COLLINS INDUSTRIES INC
Form 10-Q
August 03, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended: April 30, 2005

OR

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

For the transition period from ___________ to __________

Commission file number 0-12619

Collins Industries, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Missouri | 43-0985160 |
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification Number) |

| | | |
|---|---|---|
| 15 Compound Drive | Hutchinson, Kansas | 67502-4349 |
| (Address of principal executive offices) | | (Zip Code) |

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

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 X No

Indicate by check mark wither the registrant is an accelerated Filer (as defined under rule 12b-2 of the Act). Yes No X

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Common Stock, $.10 par value | 6,610,324 |
|---|---|
| Class | Outstanding at June 15, 2005 |

**COLLINS INDUSTRIES, INC. AND SUBSIDIARIES**

**FORM 10-Q**
**April 30, 2005**

**INDEX**

**PART I - FINANCIAL INFORMATION**

***Item 1 - Financial Statements***

Collins Industries, Inc. and Subsidiaries
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

| | April 30, 2005 |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash | $ 154,835 |
| Receivables, trade & other | 12,908,488 |
| Inventories, lower of cost (FIFO) or market | 49,967,486 |
| Prepaid expenses and other current assets | 3,226,174 |
| Total current assets | 66,256,983 |
| Restricted cash | 317,659 |
| Property and equipment, at cost | 50,861,073 |
| Less: accumulated depreciation | 31,405,279 |
| Net property and equipment | 19,455,794 |
| Goodwill | 5,050,232 |
| Other assets | 1,269,818 |
| Total assets | $92,350,486 |
| LIABILITIES & SHAREHOLDER'S INVESTMENT | |
| Current liabilities: | |
| Current maturities of long-term debt & capitalized leases | $ 2,487,983 |
| Controlled disbursements | 6,308,604 |
| Accounts payable | 21,157,511 |
| Accrued expenses | 8,432,867 |
| Total current liabilities | 38,386,965 |
| Long-term debt and capitalized leases | 28,938,549 |
| Deferred income tax | 1,525,560 |
| Shareholders' investment: | |
| Common stock | 653,773 |
| Paid-in capital | 13,129,635 |
| Deferred compensation | (1,282,678) |
| Accumulated other comprehensive income (loss), net | (10,752) |
| Retained earnings | 11,009,434 |
| Total shareholders' investment | 23,499,412 |
| Total liabilities & shareholders' investment | $92,350,486 |

(See accompanying notes)

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Collins Industries, Inc. and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended April 30, 2005 | Three Months Ended April 30, 2004 |
|---|---|---|
| | | (as restated) |
| Sales | $61,293,943 | $50,011,421 |
| Cost of sales | 54,592,153 | 43,758,368 |
| Gross profit | 6,701,790 | 6,253,053 |
| Selling, general and administrative expenses | 6,354,949 | 4,880,428 |
| Income (loss) from operations | 346,841 | 1,372,625 |
| Other income (expense): | | |
| Interest expense | (511,191) | (385,647) |
| Other, net | 10,359 | (4,806) |
| | (500,832) | (390,453) |
| Income (loss) before income taxes | (153,991) | 982,172 |
| Income tax expense (benefit) | (80,000) | 360,000 |
| Net income (loss) | $ (73,991) | $ 622,172 |
| Other comprehensive income, net of tax: | | |
| Unrealized gain on interest rate swap | 10,751 | 26,638 |
| Comprehensive income (loss) | $ (63,240) | $ 648,810 |
| Earnings (loss) per share: | | |
| Basic | $ (.01) | $ .11 |
| Diluted | $ (.01) | $ .10 |
| Dividends per share | $ .040 | $ .035 |
| Weighted average common and common equivalent shares outstanding: | | |
| Basic | 5,912,738 | 5,651,506 |

| | | |
|---|---|---|
| Diluted | 5,912,738 | 6,074,645 |
| | ========= | ========= |

(See accompanying notes)



Collins Industries, Inc. and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(Unaudited)

| | Six Month<br>April<br>2005 |
|---|---|
| Cash flow from operations: | |
| Cash received from customers | $110,912,399 |
| Cash paid to suppliers and employees | (117,545,433) |
| Interest paid | (848,578) |
| Income taxes paid | (743,150) |
| | ------------ |
| Cash provided by (used in) operations | (8,224,762) |
| | ---------- |
| Cash flow from investing activities: | |
| Capital expenditures | (1,256,800) |
| Net proceeds from sale of building and land | - |
| Other, net | (52,957) |
| | ------- |
| Cash used in investing activities | (1,309,757) |
| | ---------- |
| Cash flow from financing activities: | |
| Borrowings of long-term debt | 11,790,489 |
| Principal payments of long-term debt and capitalized leases | (1,246,943) |
| Expenditures of restricted cash | 42,151 |
| Purchase of common stock and other capital transactions | (547,197) |
| Payment of dividends | (512,244) |
| | -------- |
| Cash provided by financing activities | 9,526,256 |
| | --------- |
| Net increase (decrease) in cash | (8,263) |
| | ------- |
| Cash at beginning of period | 163,098 |
| | ------- |
| Cash at end of period | $ 154,835 |
| | ============ |

Reconciliation of net income (loss) to net cash provided by (used in) operations:

| | |
|---|---|
| Net income (loss) | $ (776,554) |
| Depreciation and amortization | 1,459,405 |
| Restricted stock vesting as severance pay | 409,500 |
| Increase in receivables | (1,929,401) |
| Increase in inventories | (10,908,301) |
| Decrease in prepaid expenses and other current assets | 1,167,580 |
| Increase (decrease) in accounts payable and accrued expenses | 2,353,009 |
| Gain on sale of building and land | - |
| Cash provided by (used in) operations | $ (8,224,762) |

(See accompanying notes)



**Collins Industries, Inc. And Subsidiaries**

**Notes to Consolidated Condensed Financial Statements**
(Unaudited)

**(1) General**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the Company's financial position at April 30, 2005 and the results of operations and the cash flows for the three and six months ended April 30, 2005 and 2004.

The Company suggests that the unaudited Consolidated Condensed Financial Statements for the three and six months ended April 30, 2005 be read in conjunction with the Company's Annual Report for the year ended October 31, 2004.

**(2) Restatement of Financial Statements**

Subsequent to October 31, 2004 management determined that the procedures used to record workers compensation reserves were inappropriate and resulted in inadequate reserves being recorded historically for estimated workers compensation costs and claims. This information was reported to the Audit Committee and the Audit Committee initiated procedures which ultimately lead to the special investigation described in Note 9. As a result, and because the 2004 year-end financial closing process identified adjustments to prior period financial statements, the Company restated its consolidated financial statements for the fiscal years ended October 31, 2003 and 2002 and for the quarters ended January 31, 2003 to July 31, 2004

*Effects of Restatement on Net Income*

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

| ***Description of Adjustment*** ($ In thousands 000's) | Three Months Ended April 30, 2004(1) | Six Months Ended April 30, 2004(1) |
|---|---|---|
| Workers Compensation Reserve Adjustments(2) | $ (48) | $ 192 |
| Uncollectible Rebates (3) | (7) | (14) |
| Other Accrued Expenses (4) | 39 | (47) |
| **Total pre-tax impact** | $ (16) | $ 131 |
| **Income tax (5)** | 10 | (40) |
| **Total Net Income Impact** | $ (6) | $ 91 |



(1) As originally reported by the Company for the quarter ended April 30, 2004 on Form 10-Q.

(2) Reflects adjustments to workers' compensation liability reserves which had not previously been recorded. Amounts in the three-month and six-month period ended April 30, 2004 also reflect adjustment to expense which should have been recorded in prior periods.
Consolidated Statements of Income and Comprehensive Income: Adjustments decreased (increased) cost of sales by the amounts set forth in this table. Consolidated Balance Sheets: Cumulative adjustments increased accrued expenses by $1,732 for the period ending April 30, 2004.

(3) Corrections to the estimate of rebate collectibility at April 30, 2004.
Consolidated Statements of Income and Comprehensive Income: Adjustments increased cost of sales by the amounts set forth in this table. Consolidated Balance Sheets: Cumulative adjustments decreased accounts receivable by $20 for the period ending April 30, 2004.

(4) Relates to the correction of accumulated depreciation and unaccrued facility expense. Consolidated Statements of Income and Comprehensive Income: Adjustments decreased cost of sales by the amounts set forth in this table.
Consolidated Balance Sheets: Adjustments decreased accumulated depreciation by $40 and cumulative adjustments increased accounts payable by $38 for the period ending April 30, 2004

(5) Income tax benefit related to the adjustments above
Consolidated Statements of Income and Comprehensive Income: Adjustments decreased (increased) income tax expense by the amounts set forth in this table. Consolidated Balance Sheets: Cumulative adjustment increased prepaid expenses and other current assets by $710 for the period ended April 30, 2004.

As a result of the foregoing factors, the Company's unaudited condensed consolidated financial statements for the three month and six month periods ended April 30, 2004 have been restated from amounts previously reported. The accompanying consolidated financial data set forth below presents the Company's consolidated Statements of Income and Comprehensive Income for the three months and six months ended April 30, 2004 and Consolidated Balance Sheet as of April 30, 2004 on a comparative basis showing the amounts as originally reported and as restated. The restatement did not result in any change in the Consolidated Statement of Cash Flows between Cash Provided by Operations, Investing and Financing Activities.

As a result of the restatement of the consolidated financial statements for the quarter ended April 30, 2004, net income decreased by $6,249, or less than $.01 per share - diluted to $622,172 from $628,421 or $.10 per share - diluted as previously reported. For the six months ended April 30, 2004 net income increased by $90,902, or $.01 per share - diluted to $654,566 from $563,664 or $.10 per share - diluted as previously reported. All applicable financial information contained in this Quarterly Report on Form 10-Q gives effect to these restatements.



Collins Industries, Inc. and Subsidiaries
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

| | April 30, 2004 |
|---|---|
| ASSETS | |
| Current Assets: | |
| Cash | $ 134,359 |
| Receivables, trade & other | 7,758,571 |
| Inventories, lower of cost (FIFO) or market | 37,509,126 |
| Prepaid expenses and other current assets | 2,191,463 |
| Total current assets | 47,593,519 |
| Restricted cash | 655,709 |
| Property and equipment, at cost | 50,018,093 |
| Less: accumulated depreciation | 30,522,870 |
| Net property and equipment | 19,495,223 |
| Other assets | 6,436,232 |
| Total assets | $74,180,683 |
| LIABILITIES & SHAREHOLDER'S INVESTMENT | |
| Current liabilities: | |
| Current maturities of long-term debt & capitalized leases | $ 2,476,890 |
| Accounts payable | 13,870,108 |
| Controlled disbursements | 3,619,398 |
| Accrued expenses | 6,536,095 |
| Total current liabilities | 26,502,491 |

| | |
|---|---|
| Long-term debt and capitalized leases | 22,164,791 |
| Deferred income tax | 1,333,571 |
| Shareholders' investment: | |
| Common stock | 635,732 |
| Paid-in capital | 13,342,980 |
| Deferred compensation | (1,830,663) |
| Accumulated other comprehensive income (loss), net | (65,327) |
| Retained earnings | 12,097,108 |
| Total shareholders' investment | 24,179,830 |
| Total liabilities & shareholders' investment | $74,180,683 |



Collins Industries, Inc. and Subsidiaries
CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended April 30, | |
|---|---|---|
| | 2004 | 2004 |
| | | (as restated) |
| Sales | $50,011,421 | $50,011,421 |
| Cost of sales | 43,742,119 | 43,758,368 |
| Gross profits | 6,269,302 | 6,253,053 |
| Selling, general and administrative expenses | 4,880,428 | 4,880,428 |
| Income from operations | 1,388,874 | 1,372,625 |
| Other income (expense): | | |
| Interest expense | (385,647) | (385,647) |
| Other, net | (4,806) | (4,806) |
| | (390,453) | (390,453) |
| Income (loss) before income taxes | 998,421 | 982,172 |
| Income tax expense (benefit) | 370,000 | 360,000 |
| Net income (loss) | $ 628,421 | $ 622,172 |
| Other comprehensive income, net of tax: | | |

| | | |
|---|---|---|
| Unrealized gain on interest rate swap | 26,638 | 26,638 |
| Comprehensive income (loss) | $ 655,059 | $ 648,810 |
| Earnings (loss) per share: | | |
| Basic | $ .11 | $ .11 |
| Diluted | $ .10 | $ .10 |
| Dividends per share | $ .035 | $ .035 |
| Weighted average common and common equivalent shares outstanding: | | |
| Basic | 5,651,506 | 5,651,506 |
| Diluted | 6,074,645 | 6,074,645 |



**(3) Inventories**

Inventories, which include material, labor, and manufacturing overhead, are stated at the lower of cost (FIFO) or market.

Major classes of inventories as of April 30, 2005 and October 31, 2004 consisted of the following:

| | April 30, 2005 | October 31, 2004 |
|---|---|---|
| Chassis | $ 8,520,213 | $ 5,767,019 |
| Raw materials & components | 16,680,274 | 14,997,408 |
| Work-in-process | 10,485,325 | 9,037,199 |
| Finished goods | 14,281,674 | 9,257,559 |
| | $49,967,486 | $39,059,185 |

**(4) Earnings per Share**

Dilutive securities, consisting of options to purchase the Company's common stock and restricted stock awards, are included in the calculation of diluted weighted average common shares. Due to a net loss, there were no dilutive securities for the three month period ended April 30, 2005. Dilutive securities for the three month period ended April 30, 2004 were 423,139. Due to a net loss, there were no dilutive securities for the six month period ended April 30, 2005. Dilutive securities for the six months ended April 30, 2004 were 392,590.

**(5) Contingencies and Litigation**

At April 30, 2005, the Company had contingencies and pending litigation which arose in the ordinary course of business. Litigation is subject to many uncertainties and the outcome of the individual matters is not presently determinable. It is management's opinion that this litigation would not result in liabilities that would have a material adverse effect on the Company's consolidated financial position or results of operations or cash flows.

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

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

**(6) Segment Information**

The Company has three reportable segments: ambulances, buses and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses, commercial buses and shuttle buses for sale to schools,



hotel shuttle services, airports, and other governmental agencies. The terminal truck/road construction equipment segment produces off road trucks designed to move trailers and containers for warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment.

| ($ In Thousands) | Three Months Ended April 30, 2005 | Three Months Ended April 30, 2004 | Six Months E April 30 2005 |
|---|---|---|---|
| **Revenues from external customers:** | | (as restated) | |
| Ambulance | $23,655 | $20,942 | $43,845 |
| Buses | 14,976 | 13,367 | 27,681 |
| Terminal Trucks/Road Construction Equipment | 22,663 | 15,702 | 41,316 |
| Consolidated Total | $61,294 | $50,011 | $112,842 |
| **Pretax segment profit (loss):** | | | |
| Ambulance | $ 411 | $ 999 | $ (199) |
| Buses | 41 | 164 | 4 |
| Terminal Trucks/Road Construction Equipment | 1,607 | 859 | 2,048 |
| Other | (2,213) | (1,040) | (3,185) |
| Consolidated Total | $ (154) | $ 982 | $ (1,307) |

As of

| | April 30, 2005 | October 31, 2004 |
|---|---|---|
| **Segment assets:** | | |
| Ambulance | $39,374 | $35,165 |
| Buses | 24,523 | 18,100 |
| Terminal Trucks/Road Construction Equipment | 24,136 | 21,866 |
| Other | 4,317 | 5,596 |
| Consolidated Total | $92,350 | $80,727 |



**(7) Guarantees and Warranties**

Letters of Credit

The Company has issued various standby letters of credit in the ordinary course of business. No liability has been reflected in the accompanying balance sheet and no draws on the Company's standby letters of credit have ever been made. The current outstanding standby letters of credit are limited to (i) a letter of credit originally issued approximately 15 years ago (renewable annually) as required under Kansas law to backup self-insured reserves for workers compensation insurance, (ii) a declining standby letter of credit required under Texas law to backup certain industrial revenue bonds issued for a plant expansion in Longview, Texas in 1999 that is renewable annually and (iii) other standby letters of credit related to periodic bids and issued for other similar purposes. A default in meeting an obligation or condition under the above-referenced standby letters of credit could require the Company to record a liability. The letters of credit outstanding at April 30, 2005 are summarized as follows:

| Purpose | Amount | Date of Expiration |
|---|---|---|
| Workers compensation - Kansas self-insurance reserves | $1,373,000 | April 1, 2006 |
| Industrial revenue bond-Longview, Texas [1] | 1,314,911 | September 16, 2005 |
| Bids and other | 627,636 | Various |

[1] All assets (originally $3.0 million) acquired with the proceeds of the Longview, Texas industrial revenue bonds would also be available to offset any defaults under these obligations. The liquidation amount of such assets is not reasonably estimable.

Warranties

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



| **Reconciliation of Accrued Warranties For the Three Months Ended April 30,** | **2005** | **2004** |
|---|---|---|
| Accrued warranties at beginning of period | $1,262 | $1,134 |
| Provisions for warranties charged against income | 488 | 308 |
| Payments and adjustments of warranties | (400) | (296 |
| Accrued warranties at end of period | $1,350 | $1,146 |

| Reconciliation of Accrued Warranties For the Six Months Ended April 30, | 2005 | 2004 |
|---|---|---|
| Accrued warranties at beginning of period | $1,184 | $1,133 |
| Provisions for warranties charged against income | 931 | 648 |
| Payments and adjustments of warranties | (765) | (635 |
| Accrued warranties at end of period | $1,350 | $1,146 |

**(8) Stock Based Compensation**

At April 30, 2005, the Company had two stock-based employee compensation plans, which are more fully described in Note 6 of the "Notes to Consolidated Financial Statements" in the Company's 2004 Form 10-K. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. No stock based compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. No stock options have been granted since 1999 and therefore, no proforma net income disclosures are required.

**(9) Audit Committee Investigation**

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

The Audit Committee hired independent legal counsel and an independent insurance consultant to assist in its investigation of the workers compensation reserves. Due to the complexity of calculating the reserves required at the various dates and the difficulty of estimating the reserve amount in each case, additional time was needed to ensure a complete investigation and this factor



caused the Company to not be in position to file its periodic reports with the SEC on a timely basis.

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

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

**(10) Other Matters**

The delay in providing audited financial statements for the year ending October 31, 2004 would have constituted a covenant violation pursuant to the Company's Loan and Security Agreement. The Company obtained a waiver from its lender regarding this event. The delay in providing the audited financial statements also resulted in non-compliance under other debt agreements, although the non-compliance did not result in an event of default. The Company has not received any default notifications. Management believes all default conditions have now been remedied and the Company is in compliance with its covenants under its lending agreements.

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

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



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



**Item 2 - Management's Discussion and Analysis of Financial Condition and Result of Operations**

***GENERAL***

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

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|---|---|---|---|---|
| | 2005 | 2004 (restated) | 2005 | 20 (rest |
| Sales | 100.0% | 100.0% | 100.0% | 100 |

| | | | | |
|---|---|---|---|---|
| Cost of sales | 89.1 | 87.5 | 90.7 | 88 |
| Gross profit | 10.9 | 12.5 | 9.3 | 11 |
| Selling, general and administrative expenses | 10.4 | 9.8 | 9.7 | 10 |
| Income from operations | 0.5 | 2.7 | (0.4) | 1 |
| Other income (expense): | | | | |
| Interest, net | (0.8) | (0.8) | (0.8) | (0 |
| Other, net | 0.0 | 0.0 | 0.0 | 0 |
| Income (loss) before benefit for income taxes | (0.3) | 1.9 | (1.2) | 1 |
| Income tax (provision) benefit | 0.1 | (0.7) | 0.5 | (0 |
| Net income (loss) | (0.2)% | 1.2% | (0.7)% | 0 |

***OVERVIEW***

Collins Industries, Inc. is a manufacturer of specialty vehicles and has three reportable segments: ambulances, buses and terminal trucks/road construction equipment. The ambulance segment produces modular and van type ambulances for sale to hospitals, ambulance services, fire departments and other governmental agencies. The bus segment produces small school buses, commercial buses and shuttle buses for sale to schools, hotel shuttle services, airports, and other governmental agencies. The terminal trucks/road construction equipment segment produces off-road trucks designed to move trailers and containers for warehouses, truck terminals, rail yards, rail terminals and shipping ports and produces a line of road construction equipment. Each of the Company's product groups is responsible for its own marketing activities and maintains independent relationships with dealers and distributors.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the "Notes to Consolidated Financial Statements" in the



Company's 2004 Form 10-K. The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses.

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

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

The Company posted a 49% increase in its sales backlog at April 30, 2005 to

$117.8 million compared to $79.1 million at April 30, 2004. The backlog at October 31, 2004 was $68.5 million. The increased backlog at April 30, 2005 resulted from new orders across all of the Company's segments.

See "Segment Information" (Note 6 to the Consolidated Financial Statements) for quantitative segment information.

***Three months ended April 30***

Consolidated sales for the three months ended April 30, 2005 increased 23% to $61.3 million compared to $50.0 million for the same period last year. This increase was principally lead by a 44% improvement in sales from terminal truck/road construction products with a 13% and 12% increase in ambulance and bus products sales respectively.

Consolidated gross profit for the three months ended April 30, 2005 increased $.45 million or 6% over the same period last year. This increase was principally due to the impact of higher sales and was partially offset by the impact of raw material cost increases absorbed on units before sales price increases were initiated.

Consolidated selling, general and administrative expenses for the three months ended April 30, 2005 increased $1.27 million or 30% over the same period last year. This increase was principally due to severance costs and auditing and legal expense associated with the restatement of the 2004 financial statements.

Interest expense for the three months ended April 30, 2005 increased to $.51 million compared to $.39 million in the same period last year. This increase was principally a result of an overall increase of the Company's average borrowings throughout most of the second quarter of fiscal 2005 to fund increased inventory and a rise in interest rates.

The Company posted a consolidated net loss of $.07 million ($.01 per share - diluted) for the three months ended April 30, 2005 compared to net income of $.62 million ($.10 per share - diluted) for the same period last year. The loss for the three months ended April 30, 2005 principally resulted from increases in general and administrative expenses associated with the restatement of the 2004 financials combined with a reduction in gross margins due to raw material cost increases absorbed on units before sales price increases were initiated.

***Six months ended April 30***

Consolidated sales for the six months ended April 30, 2005 increased 24% to $112.8 million compared to $91.2 million the same period last year. This increase was principally lead by a 39%



improvement in sales from terminal truck/road construction products with a 24% and 12% increase in bus and ambulance products sales respectively.

Consolidated gross profit for the six months ended April, 2005 decreased $.12 million or 3% over the same period last year. This decrease was principally due to the impact of raw material cost increases absorbed on units before sales price increases were initiated.

Consolidated selling, general and administrative expenses for the six months ended April 30, 2005 increased $1.75 million over same period last year. This increase was principally due to severance costs and auditing and legal expense associated with the restatement of the 2004 financial statements.

Interest expense for the six months ended April 30, 2005 increased to $.93 million compared to $.76 million in the same period last year. This increase was principally a result of an overall increase of the Company's average borrowings throughout most of fiscal 2005 combined with increases in interest rates.

Other income for the six months ended April 30, 2005 was $.03 million compared to $.32 million for the same period last year. Of the amount for the period in 2004, $.30 million resulted from a nonrecurring gain from the sale of a building and land.

The Company posted a consolidated net loss of $0.76 million ($.13 per share - diluted) for the six months ended April 30, 2005 compared to net income of $0.65 million ($.11 per share - diluted) for the same period last year. The net loss for the six months ended April 30, 2005 resulted principally from increases in general and administrative expenses associated with the restatement of the 2004 financials combined with a reduction in gross margins due to raw material cost increases absorbed on units before sales price increases were initiated.

***RESULTS OF OPERATIONS***

**AMBULANCE SEGMENT**

***Three months ended April 30***

For the three months ended April 30, 2005, the ambulance segment sales were $23.7 million or 32% of the Company's consolidated sales compared to $20.9 million or 42% for the same period in fiscal 2004. Unit volume sales of ambulance products increased 12% for the three months ended April 30, 2005 compared to the same period in fiscal 2004. This increase was principally due to increased unit sales to governmental agencies. Ambulance products selling prices in the three months ended April 30, 2005 increased 1% compared to the same period in fiscal 2004.

For the three months ended April 30, 2005, ambulance segment gross profit decreased 14% and selling, general and administrative expenses increased 4% compared to the same period last year. The gross profit decline was principally due to the impact of raw material cost increases absorbed on units before sales price increases were initiated.

Pretax profit of the ambulance segment decreased by 59% to $.41 million for the three months ended April 30, 2005 compared to $1.0 million for the same period last year principally as a result of the materials cost increases discussed above.



***Six months ended April 30***

For the six months ended April 30, 2005, the ambulance segment sales were $43.8 million or 39% of the Company's consolidated sales compared to $39.0 million or 43% for the same period in fiscal 2004. Unit volume sales of ambulance products increased 9% for the six months ended April 30, 2005 compared to the same period in fiscal 2004. This increase was principally due to increased unit sales to governmental agencies. Ambulance products selling prices increased approximately 3% in the six months ended April 30, 2004 compared to the same period in fiscal 2005. This increase principally resulted from changes in product mix.

For the six months ended April 30, 2005, ambulance segment gross profit decreased 28% and selling, general and administrative expenses increased by 4% compared to the same period in fiscal 2004. Substantially all of the gross profit decrease was principally due to the impact of raw material cost increases absorbed on units before sales price increases were initiated. Selling, general and administrative expenses increased principally as a result of higher sales volumes.

Pretax loss of the ambulance segment was $.2 million for the six months ended April 30, 2005 compared to a pretax profit of $1.7 million for the same period last year. The pretax loss principally resulted from raw material cost increases absorbed on units before sales price increases were initiated.

**BUS SEGMENT**

***Three months ended April 30***

For the three months ended April 30, 2005, bus segment sales were $15.0 million or 24% of the Company's consolidated sales compared to $13.4 million or 27% for the same period last year. This increase was principally due to increased sales to child care providers and contractors and increased chassis costs reflected in sales. The average unit selling price of bus products increased by 26% in the three months ended April 30, 2005 compared to the same period in fiscal 2004. Substantially all of this unit price increase resulted from chassis costs reflected in sales.

For the three months ended April 30, 2005, gross profit decreased 8% and selling, general and administrative expenses decreased by 2% compared to the same period last year. The decrease in gross profit was principally due to increase in chassis sales carrying a lower gross profit and the impact of raw material cost increases absorbed on units before sales price increases were initiated. The reduction in selling, general and administrative expense was principally a result of lower promotion, and sales policy allowance expenses.

Pretax profit of the bus segment decreased by 75% to $.04 million for the three months ended April 30, 2005 compared to $.16 million for the same period last year. This decrease principally resulted from an increase in chassis and raw material cost increases absorbed on units before sales price increases were initiated and higher interests costs.

***Six months ended April 30***

For the six months ended April 30, 2005, bus segment sales were $27.7 million or 25% of the Company's consolidated sales compared to $22.4 million or 25% for the same period last year. The increase was principally due to increased chassis costs reflected in sales and increased sales to child care providers and contractors. Unit volume sales of bus products increased by 6% for the



six months ended April 30, 2005 compared to the same period in fiscal 2004. This increase was principally due to increased sales to child care providers and contractors. The average unit price of bus products decreased by 16% in the six months ended April 30, 2005 compared to the same period in fiscal 2004. Substantially all of this unit price decrease resulted from a change in product mix.

For the six months ended April 30, 2005, bus segment gross profit increased 33% compared to the same period last year. The increase in gross profit was principally attributable to increases in sales volumes discussed above contrasted with temporary production inefficiencies during the first six months of fiscal 2004. For the six months ended April 30, 2005, selling, general and administrative expenses increased by 5% compared to the same period last year. This increase was principally a result of higher promotional expenses, partially offset by a reduction in sales policy allowances.

The bus segment broke even for the six months ended April 30, 2004 compared to a pretax loss of $.30 million in the same period in fiscal 2004. The reduction of pretax loss was principally attributable increases in sales volumes discussed above, partially offset by increases in selling, general and administrative expenses and increases in interest expense.

**TERMINAL TRUCK/ROAD CONSTRUCTION SEGMENT**

***Three months ended April 30***

For the three months ended April 30, 2004, terminal truck/road construction segment sales were $22.7 million or 37% of the Company's consolidated sales compared to $15.7 million or 31% for the same period last year. Unit volume sales of terminal truck/road construction products increased by 27% for the three months ended April 30, 2005 compared to the same period in fiscal 2004. This increase was principally due to additional export sales associated with foreign stevedoring operations, and higher domestic sales to intermodal and warehousing customers. Additionally, this segment continued to experience a rebound in the number of road sweepers sold to the domestic rental market. The average unit price of terminal truck/road construction products increased by 13% in the three months ended April 30, 2005 compared to the same period in fiscal 2004. Substantially all of this increase related to the product mix of terminal truck products.

For the three months ended April 30, 2005, terminal truck/road construction segment gross profit increased 49% and selling, general and administrative expenses increased by 12% compared to the same period last year. The increase in gross profit was principally a result of the higher sales volumes described above. The increase in selling, general and administrative expenses was principally due to higher promotional expenses and commissions associated with improved sales and profitability.

The pretax income of the terminal truck/road construction segment increased to $1.61 million for the three months ended April 30, 2005 compared to $.86 million in the same period last year. The pretax income of the terminal truck/road construction segment increased principally as a result of the sales volume gains discussed above.

***Six months ended April 30***

For the six months ended April 30, 2005, terminal truck/road construction segment sales were $41.3 million or 37% of the Company's consolidated sales compared to $29.7 million or 33% for



the same period last year. Unit volume sales of terminal truck/road construction products increased by 27% for the six months ended April 30, 2005 compared to the same period in fiscal 2004. This increase was principally due additional export sales associated with foreign stevedoring operations and higher domestic sales to intermodal and warehousing customers. Additionally, this segment continues to experience a rebound in the number of road sweepers sold to the domestic rental market. The average unit price of terminal truck/road construction products increased by 9% in the six months ended April 30, 2005 compared to the same period in fiscal 2004. Substantially all of this unit price increase related to the product mix of terminal truck products.

For the six months ended April 30, 2004, terminal truck/road construction segment gross profit increased 29% and selling, general and administrative expenses increased by 10% compared to the same period last year. The increase in gross profit was principally a result of higher sales volumes described above. The increase in selling, general and administrative expenses was principally due to higher promotional expenses and commissions associated with improved sales and profitability.

The pretax income of the terminal truck/road construction segment increased to $2.05 million for the six months ended April 30, 2005 compared to $1.34 million in the same period last year. The pretax income of the terminal truck/road construction segment increased principally as a result of the sales volume gains discussed above.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company used existing credit lines, proceeds from Industrial Revenue Bonds, internally generated funds and supplier financing to fund its operations and capital expenditures for the six months ended April 30, 2005.

Cash used in operations was $8.2 million for the six months ended April 30, 2005, compared to cash provided by operations was $.4 million for the same period last year. Cash used in operations was principally due to net loss of $.9 million, an increase in inventories of $10.9 million and an increase in accounts receivable of $1.9 million. These uses of cash were partially offset by an increase in accounts payable of $2.4 million and a decrease in prepaid expenses of $1.2 million.

Cash used in investing activities was $1.3 million for the six months ended April 30, 2005 compared to $.4 million for the same period last year. The increase in cash used by investing activities was principally due to higher capital expenditures for the six months ended April 30, 2005 and proceeds from the sale of a building and land in the first fiscal quarter of 2004.

Cash flow provided by financing activities was $9.5 million for the six months ended April 30, 2005 compared to $.05 million for the same period last year. This change principally resulted from higher borrowing in fiscal 2005 to finance increased inventory and the use of $5.3 million in fiscal 2004 for the repurchase of the 1,050,879 shares of the Company's common stock in a modified Dutch auction tender offer.

The Company believes that its cash flows from operations, its credit facility with its lead bank and unused funds restricted for future capital expenditures will be sufficient to satisfy its future working capital needs, capital expenditure requirements and anticipated dividends. The total amount of unused revolving credit available to the Company was $4.7 million at April 30, 2005.



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

It is customary practice for companies in the specialty vehicle industry to enter into repurchase agreements with financing institutions to provide floor plan financing for dealers. In the event of a dealer default, these agreements generally require the repurchase of products at the original invoice price net of certain adjustments. The risk of loss under the agreements is limited to the risk that market prices for these products may decline between the time of delivery to the dealer and time of repurchased and resale by the Company. The risk is spread over numerous dealers and the Company has not incurred significant losses under these agreements. In the opinion of management, any future losses under these agreements will not have a material adverse effect on the Company's financial position or results of operations. The Company's repurchase obligation under these agreements is limited to vehicles which are in new condition and as to which the dealer still holds title. The Company's contingent obligation under such agreements was approximately $2.6 million at April 30, 2005.

***CRITICAL ACCOUNTING PRINCIPLES AND ESTIMATES***

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

**Inventories**

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

**Goodwill and Other Assets**

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

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

**Insurance Reserves**

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

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

Due to the nature of the Company's products, the Company is subject to product liability claims in the normal course of business. To the extent permitted under applicable law, the Company maintains insurance to reduce or eliminate risk to the Company. This insurance coverage includes self-insured retentions that vary each year.

The Company maintains excess liability insurance with outside insurance carriers to minimize its risks related to catastrophic claims in excess of all self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

**Warranties**

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

**Revenue Recognition**

The Company records vehicle sales and passes title to the customer, at the earlier of completion of the vehicle and receipt of full payment or shipment or delivery to the customer as specified by the customer purchase order. Customer deposits for partial payment of vehicles are deferred and treated as current liabilities until the vehicle is completed and recognized as revenue.

***NEW ACCOUNTING PRONOUNCEMENTS***

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

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

FASB Statement No. 123, Accounting for Stock-Based Compensation, was revised in December 2004 ("Revised Statement"). The Revised Statement also supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. The Reviesed Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. For the Company, the Revised Statement is effective November 1, 2005. The adoption of this Revised Statement is not expected to have a material impact on our financial statements.

***CAUTIONARY STATEMENTS REGARDING RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS***

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

The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements due to certain risks and uncertainties, including, but not limited to, changes in funds budgeted by Federal, state and local governments, changes in product demand, the availability and price of key raw materials, components and chassis, various inventory risks due to changes in market conditions, changes in competition, substantial dependence on third parties for product quality, interest rate fluctuations, adequate direct labor pools, development of new products, changes in tax and other governmental rules and regulations applicable to the Company, reliability and timely fulfillment of orders and other risks as indicated in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances occurring after the date released or to reflect the occurrence of unanticipated events.

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



**Item 3 - Quantitative and Qualitative Disclosures About Market Risk**

There has been no material change in this disclosure.

**Item 4. Controls and Procedures**

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

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

Except as described below, there were no changes in the Company's internal control over financial reporting that occurred during this period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During their year-end review, KPMG LLP (KPMG), the Company's independent accountants, identified and reported to management and the Audit Committee two material weaknesses under standards established by the Public Company Accounting Oversight Board (PCAOB). A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is a more than a more likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

The material weaknesses were identified as:

(1) Control Policies and Procedures

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



(2) Workers' Compensation Reserves

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

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

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



**PART II - OTHER INFORMATION**

**Item 1 - Legal Proceedings**

Not applicable

**Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds**

Information regarding the repurchase of common stock during the three months ended April 30, 2005 is as follows:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number Of Shares Purchased As Part of Publicly Announced Plans or Programs | M |
|---|---|---|---|---|
| 02/01/05 -02/28/05 | -- | -- | -- | |
| 03/01/05 -03/31/05 | -- | -- | -- | |
| 04/01/05 -04/30/05 | -- | -- | -- | |

**Item 3 - Defaults Upon Senior Securities**

Not applicable

**Item 4 - Submission of Matters to a Vote of Security-Holders**

Not applicable

**Item 5 - Other Information**

Not applicable

**Item 6 - Exhibits**

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



SIGNATURES

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

COLLINS INDUSTRIES, INC.

Dated: July 29, 2005

By: /s/ Cletus C. Glasener

Cletus C. Glasener, Vice President of Finance and Chief Financial Officer
(Signing on behalf of the registrant and as principal accounting officer)



**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
| (31.1) | Certifications-CFO |
| (31.2) | Certifications-CFO |
| (32.1) | Certification of Periodic Report-CEO |
| (32.2) | Certification of Periodic Report-CFO |