

STARRETT L S CO
Form 10-Q
February 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period
ended

December 25, 2010

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

1-367

THE L. S. STARRETT COMPANY
(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State or other jurisdiction of incorporation or
organization)

04-1866480
(I.R.S. Employer Identification No.)

121 CRESCENT STREET, ATHOL, MASSACHUSETTS
(Address of principal executive offices)

01331-1915
(Zip Code)

Registrant's telephone number, including
area code

978-249-3551

Former name, address and fiscal year, if changed since last report

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act, (Check One):

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Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Common Shares outstanding January 31, 2011
as of

Class A Common Shares 5,896,317

Class B Common Shares 802,871

THE L. S. STARRETT COMPANY

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Part I. Financial Information
Item 1. Condensed Consolidated Unaudited Financial Statements
THE L. S. STARRETT COMPANY
Consolidated Balance Sheets
(in thousands of dollars except share data)

	Dec. 25 2010 (unaudited)	June 26 2010 (audited)
ASSETS		
Current assets:		
Cash	\$21,625	\$20,478
Investments	-	1,250
Accounts receivable (less allowance for doubtful accounts of \$634 and \$607)	37,313	33,707
Inventory	51,478	46,156
Deferred income tax asset	3,396	3,300
Prepaid expenses, taxes and other current assets	8,226	5,510
Total current assets	122,038	110,401
Property, plant and equipment, at cost (less accumulated depreciation of \$127,122 and \$120,943)	55,333	56,529
Property held for sale	2,699	2,699
Intangible assets (less accumulated amortization of \$5,597 and \$4,973)	679	1,303
Other assets	474	280
Long-term taxes receivable	2,807	2,807
Long-term deferred income tax asset	26,048	26,115
Total assets	\$210,078	\$200,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities	\$5,306	\$2,696
Accounts payable and accrued expenses	17,502	17,740
Accrued salaries and wages	4,404	5,037
Total current liabilities	27,212	25,473
Long-term taxes payable	9,281	9,132
Deferred income taxes	2,464	2,436
Long-term debt	587	706
Postretirement benefit liability	31,723	30,005
Total liabilities	71,267	67,752
Stockholders' equity:		
Class A Common \$1 par (20,000,000 shares authorized) 5,890,309 outstanding on 12/25/10 and 5,858,700 outstanding on 6/26/10	5,890	5,859
Class B Common \$1 par (10,000,000 shares authorized) 803,913 outstanding on 12/25/10 and 821,204 outstanding on 6/26/10	804	821
Additional paid-in capital	50,531	50,373
Retained earnings reinvested and employed in the business	123,917	122,724

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Accumulated other comprehensive loss	(42,331)	(47,395)
Total stockholders' equity	138,811	132,382
Total liabilities and stockholders' equity	\$210,078	\$200,134

See Notes to Unaudited Consolidated Financial Statements

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THE L. S. STARRETT COMPANY
 Consolidated Statements of Operations
 (in thousands of dollars except per share data)(unaudited)

	13 Weeks Ended		26 Weeks Ended	
	12/25/2010	12/26/2009	12/25/2010	12/26/2009
Net sales	\$57,290	\$50,535	\$114,829	\$91,108
Cost of goods sold	38,612	34,634	77,479	65,175
Gross margin	18,678	15,901	37,350	25,933
% of Net Sales	32.6	% 31.5	% 32.5	% 28.5
Selling and general expense	16,365	14,359	33,752	28,712
Operating income (loss)	2,313	1,542	3,598	(2,779)
Other income (expense)	354	(254)	537	(642)
Earnings (loss) before income taxes	2,667	1,288	4,135	(3,421)
Income tax expense	1,361	1,600	2,006	22
Net earnings (loss)	\$1,306	\$(312)	\$2,129	\$(3,443)
Basic earnings (loss) per share	\$0.20	\$(0.05)	\$0.32	\$(0.52)
Diluted earnings (loss) per share	\$0.19	\$(0.05)	\$0.32	\$(0.52)
Average outstanding shares used in per share calculations (in thousands):				
Basic	6,691	6,666	6,687	6,658
Diluted	6,714	6,666	6,706	6,658
Dividends per share	\$.08	\$.06	\$.14	\$.18

See Notes to Unaudited Consolidated Financial Statements

THE L. S. STARRETT COMPANY
Consolidated Statements of Cash Flows
(in thousands of dollars)(unaudited)

	26 Weeks Ended	
	12/25/2010	12/26/2009
Cash flows from operating activities:		
Net earnings (loss)	\$2,129	\$(3,443)
Non-cash items included:		
Depreciation	4,659	4,532
Amortization	624	590
Fixed asset impairment	-	72
Net long-term tax payable	104	(454)
Deferred taxes	201	(1,448)
Unrealized transaction (gains) losses	(113)	(303)
Retirement benefits	1,727	1,451
Equity loss on investment in private software development company	418	—
Working capital changes		
Receivables	(1,617)	(2,727)
Inventories	(3,489)	10,900
Other current assets	(2,763)	1,270
Other current liabilities	(1,851)	1,556
Prepaid pension cost and other	230	(329)
Net cash provided by operating activities	259	11,667
Cash flows from investing activities:		
Additions to plant and equipment	(2,433)	(4,132)
Decrease in investments	1,250	618
Earn out paid for Kinemetric Engineering	-	(110)
Investment in private software development company	(600)	-
Net cash (used in) by investing activities	(1,783)	(3,624)
Cash flows from financing activities:		
Proceeds from short-term borrowings	3,385	14,049
Short-term debt repayments	(788)	(18,127)
Proceeds from long-term borrowings	-	129
Long-term debt repayments	(130)	(361)
Proceeds from common stock issued	139	260
Dividends paid	(936)	(1,199)
Net cash provided by (used in) financing activities	1,670	(5,249)
Effect of exchange rate changes on cash	1,001	295
Net increase in cash	1,147	3,089
Cash, beginning of period	20,478	10,248