COLLINS INDUSTRIES INC
Form 10-Q
September 04, 2003

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: July 31, 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 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 7,249,188

Class Outstanding at September 3, 2003

COLLINS INDUSTRIES, INC. AND SUBSIDIARIES

FORM 10-Q

July 31, 2003

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

	July 31, 2003	October 31, 2002
ASSETS		
Current Assets:		
Cash	$ 356,548	$ 384,514
Receivables, trade & other	7,948,044	8,982,854
Inventories, lower of cost (FIFO) or market	47,192,027	35,724,808
Prepaid expenses and other current assets	1,473,959	2,883,130
Total current assets	56,970,578	47,975,306
Restricted cash	1,070,050	2,748,970
Property and equipment, at cost	51,716,611	48,880,673
Less: accumulated depreciation	31,433,047	29,653,262
Net property and equipment	20,283,564	19,227,411
Other assets	6,522,689	6,650,054
Total assets	$84,846,881	$76,601,741
LIABILITIES & SHAREHOLDERS' INVESTMENT		
Current liabilities:		
Current maturities of long-term debt & capitalized leases	$ 2,137,915	$ 2,137,915
Accounts payable	21,768,123	19,673,023
Accrued expenses	7,675,585	6,743,702
Total current liabilities	31,581,623	28,554,640
Long-term debt and capitalized leases	24,231,656	19,395,723
Deferred income tax	1,115,336	1,115,336

Shareholders' investment:		
Common stock	724,669	711,563
Paid-in capital	17,567,261	17,110,446
Deferred compensation	(1,393,969)	(1,267,992)
Accumulated other comprehensive income (loss), net	(116,134)	(244,918)
Retained earnings	11,136,439	11,226,943
Total shareholders' investment	27,918,266	27,536,042
Total liabilities & shareholders' investment	$84,846,881	$76,601,741

(See accompanying notes)

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2003	2002	2003	2002
Sales	$ 57,581,114	$55,520,258	$146,997,072	$142,669,730
Cost of sales	51,476,505	49,184,982	130,842,536	127,344,499
Gross profit	6,104,609	6,335,276	16,154,536	15,325,231
Selling, general and administrative expenses	4,622,304	4,344,844	13,831,224	13,428,136
Income from operations	1,482,305	1,990,432	2,323,312	1,897,095
Other income (expense):				
Interest expense	(462,319)	(380,905)	(1,418,331)	(1,055,784)
Other, net	(6,301)	(301)	126	(6,071)
Income before provision for income taxes	1,013,685	1,609,226	905,107	835,240
Provision for income taxes	390,000	600,000	350,000	320,000
Net income	$ 623,685	$ 1,009,226	$ 555,107	$ 515,240
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on interest rate				

swap agreement	61,188	(79,222)	128,784	(212,692)
Comprehensive income	$ 684,873	$ 930,004	$ 683,891	$ 302,548
Earnings per share:				
Basic	$ .09	$ .15	$ .08	$ .08
Diluted	$ .09	$ .15	$ .08	$ .08
Dividends per share	$ .03	$ .03	$ .09	$ .09
Weighted average common and common equivalent shares outstanding:				
Basic	6,647,919	6,735,782	6,645,948	6,663,534
Diluted	6,890,274	6,960,127	6,903,291	6,815,276

(See accompanying notes)

Collins Industries, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW

(Unaudited)

	Nine Months Ended July 31,	
	2003	2002
Cash flow from operations:		
Cash received from customers	$148,031,882	$140,959,793
Cash paid to suppliers and employees	(148,668,899)	(138,788,557)
Interest paid	(1,472,480)	(1,031,503)
Income taxes paid	(648,540)	(263,903)
Cash provided by (used in) operations	(2,758,037)	875,830
Cash flow from investing activities:		
Capital expenditures	(2,851,807)	(1,698,577)
Other, net	(34,875)	(31,500)
Cash used in investing activities	(2,886,682)	(1,730,077)
Cash flow from financing activities:		
Borrowings of long-term debt	6,285,513	4,204,942
Principal payments of long-term debt and capitalized leases	(1,519,423)	(1,644,153)
Reduction of restricted cash	1,678,920	-
Purchase of common stock and other capital transactions	(182,646)	(1,109,443)

Payment of dividends	(645,611)	(638,911)
Cash provided by financing activities	5,616,753	812,435
Net decrease in cash	(27,966)	(41,812)
Cash at beginning of period	384,514	192,615
Cash at end of period	$ 356,548	$ 150,803
Reconciliation of net income to net cash provided by (used in) operations:		
Net income	$ 555,107	$ 515,240
Depreciation and amortization	2,554,327	2,624,765
Decrease (increase) in receivables	1,034,810	(1,709,937)
Increase in inventories	(11,467,219)	(2,383,580)
Decrease in prepaid expenses and other current assets	1,537,954	1,336,772
Increase in accounts payable and accrued expenses	3,026,983	492,570
Cash provided by (used in) operations	$(2,758,037)	$ 875,830

(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 summarize fairly the Company's financial position at July 31, 2003 and the results of operations for the three and nine months ended July 31, 2003 and 2002, and the cash flows for the nine months ended July 31, 2003 and 2002.

The Company suggests that the unaudited Consolidated Condensed Financial Statements for the three and nine months ended July 31, 2003 be read in conjunction with the Company's Annual Report on Form 10-K for the year ended October 31, 2002.

(2) Goodwill

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

At July 31, 2003 and October 31, 2002 the Company's goodwill related to the bus and terminal truck/road construction segments was $3.0 million and $2.0 million, respectively. Goodwill amortization charged against earnings for the three months and nine months ended July 31, 2002 was $85,930 and $257,789, respectively.

(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 July 31, 2003 and October 31, 2002, consisted of the following:

	July 31, 2003	October 31, 2002
Chassis	$ 8,598,734	$ 7,434,486
Raw materials & components	18,173,286	14,122,413
Work-in-process	7,292,288	6,156,230
Finished goods	13,127,719	8,011,679
	$47,192,027	$35,724,808

(4) Earnings per Share

Dilutive securities, consisting of options to purchase the Company's common stock and restricted stock awards, included in the calculation of diluted weighted average common shares were 242,355 and 224,345 for the three months ended July 31, 2003 and 2002, respectively. The effect of dilutive stock options and restricted stock awards was to increase the weighted average shares outstanding by 257,343 and 151,742 shares for the nine months ended July 31, 2003 and 2002, respectively.

(5) Contingencies and Litigation

At July 31, 2003, 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 any individual matter 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 statements.

(6) Segment Information

Collins Industries, Inc., 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. Terminal truck and road construction equipment products were initially disclosed as separate segments. 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 July 31,		Nine Months Ended July 31,	
	2003	2002	2003	2002
Revenues from external customers:				
Ambulance	$ 23,573	$25,818	$ 68,322	$ 66,795
Buses	22,122	19,880	48,982	48,693
Terminal Trucks / Road	-	-	-	-
Construction Equipment	11,886	9,822	29,693	27,182
Consolidated Total	$ 57,581	$55,520	$146,997	$142,670
Segment pretax profit (loss):				
Ambulance	$ 513	$ 2,349	$ 2,432	$ 3,980
Buses	1,120	40	975	(414)
Terminal Trucks / Road				
Construction Equipment	280	81	154	360
Other	(899)	(861)	(2,656)	(3,091)
Consolidated Total	$ 1,014	$ 1,609	$ 905	$ 835

	As of July 31, 2003	As of October 31, 2002
Segment assets:		
Ambulance	$38,677	$32,844
Buses	23,133	21,428
Terminal Trucks / Road		
Construction Equipment	20,111	17,956
Other	2,926	4,374
Consolidated Total	$84,847	$76,602

(7) Guarantees and Warranties

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 requires a liability to be recognized at the time a company issues a guarantee for the fair value of the obligations assumed under certain guarantee agreements. Additional disclosures about guarantee agreements are also required in the interim and annual financial statements. This standard was adopted in the Company's first quarter of fiscal 2003.

Letters of Credit

This Company has issued various standby letters of credit in the ordinary course of business. No liability has been reflected in the accompanying balance sheet under past or current accounting pronouncements and no draws on the Company's standby letters of credit have ever been made. The currently outstanding standby letters of credit are limited to (i) a letter of credit originally issued approximately 14 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 and renewable annually and (iii) other standby letters of credit related to periodic bids and 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 July 31, 2003 are summarized as follows:

Purpose	Amount	Date of Expiration
Workers compensation - Kansas self-insurance reserves	$1,373,000	April 1, 2004
Industrial revenue bond-Longview, Texas [a]	2,124,117	September 16, 2004
Bids and other	111,768	Various

[a] All assets (originally $3.0 million) acquired from 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:

For the three months ended July 31, 2003	
Accrued warranties at May 1, 2003	$ 1,200,989
Provisions for warranty charged against income	458,193

Payments and adjustments of warranties	(450,714)
Accrued warranties at July 31, 2003	$ 1,208,468

For the nine months ended July 31, 2003	
Accrued warranties at November 1, 2002	$ 1,076,471
Provisions for warranty charged against income	1,198,771
Payments and adjustments of warranties	(1,066,774)
Accrued warranties at July 31, 2003	$ 1,208,468

(8) Stock Based Compensation

On November 1, 2002 the Company adopted FASB Statement No. 148 (SFAS 148), "Accounting for Stock-Based Compensation - Transition and Disclosure." At July 31, 2003 the Company has two stock-based employee compensation plans, which are more fully described in Note 5 of the "Notes to Consolidated Financial Statements" in the Company's 2002 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 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.

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

GENERAL

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

construction equipment.

The accounting policies of the segments are the same as those described in the critical accounting policies disclosed in this report and summary of significant accounting policies of the "Notes to Consolidated Financial Statements" in the Company's 2002 Form 10-K. The Company evaluates its performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. For the three months and nine months ended July 31, 2003 and 2002 no nonrecurring gains or losses were incurred and therefore are not reflected in this analysis. The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, with all intercompany sales eliminated in consolidation.

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

See "Note 6 to the Consolidated Condensed Financial Statements" for quantitative segment information.

RESULTS OF OPERATIONS

Sales

Sales for the three months ended July 31, 2003, increased 4% compared to the same period in fiscal 2002. This increase was principally due to 8% and 17% increases in unit volume sales of bus and terminal trucks/road construction equipment products, respectively. The sales increase in bus products principally resulted from production processing delays experienced in the second fiscal quarter of 2003 that were completed, shipped and recognized as revenue in the third fiscal quarter of 2003. The sales increase in terminal trucks/road construction equipment products primarily resulted from additional export sales of terminal trucks. These increases were partially offset by a 34% decrease in unit volume sales of ambulance products. The unit volume decrease in ambulance products principally related to a large non-recurring export sale of ambulances realized in the third fiscal quarter of 2002. Compared to 2002, the average selling price of terminal trucks/road construction equipment and bus products for the three months ended July 31, 2003 increased by 3% and 2%, respectively. Compared to the same period in fiscal 2002, the average unit selling prices of ambulance products for the three months ended July 31, 2003 increased 38%. This increase was principally a result of the impact of customer-furnished chassis for a large non-recurring export sale of ambulances recognized in the third fiscal quarter of 2002 and other changes in product mix.

Sales for the nine months ended July 31, 2003 increased 3% compared to the same period in fiscal 2002. This increase was principally due to a 12% increase in unit volume sales of terminal trucks/road construction equipment products principally attributable to additional export sales of terminal trucks. This increase was partially offset by 13% and 2% decreases in unit volume sales of ambulance and bus products, respectively. The unit volume decrease of ambulance products was principally attributable to a non-recurring export sale of ambulances in 2002. Compared to the same period in fiscal 2002, the average unit selling prices of ambulance, and bus products increased by 18% and 2%, respectively. Compared to the same period in fiscal 2002, the average selling price of terminal trucks/road construction equipment products decreased by 2%. The increase in the average unit selling price of ambulance products was principally a result of the impact of customer-furnished chassis for a large non-recurring export sale of ambulances in 2002.

The Company's consolidated sales backlog at July 31, 2003 was $52.7 million compared to $42.2 million at October 31, 2002 and $58.0 million at July 31, 2002.

Cost of Sales

Cost of sales for the three months ended July 31, 2003 was 89% of sales compared to 89% for the same period in fiscal 2002. The overall dollar increase in cost of sales for the three months ended July 31, 2003 was principally attributable to a change in product mix resulting in a greater percentage of ambulance revenue from lower margin products. This change in product mix principally resulted from the impact of customer-furnished chassis for a large non-recurring export sale in 2002. The overall dollar increase in cost of sales for the three months ended July 31, 2003 was partially offset by the impact of higher chassis rebates and lower manufacturing costs associated with bus products. Additionally, amortization of goodwill was discontinued effective November 1, 2002 as a result the Company's adoption of FASB No. 142 as described in Note 2 to the Consolidated Financial Statements.

Cost of sales for the nine months ended July 31, 2003 was 89% of sales compared to 89% for the same period in fiscal 2002. The overall dollar increase in cost of sales was principally due to the same reasons discussed in the immediately preceding paragraph.

Selling, General and Administrative Expense

Selling, general and administrative expenses as a percent of sales was 8% for each of the three month periods ended July 31, 2003 and 2002. The overall dollar increase in selling general and administrative expenses for the three months ended July 31, 2003 was principally attributable to increases in selling and marketing costs for ambulance products and increased general and administrative cost in all segments.

Selling, general and administrative expense, as a percent of sales, was 10% for each of the nine month periods ended July 31, 2003 and 2002. The overall dollar increase in selling and marketing expense in 2003 was principally associated with higher selling costs of ambulance products and was partially offset by lower corporate costs.

Other Income (Expense)

Other income (expense) increases for the three months and nine months ended July 31, 2003 were principally a result of the interest costs on increased borrowings. These borrowings were attributable to higher inventories and receivables and increased borrowings under existing Industrial Revenue Bonds related to equipment acquired for automation of certain ambulance operations.

Net Income (Loss)

The Company's net income for the three months ended July 31, 2003 was $.6 million ($.09 per share-diluted) compared to $1.0 million ($.15 per share-diluted) for the same period in fiscal 2002. The decrease in the Company's net income was principally attributable to lower profit contributions from ambulance products, higher selling, general and administrative expenses and higher interest expense. This decrease was partially offset by the Company's discontinuing the amortization of goodwill effective November 1, 2002.

The Company's net income for the nine months ended July 31, 2003 was $.6 million ($.08 per share-diluted) compared to $.5 million ($.08 per share - diluted) for the comparable period in fiscal 2002. Net income as a percent of sales for the nine months ended July 31, 2003 was decreased principally as a result of the impact of a large, non-recurring export sale of ambulances in fiscal 2002 as well as increased interest costs and selling general, and administrative expenses as discussed above. This decrease was partially offset by the Company's discontinuing the amortization of goodwill effective November 1, 2002.

LIQUIDITY AND CAPITAL RESOURCES:

The Company used existing credit lines, internally generated funds and supplier financing to fund its operations and capital expenditures for the nine months ended July 31, 2003.

Cash used in operations was $2.8 million for the nine months ended July 31, 2003, compared to cash provided by operations of $.9 million for the same period in fiscal 2002. Cash used in operations was principally due to the Company's increases in inventories of $11.5 million. Inventories increased due to advanced purchases of chassis and certain production components to capitalize on vendor discounts and incentives. These uses were partially offset by an increase in accounts payable and accrued expenses of $3.0 million associated with increases in inventories and deferred revenues.

Cash used in investing activities was $2.9 million for the nine months ended July 31, 2003 compared to $1.7 million for the same period in fiscal 2002. The increase was principally due to higher capital expenditures for the nine months ended July 31, 2003 associated with certain equipment acquired for the automation of certain ambulance operations. These capital expenditures were principally financed from the proceeds of Industrial Revenue Bonds issued in fiscal 2002.

Cash flow provided by financing activities was $5.6 million for the nine months ended July 31, 2003, compared to $.8 million for the same period in fiscal 2002. This change principally resulted from increased borrowings to finance working capital needs principally inventories and to pay cash dividends. This change was partially offset by the reduction in the restricted cash funds of $1.7 million derived from the proceeds of Industrial Revenue Bonds issued in fiscal 2002.

The Company uses derivative financial instruments to reduce exposure to its variable-rate debt. On July 24, 2001 and on July 5, 2002, the Company entered into interest rate swap agreements to limit the effect of increases in the interest rates on $10.0 million of its floating revolver debt. The agreements provide two $5 million swaps. One of these swaps matured in January 2003 and the other matured in July 2003. On July 5, 2002, the Company entered into an additional $6.8 million declining balance interest rate swap agreement to limit the effect of increases in the interest rates on its floating rate term debt through May 2005. The effect of these agreements is to convert underlying variable-rate debt based on LIBOR to fixed rate debt with an interest rate between 4.42% and 4.65% plus a margin of 175 basis points. These agreements reduce the Company's risk with respect to variable-rate debt. At July 31, 2003 the fair value of this debt was $5.6 million, net of the fair value of the swap of $0.2 million (loss). This debt is reflected as a liability within long-term debt and capitalized leases.

The Company believes that its cash flows from operations, its credit facility and unused funds restricted for future capital expenditures will be sufficient to satisfy its future working capital, capital expenditure requirements and anticipated dividends. The total amount of unused revolving credit available to the Company was $8.2 million at July 31, 2003.

It is customary practice for companies in the specialty vehicle industry to enter into repurchase agreements with financing institutions to provide floor plan financing for dealers. In the event of a dealer default, these agreements generally require the repurchase of products at the original invoice price net of certain adjustments. The risk of loss under the agreements is limited to the risk that market prices for these products may decline between the time of delivery to the dealer and time of repurchase 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 should 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 $ 4.1 million at July 31, 2003.

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 for valuing its inventories. The effect of the FIFO method is to value ending inventories on the balance sheet at their approximate current or most recent cost. The market values for finished goods inventories are determined based on recent selling prices.

Impairment of Long-Lived Assets

In June 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 November 1, 2002, 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

Generally, the Company is self-insured for workers' compensation for certain subsidiaries and for all group medical insurance. Under these plans, liabilities are recognized for claims incurred (including claims incurred but not reported) and changes in the 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. Since 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

On November 1, 2002 the Company adopted FASB Statement No. 148 (SFAS 148), "Accounting for Stock-Based Compensation - Transition and Disclosure." At July 31, 2003 the Company has two stock-based employee compensation plans, which are more fully described in Note 5 of the "Notes to Consolidated Financial Statements" in the Company's 2002 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 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.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 requires a liability to be recognized at the time a company issues a guarantee for the fair value of the obligations assumed under certain guarantee agreements. Additional disclosures about guarantee agreements are also required in the interim and annual financial statements. This standard became effective in the Company's first quarter of fiscal 2003, requiring the following disclosures for letters of credit and warranties.

Letters of Credit

This Company has issued various standby letters of credit in the ordinary course of business. No liability has been reflected in the accompanying balance sheet under past or current accounting pronouncements and no draws on the Company's standby letters of credit have ever been made. The currently outstanding standby letters of credit are limited to (i) a letter of credit originally issued approximately 14 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 and renewable annually and (iii) other standby letters of credit related to periodic bids and 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 July 31, 2003 are summarized as follows:

Purpose	Amount	Date of Expiration
Workers compensation - Kansas self-insurance reserves	$1,373,000	April 1, 2004
Industrial revenue bond-Longview, Texas [a]	2,124,117	September 16, 2004
Bids and other	111,768	Various

[a] All assets (originally $3.0 million) acquired from 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 manufacturers' warranties. These manufacturers' warranties are generally passed on to the end customer of the Company's products and the customer generally deals directly with the applicable component manufacturer. The Company records provisions for estimated warranty and other related costs at the time of sale based on historical warranty loss experience and periodically adjusts these provisions to reflect actual experience. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue may arise which is beyond the scope of the Company's historical experience. The Company provides for any such warranty issues as they become known and estimable. It is reasonably possible that from time to time additional warranty and other related claims could arise from disputes or other matters beyond the scope of the Company's historical experience. The following table provides the changes in the Company's product warranties:

For the three months ended July 31, 2003	
Accrued warranties at May 1, 2003	$ 1,200,989
Provisions for warranty charged against income	458,193
Payments and adjustments of warranties	(450,714)
Accrued warranties at July 31, 2003	$ 1,208,468

For the nine months ended July 31, 2003	
Accrued warranties at November 1, 2002	$ 1,076,471
Provisions for warranty charged against income	1,198,771
Payments and adjustments of warranties	(1,066,774)
Accrued warranties at July 31, 2003	$ 1,208,468

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46) which requires the consolidation of variable interest entities, as defined. FIN 46 is applicable to variable interest entities created after January 31, 2003. Variable interest entities created prior to February 1, 2003, must be consolidated effective July 1, 2003. Disclosures are required currently if the Company expects to consolidate any variable interest entities. The Company does not have any variable interest entities; therefore FIN 46 will not have a material effect on its consolidated results of operations or financial position.

In April 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company does not have any material derivative instruments; therefore SFAS 149 will not have a material impact on its consolidated results of operations, cash flows or financial condition.

In May 2003, the FASB issued SFAS No.150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150). SFAS 150 establishes standards for how an issuer classifies and measures three classes of freestanding financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 was effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not entered into any financial instruments within the scope of SFAS 150 since May 31, 2003, nor does it currently hold any financial instruments within its scope.

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 their use of words such as "expects", "plans", "will", "estimates", "forecasts", "projects", and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. One should understand that it is not possible to predict or identify all factors, which involve risks and uncertainties. Consequently, the reader should not consider any such list or listing to be a complete statement of all potential risks or uncertainties.

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 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

a) *Evaluation of disclosure controls and procedures.* Our chief executive officer and our chief financial officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13(a)-14(c) and 15-d-14(c)) as of the end of the period covered by this 10-Q, have concluded that, our disclosure controls and procedures were adequate and designed to ensure that the information required to be disclosed in the reports filed or submitted by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods.

b) *Changes in internal controls.* There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings
Not applicable

Item 2 - Changes in Securities
Not applicable

Item 3 - Defaults on 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 and Reports on Form 8-K**

(a) Exhibits
(31.1) Certifications-CEO

(31.2) Certifications-CFO

(32.1) Certification of Periodic Report-CEO

(32.2) Certification of Periodic Report-CFO

(b) Reports on Form 8-K
On May 20, 2003, the Company filed a form 8-K furnishing its press

release dated May 20, 2003, which announced its financial results

for its second fiscal quarter ended April 30, 2003.

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: **September 3, 2003**

By

/s/ Larry W. Sayre
Larry W. Sayre, Vice President of Finance and Chief Financial Officer
(Signing on behalf of the registrant and as principal accounting officer)