current deferred tax asset	1,323	1,246
Total current assets	22,366	22,406
Property, plant and equipment, net	3,259	1,732
Deferred tax asset	592	863
Goodwill	1,283	1,283
Other assets	64	171
Total assets	\$ 27,564	\$ 26,455
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 375	\$ 790
Income taxes payable	296	51
Accrued insurance	2,965	2,536
Accrued wages	1,995	2,738
Other current liabilities	566	514
Total current liabilities	6,197	6,629
Other liabilities	261	432
Total liabilities	6,458	7,061
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock of \$.05 par value; 500,000 shares authorized, none issued or outstanding at December 31, 2006 and December 25, 2005		
Common stock of \$.05 par value; 7,500,000 shares authorized, 3,385,153 and 3,346,877 shares issued and outstanding including shares held in treasury at December 31, 2006 and December 25, 2005, respectively	169	167
Additional paid-in capital	5,636	5,265

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Retained earnings	17,411	16,072
Treasury stock at cost; 457,729 shares held at both December 31, 2006 and December 25, 2005	(2,110)	(2,110)
Total stockholders' equity	21,106	19,394
Total liabilities and stockholders' equity	\$ 27,564	\$ 26,455

See accompanying Notes to Financial Statements

22

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

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

	For the Fifty-Three Week Period Ended		For the Fifty-Two Week Periods Ended	
	December 31, 2006	December 25, 2005	December 26, 2004	
Net service revenues	\$ 140,764	\$ 137,457	\$ 116,353	
Cost of services	116,326	114,471	97,938	
Gross profit	24,438	22,986	18,415	
Selling, general and administrative expenses	22,002	19,899	17,043	
Operating income	2,436	3,087	1,372	
Other:				
Interest income (expense), net	29	(7)	1	
Miscellaneous income (expense), net	22	(2)	25	
Other income (expense)	51	(9)	26	
Income from continuing operations before income taxes	2,487	3,078	1,398	
Income tax expense	1,148	2,542	515	
Net income	\$ 1,339	\$ 536	\$ 883	
Basic net income per common share:				
Basic net income per common share	\$ 0.47	\$ 0.19	\$ 0.31	
Diluted net income per common share:				
Diluted net income per common share	\$ 0.45	\$ 0.18	\$ 0.30	
Weighted average number of common shares in computing net income per common share				
Basic	2,877,546	2,861,097	2,839,272	

Diluted	2,959,968	2,922,981	2,921,853
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See accompanying Notes to Financial Statements

23

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**Table of Contents**

**ABLEST INC.**  
**Statements of Stockholders Equity**  
(Amounts in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders equity
Balance at December 28, 2003	\$ 165	\$5,018	\$ 14,653	\$(2,110)	\$17,726
Net income			883		883
Restricted stock plan	1	86			87
Executive stock awards plan	1	68			69
Balance at December 26, 2004	\$ 167	\$5,172	\$ 15,536	\$(2,110)	\$18,765
Net income			536		536
Restricted stock plan		93			93
Balance at December 25, 2005	\$ 167	\$5,265	\$ 16,072	\$(2,110)	\$19,394
Net income			1,339		1,339
Restricted stock plan	1	244			245
Executive stock awards plan	1	115			116
Director s restricted stock plan		12			12
Balance at December 31, 2006	\$ 169	\$5,636	\$ 17,411	\$(2,110)	\$21,106

See accompanying Notes to Financial Statements.

24

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**Table of Contents**

**ABLEST INC.**  
**Statements of Cash Flows**  
(Amounts in thousands)

	For the Fifty-Three Week Period Ended	For the Fifty-Two Week Periods Ended	
	December 31, 2006	December 25, 2005	December 26, 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 1,339	\$ 536	\$ 883
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	615	336	461
Stock compensation		461	273
Gain on disposal of property and equipment	10	2	13
Deferred income taxes	194	2,467	428
Change in income taxes payable	245	8	43
Changes in assets and liabilities (next page)	858	(1,709)	(1,988)
Net cash provided by operating activities	3,261	2,101	113
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property and equipment	(2,152)	(1,527)	(370)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings		1,000	
Repayment of short-term borrowings		(1,000)	
Net cash provided by (used in) financing activities			
Net increase (decrease) in cash	1,109	574	(257)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,109</b>	<b>574</b>	<b>(257)</b>
<b>CASH BEGINNING OF PERIOD</b>	<b>1,931</b>	<b>1,357</b>	<b>1,614</b>
<b>CASH END OF PERIOD</b>	<b>\$ 3,040</b>	<b>\$ 1,931</b>	<b>\$ 1,357</b>

See accompanying Notes to Financial Statements

**Table of Contents**

**ABLEST INC.**  
**Statements of Cash Flows, continued**  
(Amounts in thousands)

	For the Fifty-Three Week Period Ended	For the Fifty-Two Week Periods Ended	
	December 31, 2006	December 25, 2005	December 26, 2004
Changes in assets and liabilities providing (using) cash:			
Accounts receivable, net	\$ 1,196	\$ (1,977)	\$ (3,005)
Prepaid expenses and other current assets	30	(309)	53
Other assets	107	(131)	(1)
Accounts payable	(415)	455	9
Accrued insurance	429	(533)	
Accrued wages	(743)	749	
Other current liabilities	52	89	928
Other liabilities	202	(52)	28
Total change in assets and liabilities providing (using) cash	\$ 858	\$ (1,709)	\$ (1,988)
Supplemental disclosures of cash flow information:			
Cash paid during year for:			
Interest	\$ 1	\$ 1	\$ 1
Income Taxes	508	28	28
	\$ 509	\$ 29	\$ 29

See accompanying Notes to Financial Statements



**Table of Contents**

**ABLEST INC.  
Notes to Financial Statements**

**1. Description of Business**

Ablest Inc. ( Company ) offers staffing services in the United States. Staffing services are principally provided through 61 company-owned service locations in the Eastern United States and selected Southwestern markets with the capability to supply staffing services for the clerical, light industrial, information technology, and finance and accounting needs of their customers. Positions often filled include, but are not limited to, data entry, office administration, telemarketing, light industrial assembly, order picking and shipping, network administration, database administration, program analyst (both mainframe and client server), web development, project management, technical writing, accounting, financial analysis and internal auditing. The Company does not service any specific industry or field; instead, its services are provided to a broad-based customer list.

**2. Significant Accounting Policies**

***Basis of Presentation***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission.

***Fiscal Years***

The Company s fiscal year ends on the last Sunday of December. The financial statements include 53 weeks for the year ended December 31, 2006 and 52 weeks for the years ended December 25, 2005 and December 26, 2004.

***Cash Equivalents***

All highly liquid investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents at December 31, 2006 and December 25, 2005.

***Revenue Recognition***

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

***Property and Equipment***

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

Expenditures for maintenance and repairs are charged to expense as incurred. Additions and major replacements or betterments that increase capacity or extend useful lives are added to the cost of the asset. Upon sale or retirement of the asset, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in other income (expense), net in the accompanying statements of income. During the fiscal years 2006 and 2005, the Company did not

**Table of Contents**

**ABLEST INC.**

**Notes to Financial Statements, continued**

write off any material assets that were no longer utilized.

***Allowance for Doubtful Accounts***

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

***Self-Insurance Reserves***

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

***Goodwill and Other Intangible Assets***

The Company follows Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment; while the second phase (if necessary), measures the impairment. The Company screened for impairment during the fourth fiscal quarter of 2006, 2005 and 2004 and found no instances of impairment of its recorded goodwill.

***Concentration of Credit Risk***

The Company is subject to credit risk primarily due to a concentration of revenue derived from its relationship with one major customer, which contributed 12.1%, 9.3%, and 6.2% of total revenue for the fiscal years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

***Impairment of Long-Lived Assets***

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

**Table of Contents**

**ABLEST INC.**

**Notes to Financial Statements, continued**

years ended 2006, 2005 or 2004.

***Advertising Costs***

The Company expenses advertising costs as incurred. Advertising expenses were \$257,000, \$192,000, and \$155,000 for the fiscal years 2006, 2005, 2004, respectively.

***Income Taxes***

Income taxes are accounted for by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to operating loss and credit carryforwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

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

***Income per Common Share***

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

***Use of Estimates and Assumptions***

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates made in the preparation of the financial statements include revenue recognition, the allowance for doubtful accounts, deferred tax assets, goodwill impairment and workers' compensation reserves.

***Stock Option Plans***

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of the grant if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards No. 123 ( SFAS No. 123 ) Accounting for Stock Based Compensation, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123. Effective

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

January 1, 2006, the Company adopted SFAS No. 123R (revised 2004), *Share-Based Payment*, which is a revision of SFAS No. 123 *Accounting for Stock-Based Compensation* and supersedes Accounting Principles Board ( APB ) Opinion No. 25 *Accounting for Stock Issued to Employees* and its related implementation guidance. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). The cost is recognized over the period during which an employee is required to provide services in exchange for the award. The Company adopted SFAS No. 123R using the modified prospective method. Under this method, results of prior periods are not restated. There was no share-based compensation expense recorded in fiscal year 2006.

The Company did not recognize share-based compensation related to options for the years ended December 31, 2005 and 2004. The exercise price of the Company's employee stock awards equaled the market price of the underlying stock on the date of the grant per APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Prior to January 1, 2006, the Company followed SFAS No. 123, *Accounting for Stock Based Compensation*, as amended by SFAS No.148 *Accounting for Stock-Based Compensation Transition and Disclosure*, through disclosure only. The Company accounted for share-based compensation using the intrinsic value method prescribed in APB Opinion No. 25, and related interpretations. The fair value for each option grant was estimated under SFAS No. 123 using the Black-Scholes pricing model.

***Segment Reporting***

At December 31, 2006 and December 25, 2005, the Company has one reportable segment.

***Fair Value of Financial Instruments***

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

***Recent Accounting Pronouncements***

In May 2005, the FASB issued SFAS No. 154 *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB Opinion No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements* and changes the requirements of the accounting for and reporting of a change in accounting principle. SFAS No. 154 also provides guidance on the accounting for and reporting of error corrections. The provisions of this statement are applicable for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. The Company does not believe that adoption of SFAS No. 154 will have a material impact.

In June 2005, the Emerging Issues Task Force ( EITF ) reached a consensus on Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements*, which requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. EITF No. 05-6 is effective for periods beginning after June 29, 2005. The Company does not expect the provisions of this consensus to have a material impact on the Company's financial position or results of operations.

In July 2006, FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 prescribes a recognition threshold and measurement process for recording in the financial statements certain tax provisions

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

taken or expected to be taken in a tax return in accordance with SFAS No. 109 Accounting for Income Taxes. Tax positions must meet a more-than-likely-than-not threshold at the effective date to be recognized upon adoption on FIN 48 and in subsequent periods. The accounting provisions of FIN 48 will be effective for the Company beginning in fiscal year 2007. The Company has completed its evaluation and does not expect the provisions to have a material impact on the Company's financial position or results of operations.

In September 2006, FASB issued FAS 157 Fair Value Measurements ( FAS 157 ). FAS 157 established a standard definition for fair value, establishes a framework under generally accepted accounting principles for measuring fair value and expands disclosure requirements for fair value measurements. The accounting provisions of FAS 157 will be effective for the Company beginning in fiscal year 2008. The Company has not yet completed its evaluation of the impact of adoption on the Company's financial position or results of operations but does not expect the provision to have a material impact.

In September 2006, FASB issued SAB 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements ( SAB 108 ). SAB 108 provides interpretative guidance on how the effects of the carryover of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 will be effective for the Company beginning in fiscal year 2007. The Company has not yet completed its evaluation of the impact of adoption on the Company's financial position or results of operations but does not expect the provision to have a material impact.

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

**3. Allowance for Doubtful Accounts**

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

(Amounts in thousands)	December 31, 2006	December 25, 2005
Balance, beginning of year	\$ 275	\$ 285
Additions charged to cost and expense	266	97
Accounts receivable written-off	(266)	(107)
Balance, end of year	\$ 275	\$ 275

**4. Property and Equipment**

The following is a summary of property and equipment:

**Table of Contents**

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

(Amounts in thousands)	December 31, 2006	December 25, 2005
Office furniture and equipment	\$ 7,620	\$ 6,535
Leasehold improvements	945	402
	\$ 8,565	\$ 6,937
less: Accumulated depreciation	(5,306)	(5,205)
	\$ 3,259	\$ 1,732

Depreciation expense for the years ended December 31, 2006, December 25, 2005, and December 26, 2004 was approximately \$615,000, \$336,000, and \$461,000 respectively.

**5. Goodwill**

Effective in 2002, the Company adopted SFAS No.142 Goodwill and Other Intangible Assets . SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives are no longer amortized, but rather are evaluated for impairment by applying a fair-value based test. During fiscal years 2006, 2005 and 2004, the Company performed tests for impairment, in accordance with the standard, and found no instance of such.

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

A summary of accrued expenses and other current liabilities follows:

(Amounts in thousands)	December 31, 2006	December 25, 2005
Payroll and other compensation	\$ 1,995	\$ 2,738
Insurance	2,965	2,536
Other	566	514
Accrued expenses and other current liabilities	\$ 5,526	\$ 5,788

The Company provides workers compensation insurance and contracts its claims administration with an independent third-party carrier. Each annual contract covers all workers compensation claim costs greater than a specified deductible amount on a per occurrence basis. The Company is self-insured for its deductible liability (\$250,000 per individual claim for fiscal years 2005 and 2004 and \$500,000 per incident for all subsequent periods). The carrier is responsible for incremental losses in excess of the applicable deductible amount.

The Company establishes a reserve for the estimated remaining deductible portion of its workers compensation claims, representing the estimated ultimate cost of claims and related expenses that have been reported but not settled, and that have been incurred but not reported. The estimated ultimate cost of a claim is determined based upon a detailed actuarial analysis of historical claims experience of both the Company and the staffing industry. The Company periodically updates the actuarial analysis supporting the development factors utilized and revises those development factors, as necessary. Adjustments to the claims reserve are recorded to expense in the years which they occur.

**7. Indebtedness**

On August 2, 2005, the Company entered into a Modification Agreement with Manufacturers and Traders

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

Trust Company ( M&T ) that extends for three years the \$7,500,000 Committed Revolving Credit Facility ( Facility ) originally signed on August 13, 2003. The Company elects the interest rate on borrowings under the Facility at the time of borrowing at either the bank's prime rate or the thirty, sixty or ninety day LIBOR (as defined in the agreement) plus 125 basis points, a reduction of 75 basis points from the expiring agreement. The Facility expires on August 12, 2008 and is renewable with the consent of both parties. The Company believes that the Facility will be sufficient to cover foreseeable operational funding requirements until expiration of the Facility. The Facility requires the Company to maintain certain financial covenants including a tangible net worth ratio among other restrictions. The most restrictive covenant is the limitation of total indebtedness which caps total funded indebtedness to 3.5 times the four most recent quarter's EBITDA, as defined in the agreement. During the fourth quarter of 2005, the Company had \$1,000,000 in borrowings against the Facility and subsequently paid all of the borrowings back within this same quarter. During this time and throughout 2006 and 2005, the Company was in compliance with all covenants. It is anticipated that existing funds, cash flows from operations and available borrowings will be sufficient to cover working capital requirements, organic growth and capital expenditure requirements.

**8. Stock Option Plans**

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

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

Outstanding at December 26, 2004	48,000	\$ 5.16
Granted	6,000	6.88
Outstanding at December 25, 2005	54,000	\$ 5.38
Granted		
Outstanding at December 31, 2006	54,000	\$ 5.38

At December 31, 2006, the range of exercise prices for options issued under the Director's Plan was \$4.10 to \$8.00, and the weighted average contractual life of the options was 5.04 years. In 2006, this Plan was terminated and replaced with the 2006 Directors' Plan (see footnote 9). This termination did not effect any outstanding options under the 2000 Directors' Plan and all such options will continue to remain outstanding and be governed by the 2000 Directors' Plan. All options under the 2000 Directors' Plan are fully vested.

In August 2000, the Board approved the Ablest Inc. Option to Ownership Program, (the Program ). The

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

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

The Company had reserved 375,000 common shares for issuance in conjunction with its 1991 Stock Option Plan (the Plan). The Plan provided for the granting of incentive stock options and/or non-qualified options to officers and key employees to purchase shares of common stock at a price not less than the fair market value of the stock on the dates options were granted. Such options were exercisable at such time or times as may be determined by the Compensation Committee of the Board and generally expired no more than ten years after grant. Options vest and became fully exercisable six months after the grant date. In the year ended December 31, 2000, 58,336 options were converted to common shares under the Option to Ownership Program. As of December 31, 2006, all remaining options had expired and under a 2006 amendment, no future options will be granted or issued under the plan.

	Stock Options	Weighted Average Exercise Price
Outstanding at December 28, 2003	24,000	\$ 7.48
Canceled or expired	(18,000)	7.78
Outstanding at December 26, 2004	6,000	\$ 6.94
Canceled or expired	6,000	6.94
Outstanding at December 31, 2006 and December 25, 2005		\$
Options exercisable at December 31, 2006		\$

**9. Incentive Plans**

In 2002, the Company implemented a Restricted Stock Plan (the Plan), the purpose of the Plan is to promote the long-term growth and profitability of the Company by providing executive officers and certain other key employees of the Company with incentive to improve stockholder values, contribute to the success of the Company and enabling the Company to attract, retain and reward the best available persons for positions of substantial responsibility. An aggregate of 250,000 shares of common stock of the Company (hereinafter the shares) may be issued pursuant to the Plan. The maximum number of restricted shares that may be granted to any single individual in any one calendar year shall not exceed 25,000 shares. With respect to each grant of





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

restricted shares under the Plan, one-third of the subject shares will become fully vested on the first anniversary of the date of grant, another one-third of the subject shares will become vested on the second anniversary of the date of grant, and the final one-third of the subject shares will become vested on the third anniversary of the date of grant. The Plan commenced effective the first day of fiscal 2002, and received approval by the holders of a majority of the Company's outstanding common stock in fiscal 2002. Unless previously terminated, the Plan shall terminate at the close of business on the last day of fiscal year 2006. In fiscal 2004, the Company expensed \$117,400 for approximately 16,000 shares. In 2005, the Company expensed \$245,000 for approximately 27,000 shares. In 2006, the Company recorded no expense as there were no restricted stock plan shares earned.

In 2004, the Company implemented an Executive Stock Awards Plan. The purpose of which is to promote the long-term growth and profitability of the Company by providing executive officers with incentives to improve stockholder value and contribute to the success of the Company. An aggregate of 135,000 shares of common stock of the Company may be issued, with the maximum number issued to any single individual in a calendar year capped at 30,000 shares. The Executive Stock Awards Plan provides for an initial grant of shares, effective as of January 1, 2004 and subsequent grants for 2004, 2005 and 2006 subject to performance targets set for each year by the Compensation Committee. Shares will vest on January 1 of the year following the grant. During 2004, the Company expensed \$69,000 for 13,500 restricted shares earned by executive officers pursuant to initial granting of shares. No subsequent grants were awarded for fiscal 2004. During 2005, the Company expensed \$121,500 for approximately 13,500 restricted shares earned by executive officers. During 2006, the Company recorded no expense as there were no executive stock awards.

In 2006, the Company approved and implemented the 2006 Director's Plan. The purpose of the 2006 Directors' Plan is to strengthen the alignment of interests between the members of the Board of Directors who are not employees or officers of the Company (each, a non-employee Director) and the stockholders of the company through the increased ownership by the company's non-employee Directors of the Company's common stock. An aggregate of 46,000 shares of common stock are reserved for this Plan. Under this new plan, initial awards to Independent Directors upon first election to the Board of Directors will be grants of 1,000 restricted shares of the Company's common stock and re-election awards will be grants of 250 restricted shares of the Company's common stock under the 2006 Director's Plan. Under the current 2006 Director's Plan, any non-employee Director shall be a participant in the 2006 Director's Plan.

**10. Income Taxes**

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

(Amounts in thousands)	December 31, 2006	December 25, 2005	December 26, 2004
Income tax expense:			
Federal, current	\$ 756	\$ 2,271	\$ 459
Federal, deferred	178		
State, current	198	7	(30)
State, deferred	16	264	86
Total tax expense	\$ 1,148	\$ 2,542	\$ 515

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

**Table of Contents**

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

(Amounts in thousands)	December 31, 2006	December 25, 2005	December 26, 2004
Computed expected tax expense:	\$ 851	\$ 1,047	\$ 475
Adjustments resulting from:			
State tax, net of Federal tax benefit	\$ 99	\$ 122	\$ 55
Meals and entertainment	31	45	32
Change in estimate for tax benefit, other	168	179	(563)
Change in estimate for tax benefit (IRS Audit)		1,149	
Valuation allowance			
Total expected tax expense	\$ 1,148	\$ 2,542	\$ (0)
Effective tax rate	46.2%	82.6%	36.8%

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

(Amounts in thousands)	December 31, 2006	December 25, 2005
Deferred tax assets and liabilities:		
Allowance for doubtful accounts	\$ 104	\$ 104
Accrued insurance expense	1,108	919
Accumulated depreciation of property and equipment	(42)	63
Accumulated amortization of other assets	566	625
AMT Tax Paid		142
Other	179	256
Net deferred tax assets	\$ 1,915	\$ 2,109

The effective tax rate for fiscal 2006 is 46.2%. The Internal Revenue Service (the "IRS") has completed and closed its examinations of the Company's tax returns for all years through 2003. In connection with these examinations, in January 2006, the IRS issued the Company an assessment related to the previously filed 2001 tax return, which disallowed \$3,114,000 of net operating loss ("NOL") carryforwards. These NOLs represented \$1,182,000 of the Company's deferred tax assets, and were derived from the 2000 sale of the industrial maintenance business. Therefore, the effective tax rate for fiscal 2005 was 82.6%, which resulted in tax expense of \$2,542,000. The Company has notified the IRS of their acceptance of the IRS findings and received the final IRS ruling letter. As a result of this ruling, the Company has reduced the deferred tax asset to reflect this settlement and has exhausted the deferred tax asset related to the sale. However, this adjustment did not impact revenues or operating expenses for 2005 and resulted in no cash impact for the 2005 fiscal year. Accordingly, for future periods, the Company anticipates that cash outlays will occur for income tax purposes.

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

realizable.

**Table of Contents****ABLEST INC.****Notes to Financial Statements, continued****11. Employee Benefit Plans**

The Company maintains a qualified defined contribution plan covering all employees in the United States. The Company matches the contributions of participating employees, with a maximum contribution limit, on the basis of the percentages specified in the plan. The matching contributions were approximately \$245,000, \$207,000 and \$183,000 for the years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

**12. Lease Commitments**

The Company occupies certain facilities under non-cancelable operating lease arrangements. Expenses under such arrangements amounted to approximately \$1,469,000, \$1,370,000, and \$1,288,000 for the years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

In addition, the Company leases certain automotive and office equipment under non-cancelable operating lease arrangements, which provide for minimum monthly rental payments. Expenses under such arrangements amounted to approximately \$211,000, \$137,000, and \$133,000 for the years ended December 31, 2006, December 25, 2005, and December 26, 2004, respectively.

Management expects that in the normal course of its continuing operations, new leases will replace leases that expire. Real estate taxes, insurance and maintenance expenses are obligations of the Company. A summary of future minimum operating lease payments for continuing operations at December 31, 2006 follows:

Year	(Amounts in thousands)		
	Real Property	Equipment	Total
2007	\$ 969	\$ 59	\$ 1,028
2008	701	13	714
2009	565		565
2010	485		485
2011	323		323
Thereafter	406		406
Total	\$ 3,449	\$ 72	\$ 3,521

**13. Contingencies**

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

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company is self-insured for general liability and workers' compensation. Accruals for losses are made based on the Company's claims experience and actuarial assumptions followed in the insurance industry. Management believes that the amount accrued is adequate to cover all known and unreported claims at December 31, 2006. Actual losses could differ from accrued amounts.

**Table of Contents**

**14. Subsequent Events**

As previously reported, on January 18, 2007, the Company's Board of Directors received a proposal from certain existing investors, including Charles H. Heist, III, the Company's Chairman of the Board, Kurt R. Moore, the Company's President and Chief Executive Officer, The Burton Partnership (QP), Limited Partnership and The Burton Partnership, Limited Partnership, to acquire all of the Company's publicly held common stock for \$7.50 per share in cash.

The Company's Board of Directors formed a Special Committee of four independent directors to review and evaluate the foregoing proposal and any strategic alternatives to the proposal that may be available to the Company.

Subsequent to the Company's public announcement of receipt of the foregoing buyout proposal, the Special Committee received an indication of interest from a potential third-party acquirer. The Special Committee has not made a determination whether either proposed transaction is in the best interests of the Company and its stockholders or whether the Company should pursue any other available strategic alternatives. The Special Committee continues to evaluate the foregoing proposals, as well as other strategic alternatives for the Company. Accordingly, no assurances can be given as to whether any particular strategic alternative will be pursued or implemented. The Special Committee currently does not intend to make any further public announcements regarding its review of possible strategic alternatives until its evaluation process has been completed. See also Item 3. Legal Proceedings.

The Company understands that on March 5, 2007, David Ryman, an alleged shareholder of the Company, filed a lawsuit against the Company, certain Company directors and officers, and other parties, on behalf of a putative class of the Company's public shareholders. The litigation is pending in the Circuit Court of the 13th Judicial Circuit in and for Hillsborough County, Florida. The Company has not been advised that any defendant has been served with the Complaint. The litigation relates to the Company's January 23, 2007 announcement that: (i) certain existing investors, including Charles H. Heist, III, the Company's Chairman of the Board, Kurt R. Moore, the Company's President and Chief Executive Officer, and two partnerships that own Company shares, have presented the Company with a proposal to acquire all of the Company's publicly held common stock; and (ii) the Company's Board of Directors has formed a Special Committee of four independent directors to review and evaluate the proposal, as well as other strategic alternatives for the Company. In his Complaint, the plaintiff seeks: (i) an order enjoining the defendants from proceeding with, consummating or closing the proposed transaction; (ii) in the event that the transaction is closed, an order rescinding the transaction or awarding damages; and (iii) an award of attorney's fees, expert's fees and costs. The Company believes that the claims being made in the foregoing litigation are without merit and, if such litigation proceeds, it intends to vigorously defend against such claims.

**Table of Contents**

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

None.

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

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

During the last fiscal year, there have not been any changes in the Company's internal controls over financial reporting or in other factors to the Company's knowledge that could materially affect, or is reasonably likely to materially affect the internal control over financial reporting, including any corrective action with regard to significant deficiencies and material weaknesses. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events.

**ITEM 9B. *Other Information***

None.

**PART III**

**ITEM 10. *Directors, Executive Officers and Corporate Governance of the Registrant***

The information in response to this item is hereby incorporated by reference to the information under the caption "Nominees for Directors" presented in the Company's definitive proxy statement to be filed with the Securities and Exchange Commission and used in connection with the solicitation of proxies for the Company's 2007 Annual Meeting of Stockholders (the "Proxy Statement").

**ITEM 11. *Executive Compensation***

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

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

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

**Table of Contents**

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

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

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

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

**PART IV**

**ITEM 15. *Exhibits and Financial Statement Schedules***

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

(1) Financial Statements

See Index to Financial Statements on page 20.

(2) Supplemental Schedules

Schedule II Valuation and Qualifying Accounts

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

(3) Exhibits

Exhibit

Number

Exhibit

- |      |  |
|------|--|
| 2.1  | Agreement and Plan of Merger between C. H. Heist Corp. and Ablest Inc. dated February 4, 2000. (1)   |
| 2.2  | Agreement and Plan of Merger between Ablest Service Corp., PLP Corp., Milestone Technologies, Inc. and Ablest Inc., dated January 1, 2001. (2) |
| 3.1  | Certificate of Incorporation of the Company. (2)   |
| 3.2  | By-laws of the Registrant. (2)   |
| 10.1 | Asset Sale and Purchase Agreement between C. H. Heist Corp. and Onyx Industrial Services Inc. (1)  |
| 10.2 | Promissory Note dated August 13, 2003 between the Company and Manufacturers and Traders Trust Company. (3)                                     |
| 10.3 | Modification Agreement dated August 2, 2005 between Manufacturers and Traders Trust Company and Ablest Inc.(10)                                |



**Table of Contents**

Exhibit Number	Exhibit
10.4	Independent Directors Stock Option Plan adopted May 14, 2000.*(2)
10.5	Option to Ownership Plan adopted October 9, 2000.*(2)
10.6	Executive Stock Awards Plan.*(4)
10.7	2002 Restricted Stock Plan* (8)
10.8	Employment agreement with Charles H. Heist III, Chairman, dated January 1, 2004.*(5)
10.9	Employment agreement with W. David Foster, Vice Chairman, dated January 1, 2004.*(5)
10.10	Employment agreement with Kurt R. Moore, President and Chief Executive Officer, dated January 1, 2004.*(5)
10.11	Employment agreement with Vincent J. Lombardo, Vice President and Chief Financial Officer, dated January 1, 2004.*(5)
10.12	Settlement agreement and Complete and Permanent Release, dated September 22, 2005, between Vincent J. Lombardo and Ablest Inc.* (6)
10.13	VCG Services Agreement, dated September 29, 2005, between VCG, Inc. and Ablest Inc.(7)
10.14	VCG License and Support Agreement, dated September 29, 2005, between VCG, Inc. and Ablest Inc.(7)
10.15	Professional Services Agreement (including Proposal for Great Plains Implementation), dated September 30, 2005, between IDEAL Consulting, Inc. and Ablest Inc.(7)
10.16	Summary of Compensation Payable to Non-Employee Directors(9)
14	Code of Ethics for Senior Financial Officers. (5)
21	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



**Table of Contents**

Exhibit  
Number

Exhibit

32.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to item 15(b) of this report.

(1) Filed as Exhibit to the Registrant's Form 8-K report dated March 22, 2000 and incorporated herein by reference.

(2) Filed as an Exhibit to the Registrant's Form 10-K Report for the year ended December 31, 2000 and incorporated herein by reference.

(3) Filed as an Exhibit to the Registrant's Form 10-Q Report for the quarter ended September 28, 2003 and incorporated herein by reference.

(4) Filed as an Exhibit to the Registrant's Form S-8 filed

January 12,  
2004 and  
incorporated  
herein by  
reference.

- (5) Filed as an Exhibit to the Registrant's Form 10-K Report for the year ended December 28, 2003 and incorporated herein by reference.
- (6) Filed as an Exhibit to the Registrant's Form 8-K Report dated September 26, 2005 and incorporated herein by reference.
- (7) Filed as an Exhibit to the Registrant's Form 8-K Report dated October 5, 2005 and incorporated herein by reference.
- (8) Filed as an Exhibit to the Registrant's Form DEF 14A dated April 28, 2003 and incorporated herein by reference.

(9)

Filed as an  
Exhibit to the  
Registrant's  
Form 8-K  
Report dated  
November 9,  
2005 and  
incorporated  
herein by  
reference.

**Table of Contents**

**SIGNATURES**

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

ABLEST INC.

By: /s/ Kurt R. Moore  
Kurt R. Moore  
President and Chief Executive Officer

By: /s/ John Horan  
John Horan  
Vice President and  
Chief Financial Officer  
(on behalf of the Registrant and as Principal  
Financial and Accounting Officer)

Date: March 12, 2007

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

ABLEST INC.

/s/ Charles H. Heist

Charles H. Heist  
Chairman of the Board,  
Director

/s/ W. David Foster

W. David Foster  
Director

/s/ Kurt R. Moore

Kurt R. Moore  
President and Chief Executive  
Officer,  
Director (Principal Executive  
Officer)

/s/ Ronald K. Leirvik

Ronald K. Leirvik  
Director

/s/ Donna R. Moore

Donna R. Moore  
Director

/s/ Richard W. Roberson

Richard W. Roberson  
Director

/s/ Charles E. Scharlau

Charles E. Scharlau  
Director

March 12, 2007



**Table of Contents**

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

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

Our audits of the financial statements referred to in our report dated March 9, 2007 appearing in the December 31, 2006 Annual Report to Stockholders of Ablest Inc. (which report and financial statements are included in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements.

/s/ PricewaterhouseCoopers LLP

Tampa, Florida

March 9, 2007

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Table of Contents

**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
For the Periods Ended December 31, 2006, December 25, 2005 and December 26, 2004

(Amounts in thousands)	Balance at beginning of the period	Additions charged to costs and expense	Additions charged to other accounts	Deductions	Balance at end of the period
<b><i>Period Ended December 31, 2006</i></b>					
Allowance for doubtful accounts	\$ 275	266		266	275
<b><i>Period Ended December 25, 2005</i></b>					
Allowance for doubtful accounts	\$ 285	97		107	275
<b><i>Period Ended December 26, 2004</i></b>					
Allowance for doubtful accounts	\$ 246	257		218	285