

TRANSCAT INC
Form 10-Q/A
June 21, 2004

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 27, 2003

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: 000-03905

TRANSCAT, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

16-0874418

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

35 Vantage Point Drive, Rochester, New York 14624

(Address of principal executive offices) (Zip Code)

585-352-7777

(Registrant's telephone number, including area code)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of Common Stock of the registrant outstanding as of June 16, 2004 was 6,237,465.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(LOSS)**

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

INDEX TO EXHIBITS

EX-31.1 Certification

EX-31.2 Certification

EX-32 Certification

Table of Contents

**TRANSCAT, INC.
FORM 10-Q/A**

SECOND QUARTER ENDED SEPTEMBER 27, 2003

EXPLANATORY NOTE

This Form 10-Q/A amends Part 1, Item 1 and Part II, Item 6, of our Quarterly Report on Form 10-Q for the period ended September 27, 2003, as filed with the Securities and Exchange Commission on October 31, 2003 (the 2004 Second Quarter Report). This Form 10-Q/A does not reflect events that occurred after the filing of the 2004 Second Quarter Report or modify or update those disclosures to reflect any subsequent events. Except as set forth in Part 1, Item 1 and Part II, Item 6, we have not made any changes to, nor updated any disclosures contained in the 2004 Second Quarter Report.

As discussed in Note 2A to our Consolidated Financial Statements contained in this Form 10-Q/A, this Form 10-Q/A restates the balance sheet classification of outstanding debt under our revolving line of credit from long-term to current liabilities. Accounting principles require current classification of revolving lines of credit under which funds are borrowed when the line of credit contains both a lock-box arrangement, whereby remittances to the lock-box automatically pay down the outstanding revolving line of credit, and loan terms that allow the lender to declare the loan in default on a subjective basis. This accounting treatment is required regardless of the legal maturity date of the revolving credit arrangement. Our revolving line of credit, which matures on November 13, 2005, contains such features. Accordingly, the accompanying Consolidated Financial Statements have been restated to reclassify outstanding borrowings under the revolving line of credit from long-term to current liabilities. This change in balance sheet classification does not affect our Consolidated Statements of Operations or Consolidated Statements of Cash Flows.

Table of Contents**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These include statements concerning expectations, estimates, and projections about the industry, management beliefs and assumptions of Transcat, Inc. (Transcat , we , us , or our). Words such as anticipates , expects , intends , plans , believes , seeks , estimates , and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast. Therefore, our actual results may materially differ from those expressed or forecast in any such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

INDEX

	Page(s)
Part I. Financial Information	
Item 1. Consolidated Financial Statements (unaudited):	
Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three Months and Six Months Ended September 27, 2003 and September 30, 2002	2
Consolidated Balance Sheets as of September 27, 2003 and March 31, 2003 (Restated)	3
Consolidated Statements of Cash Flows for the Six Months Ended September 27, 2003 and September 30, 2002	4
Notes to Consolidated Financial Statements	5-9
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K	10
Signatures	11
Index to Exhibits	12

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In Thousands, Except Per Share Amounts)

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 27, 2003	September 30, 2002	September 27, 2003	September 30, 2002
Product Sales	\$ 7,620	\$ 9,832	\$ 15,632	\$ 19,331
Service Sales	4,276	4,613	8,859	9,348
Net Sales	11,896	14,445	24,491	28,679
Cost of Products Sold	5,427	7,197	11,389	14,221
Cost of Services Sold	2,986	3,939	6,420	7,954
Total Cost of Products and Services Sold	8,413	11,136	17,809	22,175
Gross Profit	3,483	3,309	6,682	6,504
Selling, Marketing, and Warehouse Expenses	1,984	1,935	4,154	4,034
Administrative Expenses	1,283	973	2,122	1,976
Total Operating Expenses	3,267	2,908	6,276	6,010
Operating Income	216	401	406	494
Interest Expense	64	138	143	383
Other Income	(34)		(105)	(7)
Total Other Expense	30	138	38	376
Income Before Income Taxes and Cumulative Effect of a Change in Accounting Principle	186	263	368	118
Benefit for Income Taxes	(169)	(246)	(162)	(246)
Income Before Cumulative Effect of a Change in Accounting Principle	355	509	530	364
Cumulative Effect of a Change in Accounting Principle				(6,472)
Net Income (Loss)	355	509	530	(6,108)
Other Comprehensive Income:				
Currency Translation Adjustment	(25)	(90)	71	(5)
Comprehensive Income (Loss)	\$ 330	\$ 419	\$ 601	\$ (6,113)
Basic Earnings (Loss) Per Share:				
Before Cumulative Effect of a Change in Accounting Principle	\$ 0.06	\$ 0.08	\$ 0.09	\$ 0.06

Edgar Filing: TRANSCAT INC - Form 10-Q/A

From Cumulative Effect of a Change in Accounting Principle				(1.06)
Total Basic Earnings (Loss) Per Share	\$ 0.06	\$ 0.08	\$ 0.09	\$ (1.00)
Average Shares Outstanding (in thousands)	6,255	6,136	6,234	6,132
Diluted Earnings (Loss) Per Share:				
Before Cumulative Effect of a Change in Accounting Principle	\$ 0.05	\$ 0.08	\$ 0.08	\$ 0.06
From Cumulative Effect of a Change in Accounting Principle				(1.06)
Total Diluted Earnings (Loss) Per Share	\$ 0.05	\$ 0.08	\$ 0.08	\$ (1.00)
Average Shares Outstanding (in thousands)	6,726	6,136	6,624	6,132

See the notes to these financial statements.

Table of Contents

TRANSCAT, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share And Per Share Amounts)

	(Restated, see Note 2A)	
	(Unaudited) September 27, 2003	March 31, 2003
ASSETS		
Current Assets:		
Cash	\$ 102	\$ 114
Accounts Receivable, less allowance for doubtful accounts of \$116 and \$114 as of September 27, 2003 and March 31, 2003, respectively	6,100	6,879
Other Receivables	378	159
Finished Goods Inventory, net	3,216	2,842
Income Taxes Receivable	484	799
Prepaid Expenses and Deferred Charges	594	454
	10,874	11,247
Total Current Assets	10,874	11,247
Property, Plant and Equipment, net	2,293	2,556
Goodwill	2,524	2,524
Deferred Charges	129	197
Other Assets	244	234
	16,064	16,758
Total Assets	\$ 16,064	\$ 16,758
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts Payable	\$ 3,655	\$ 3,738
Accrued Payrolls, Commissions and Other	1,273	1,812
Income Taxes Payable	100	100
Deposits	64	64
Current Portion of Term Loan	595	666
Revolving Line of Credit	4,894	5,248
	10,581	11,628
Total Current Liabilities	10,581	11,628
Term Loan, less current portion	322	668
Deferred Compensation	307	220
Deferred Gain on TPG Divestiture	1,544	1,544
	12,754	14,060
Total Liabilities	12,754	14,060
Stockholders Equity:		
Common Stock, par value \$0.50 per share, 30,000,000 shares authorized; 6,304,915 and 6,296,000 shares issued as of September 27, 2003 and March 31, 2003, respectively; 6,185,557 and 6,176,642 shares outstanding as of September 27, 2003 and March 31, 2003, respectively	3,152	3,148
Capital in Excess of Par Value	3,038	3,031
Warrants	518	518
Accumulated Other Comprehensive Loss	(164)	(235)
Retained Deficit	(2,781)	(3,311)
Less: Treasury Stock, at cost, 119,358 shares	(453)	(453)
	3,310	2,698
Total Stockholders Equity	3,310	2,698

Edgar Filing: TRANSCAT INC - Form 10-Q/A

Total Liabilities and Stockholders Equity	\$ 16,064	\$ 16,758
---	-----------	-----------

See the notes to these financial statements.

Table of Contents

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	(Unaudited) Six Months Ended	
	September 27, 2003	September 30, 2002
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 530	\$(6,108)
Cumulative Effect of a Change in Accounting Principle		6,472
	530	364
Adjustments to Reconcile Net Income Before Cumulative Effect of a Change in Accounting Principle to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	833	801
Provision for Doubtful Accounts Receivable and Returns	(72)	88
Common Stock Expense	11	14
Deferred Revenue - MAC		(107)
Changes in Assets and Liabilities:		
Accounts Receivable and Other Receivables	560	1,325
MAC Escrow and Holdback		75
Inventories	(374)	578
Income Taxes Receivable / Payable	315	(245)
Prepaid Expenses, Deferred Charges, and Other	(415)	(53)
Accounts Payable	(83)	(858)
Accrued Payrolls, Commissions, and Other	(467)	(653)
Deposits		(239)
Deferred Compensation	87	(28)
	925	1,062
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(237)	(207)
	(237)	(207)
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities:		
Revolving Line of Credit, net	(354)	(795)
Payments on Long-Term Borrowings	(417)	(334)
	(771)	(1,129)
Net Cash Used in Financing Activities		
Effect of Exchange Rate Changes on Cash	71	(5)
	(12)	(279)
Net Decrease in Cash		
Cash at Beginning of Period	114	508
	\$ 102	\$ 229
Cash at End of Period		

See the notes to these financial statements.

Table of Contents

TRANSCAT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Share And Per Share Amounts)
(Unaudited)

NOTE 1 NATURE OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Transcat, Inc. (Transcat , we , us , or our) is a leading distributor of professional grade test, measurement, and calibration instruments and a provider of calibration and repair services, primarily throughout the process, life science, and manufacturing industries.

Basis of Presentation

Our unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, the Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments considered necessary for a fair presentation (consisting of normal recurring adjustments) have been included. The results for the interim periods are not indicative of the results to be expected for the year. The accompanying Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements as of and for the year ended March 31, 2003 contained in our 2003 Annual Report on Form 10-K/A filed with the SEC.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amount of 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.

Fiscal Year

Until April 1, 2003, we operated within a conventional 52-week accounting fiscal year ending on March 31st of each year. As of April 1, 2003, we changed our fiscal year end from March 31 to a 52 / 53 week fiscal year end, ending the last Saturday in March. As a result of this change, in a 52-week fiscal year, each of our four quarters will be a 13-week period, and the final month of each quarter will be a 5-week period. This is not deemed a change in our fiscal year for purposes of reporting subject to Rule 13a-10 or 15d-10 since the new fiscal year commenced with the end of our old fiscal year.

Revenue Recognition

Sales are recorded when products are shipped or services are rendered to customers, as we generally have no significant post delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimated. Provisions for customer returns are provided for in the period the related sales are recorded based upon historical data.

Table of Contents**Earnings Per Share**

Basic earnings per share of Common Stock are computed based on the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share of Common Stock reflect the assumed conversion of dilutive stock options, warrants, and non-vested restricted stock. In computing the per share effect of assumed conversion, funds which would have been received from the exercise of options, warrants, and non-vested restricted stock are considered to have been used to purchase shares of Common Stock at the average market prices during the period, and the resulting net additional shares of Common Stock are included in the calculation of average shares of Common Stock outstanding.

For the three months and six months ended September 27, 2003, the net additional shares of Common Stock had a \$0.01 per share effect on the calculation of dilutive earnings per share. For the three months and six months ended September 30, 2002, the net additional shares of Common Stock had no effect on the calculation of dilutive earnings per share. The total number of dilutive and anti-dilutive shares outstanding from stock options, warrants, and non-vested restricted stock are summarized as follows (shares in thousands, except per share amounts):

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 27, 2003	September 30, 2002	September 27, 2003	September 30, 2002
Dilutive shares	471		390	
Anti-dilutive shares	1,077	1,140	1,158	1,140
Total	1,548	1,140	1,548	1,140
Range of Exercise Prices per Share	\$0.80-\$4.75	\$0.80-\$8.50	\$0.80-\$4.75	\$0.80-\$8.50

Goodwill

We recorded an impairment of \$6.5 million from the implementation of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangibles in our first quarter of fiscal year 2003 as a change in accounting principle.

Deferred Catalog Costs

We amortize the cost of each major catalog (Master Catalog) mailed over such catalog's estimated productive life. We review response results from catalog mailings on a continuous basis; and if warranted, we may modify the period over which costs are recognized. Deferred catalog costs were \$0.1 million at September 27, 2003. There were no deferred catalog costs at March 31, 2003.

Deferred Gain on TPG

As a result of certain post divestiture commitments, according to GAAP, we are unable to recognize the gain of \$1.5 million on the divestiture of Transmation Products Group (TPG), which took place in fiscal year 2002, until those commitments expire in fiscal year 2006.

Deferred Taxes

We account for certain income and expense items differently for financial reporting purposes than for income tax reporting purposes. Deferred taxes are provided in recognition of these temporary differences. A valuation allowance on deferred tax assets is provided for items for which it is more likely than not that the benefit of such items will not be realized.

Table of Contents**Stock Options**

We follow the disclosure provisions of Accounting Practice Board (APB) No. 25, Accounting for Stock Issued to Employees , which does not require compensation costs related to stock options to be recorded in net income, as all options granted under our stock option plan had exercise prices equal to the market value of the underlying Common Stock at grant date.

The following table provides pro forma amounts, if we accounted for stock-based employee compensation under the fair value method (in thousands, except per share amounts):

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 27, 2003	September 30, 2002	September 27, 2003	September 30, 2002
Net Income (Loss), as reported	\$ 355	\$ 509	\$ 530	\$(6,108)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(22)	(54)	(45)	(109)
Pro Forma Net Income (Loss)	\$ 333	\$ 455	\$ 485	\$(6,217)
Earnings (Loss) Per Share:				
Basic and Diluted - as reported	\$ 0.06	\$ 0.08	\$ 0.09	\$(1.00)
Basic and Diluted - pro forma	\$ 0.05	\$ 0.07	\$ 0.08	\$(1.01)
Average Shares Outstanding (in thousands)	6,255	6,136	6,234	6,132
Diluted - as reported	\$ 0.05	\$ 0.08	\$ 0.08	\$(1.00)
Diluted - pro forma	\$ 0.05	\$ 0.07	\$ 0.07	\$(1.01)
Average Shares Outstanding (in thousands)	6,726	6,136	6,624	6,132

Reclassification of Amounts

Certain reclassifications of prior year and prior quarter financial information have been made to conform with second quarter and six month presentation.

New Accounting Pronouncements

The Emerging Issues Task Force (EITF) Issue No. 02-16, Accounting by a Reseller for Cash Consideration Received from a Vendor provides that cash consideration received from a vendor by a reseller should be considered as a reduction of cost of sales when recognized in the reseller's income statement, as the related inventory is sold. Effective in fiscal year 2004, we applied the provisions of EITF No. 02-16, which resulted in a reduction of Cost of Products Sold on our Consolidated Statements of Operations of \$0.1 million and \$0.2 million for the three months and six months ended September 27, 2003, respectively. Prior to the adoption of EITF No. 02-16 and consistent with our historical accounting practices, \$0.3 million and \$0.4 million, for the three months and six months ended September 27, 2003, respectively, would have been reported as a reduction of advertising expense. The adoption of EITF No. 02-16 had no material effect on our Consolidated Balance Sheet as of September 27, 2003.

NOTE 2A RESTATEMENT

We have restated the classification of our outstanding debt under our revolving line of credit from long-term to current liabilities on our Consolidated Balance Sheets as of September 27, 2003 and March 31, 2003. EITF No. 95-22,

Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement, requires current classification of revolving lines of credit under which funds are borrowed when the revolving line of credit contains both loan terms that allow the lender to declare the loan in default on a subjective basis and a lock-box arrangement, whereby remittances to the lock-box

automatically pay down the outstanding revolving line of credit. This accounting treatment is required regardless of the legal maturity date of the revolving line of credit arrangement. Our revolving line of credit, which matures on November 13, 2005, contains such features. Accordingly, the Consolidated Financial Statements have been restated to reclassify outstanding borrowings under the revolving line of credit from long-term to current liabilities. This change in balance sheet classification does not affect our Consolidated Statements of Operations or Consolidated Statements of Cash Flows. The following table reflects the effect of the reclassification of the revolving line of credit on our Consolidated Balance Sheets. The revolving line of credit was previously reported in long-term debt on our Consolidated Balance Sheets and has been reclassified to a separate line.

	As Previously Reported		As Restated	
	September 27, 2003	March 31, 2003	September 27, 2003	March 31, 2003
Current Portion of Long-Term Debt	\$ 595	\$ 666	\$	\$
Current Portion of Term Loan	\$	\$	\$ 595	\$ 666
Revolving Line of Credit	\$	\$	\$ 4,894	\$ 5,248
Total Current Liabilities	\$ 5,687	\$ 6,380	\$10,581	\$11,628
Long-Term Debt, less current portion	\$ 5,216	\$ 5,916	\$	\$
Term Loan, less current portion	\$	\$	\$ 322	\$ 668
Total Liabilities	\$12,754	\$14,060	\$12,754	\$14,060

Table of Contents**NOTE 3 DEBT**

On November 13, 2002, we entered into a new Revolving Credit and Loan Agreement (the Credit Agreement) with GMAC Business Credit, LCC (GMAC). The Credit Agreement expires on November 13, 2005 and replaces our Revolving Credit and Loan Agreement with Key Bank, N.A. and Citizens Bank originally dated August 3, 1998 and most recently amended on July 12, 2002. The Credit Agreement consists of a term loan and a revolving line of credit (the Loan), the terms of which are as set forth below. The Credit Agreement was amended on April 11, 2003 to address certain non-material post-closing conditions.

Under the Credit Agreement, we made a term note in the amount of \$1.5 million in favor of GMAC. This term note requires annual payments totaling \$0.5 million, payable in equal monthly installments, commencing on December 1, 2002. Interest on the term note is payable at our option, at prime plus 0.5% or up to 80% of the Loan at the 30-day LIBOR (London Interbank Offered Rate) plus 3.25%. The prime rate and LIBOR as of October 29, 2003 were 4.00% and 1.12%, respectively. In addition, under the Credit Agreement, we are required to further reduce the term loan, on an annual basis, by excess cash flow, as defined in the Credit Agreement, not to exceed \$0.2 million per fiscal year. Excess cash flow for the six months ended September 27, 2003 was less than \$0.1 million.

The maximum amount available under the revolving line of credit portion of the Credit Agreement is \$10 million. As of September 27, 2003, we had borrowed \$4.9 million under the revolving line of credit. Availability under the line of credit is determined by a formula based on eligible accounts receivable (85%) and inventory (48%). As of September 27, 2003, availability amounted to \$6.3 million. The Credit Agreement has certain covenants with which we must comply, including a minimum EBITDA (earnings before interest, income taxes, depreciation and amortization) covenant, as well as, restrictions on capital expenditures and Master Catalog spending. We were not in violation of any loan covenants as of September 27, 2003. Interest on borrowings under the revolving line of credit is payable monthly, at our option, at prime rate, 4.00% as of October 29, 2003, or up to 80% of the Loan at the 30-day LIBOR, 1.12% as of October 29, 2003, plus 2.75%. Additional terms of the Credit Agreement require an increase in our borrowing rate of two percentage points should an event of default occur and a termination premium of 3% of the maximum available borrowing under the revolving line of credit plus the then outstanding balance owed under the term note if the Credit Agreement is terminated prior to November 13, 2003 and 1% if terminated thereafter, but prior to November 13, 2005. The Credit Agreement requires both a subjective acceleration clause and a requirement to maintain a lock-box arrangement. These requirements result in a short-term classification of the revolving line of credit in accordance with EITF No. 95-22, as discussed above in Note 2A.

Additionally, we have pledged certain property and fixtures in favor of GMAC, including inventory, equipment, and accounts receivable as collateral security for the loans made under the Credit Agreement.

The Credit Agreement also requires us to make the following principal payments on the term note, excluding any reductions attributable to excess cash flow, as discussed above (in thousands):

Fiscal Year 2004	\$ 500
Fiscal Year 2005	500
Fiscal Year 2006	333

Total	\$1,333

After giving effect to the excess cash flow payments made and/or payable as required under the Credit Agreement, the following are the future term loan payments as of March 31, 2003 (in thousands):

Fiscal Year 2004	\$ 666
Fiscal Year 2005	500
Fiscal Year 2006	167

Total	\$1,333

Table of Contents**NOTE 4 SEGMENT DATA**

Transcat has two reportable segments: Distribution Products (Product) and Calibration Services (Service). Segment data is as follows (in thousands):

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 27, 2003	September 30, 2002	September 27, 2003	September 30, 2002
Net Sales:				
Product	\$ 7,620	\$ 9,832	\$ 15,632	\$ 19,331
Service	4,276	4,613	8,859	9,348
Total	<u>11,896</u>	<u>14,445</u>	<u>24,491</u>	<u>28,679</u>
Gross Profit:				
Product	2,193	2,635	4,243	5,110
Service	1,290	674	2,439	1,394
Total	<u>3,483</u>	<u>3,309</u>	<u>6,682</u>	<u>6,504</u>
Operating Expenses:				
Product	1,835	1,800	3,408	3,532
Service	1,432	1,108	2,868	2,478
Total	<u>3,267</u>	<u>2,908</u>	<u>6,276</u>	<u>6,010</u>
Operating Income (Loss):				
Product	358	835	835	1,578
Service	(142)	(434)	(429)	(1,084)
Total	<u>216</u>	<u>401</u>	<u>406</u>	<u>494</u>
Unallocated Amounts:				
Other Expense	30	138	38	376
Benefit for Income Taxes	(169)	(246)	(162)	(246)
Cumulative Effect of a Change in Accounting Principle				6,472
Total	<u>(139)</u>	<u>(108)</u>	<u>(124)</u>	<u>6,602</u>
Net Income (Loss)	<u>\$ 355</u>	<u>\$ 509</u>	<u>\$ 530</u>	<u>\$ (6,108)</u>

NOTE 5 COMMITMENTS

We entered into a distribution agreement (the Distribution Agreement) with Fluke Electronics Corporation (Fluke) to be the exclusive worldwide distributor of Transmation Products Group (TPG) products until December 25, 2006. Under the Distribution Agreement, we also agreed to purchase a pre-determined amount of inventory from Fluke.

On October 31, 2002, we entered into a new distribution agreement (the New Agreement) with Fluke, replacing the Distribution Agreement, with an effective date of September 1, 2002, extending through December 31, 2006. Under the terms of the New Agreement, among other items,

Edgar Filing: TRANSCAT INC - Form 10-Q/A

we agreed to purchase a larger, pre-determined amount of inventory across a broader array of products and brands. We believe that this commitment to future purchases is consistent with our business needs and plans.

Table of Contents

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits.

See Index to Exhibits. The Index to Exhibits attached to this Form 10-Q/A supplements the Index to Exhibits contained in the 2004 Second Quarter Report.

b) Reports on Form 8-K.

The following report on Form 8-K was filed during the quarter for which this report is filed:

Report dated July 17, 2003 reporting on Item 7. Financial Statements and Exhibits and Item 9. Regulation FD Disclosure (Information furnished under Item 12. Results of Operations and Financial Condition). This report furnished our press release regarding 2003 first quarter financial results.

Table of Contents

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.

TRANSCAT, INC.

Date: June 17, 2004

/s/ Carl E. Sassano

Carl E. Sassano
Chairman, President and Chief Executive Officer

Date: June 17, 2004

/s/ Charles P. Hadeed

Charles P. Hadeed
Vice President of Finance and Chief Financial Officer

Table of Contents

INDEX TO EXHIBITS

- (31) Rule 13a-14(a)/15d-14(a) Certifications
 - 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
 - 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- (32) Section 1350 Certification