

LAIDLAW INTERNATIONAL INC

Form 10-Q/A

November 15, 2004

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q/A

AMENDMENT NO.1 TO FORM 10-Q

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

For the quarterly period ended **May 31, 2004**

Commission file number 000-13109

LAIDLAW INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

98-0390488

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

**55 Shuman Boulevard, Suite 400
Naperville, Illinois, 60563**

(Address of principal executive offices)

Registrant's telephone number, including area code **(630) 848-3000**

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES NO

As of June 30, 2004, there were 103,806,110 shares of common stock, par value \$0.01 per share, outstanding.

LAIDLAW INTERNATIONAL, INC.

Explanatory Note

This Amendment No. 1 on Form 10-Q/A for the quarter ended May 31, 2004 is being filed to amend and restate the items described below contained in our Quarterly Report on Form 10-Q for such period originally filed with the U.S. Securities and Exchange Commission on July 12, 2004.

As part of our year-end processes and procedures to determine the Company's annual tax provision, management identified a \$6.6 million increase in our Canadian deferred tax assets and a corresponding tax benefit to reflect a change in the Ontario, Canada provincial tax rates. As the rate changes became effective in the Company's second fiscal quarter, the \$6.6 million tax benefit should have been reflected as a reduction of our tax expense for the nine month period ended May 31, 2004. However, the adjustment was not reflected in the Company's originally reported second quarter results because our quarterly processes did not include procedures to verify enacted tax rates and adjust the rate used to value our deferred tax assets for any changes that might have occurred. Management's quarterly controls and procedures have been strengthened to require verification of applicable tax rates and adjust, if needed, our effective tax rate for tax changes enacted during such period by taxing authorities in jurisdictions in which the Company conducts business. No change in the Company's annual process was required as management believes we have disclosure controls and procedures which operate at a reasonable assurance level on an annual basis. This Amendment No. 1 amends

Part I, Item 1, Financial Statements to restate our unaudited consolidated financial statements and the related notes, as more fully described in Note 1 to our restated unaudited consolidated financial statements contained in this Amendment No. 1;

Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, to take into account the effects to the restatement; and

Part I, Item 4, Controls and Procedures to reflect the matters discussed above.

This Amendment No. 1 sets forth the complete text of each item of Form 10-Q listed above as amended, and includes as Exhibits 31 and 32 new certifications by our chief executive officer and chief financial officer. This Amendment No. 1 does not reflect events occurring after the filing of our original Form 10-Q on July 12, 2004, or modify or update the disclosures presented in the original Form 10-Q filed on July 12, 2004, except to reflect the restatement as described above. Accordingly, this Amendment No. 1 should be read in conjunction with our filings made subsequent to the filing of the original Form 10-Q on July 12, 2004, including any amendments to those filings. Additional disclosure regarding the restatement is included in Note 1 to the restated unaudited consolidated financial statements included in Part I, Item 1 of this Amendment No. 1 on Form 10-Q/A.

LAIDLAW INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****LAIDLAW INTERNATIONAL, INC.****CONSOLIDATED BALANCE SHEETS**

(\$ in millions)

	May 31, 2004 (unaudited) (restated)	August 31, 2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 161.3	\$ 100.3
Restricted cash and cash equivalents	74.3	39.4
Short-term deposits and marketable securities	10.3	42.0
Accounts receivable	720.3	569.8
Parts and supplies	51.5	50.2
Deferred income tax assets	75.3	86.2
Other current assets	54.2	60.1
Total current assets	1,147.2	948.0
Long-term investments	552.5	553.5
Property and equipment		
Land	184.0	184.3
Buildings	161.4	151.1
Vehicles	1,339.8	1,228.4
Other	174.0	153.6
	1,859.2	1,717.4
Less: Accumulated depreciation	253.5	47.6
	1,605.7	1,669.8
Other assets		
Goodwill	183.1	183.1
Contracts and customer relationships	205.3	216.9
Deferred income tax assets	184.4	203.2
Deferred charges and other assets	72.1	78.2
	644.9	681.4

Total assets	\$ 3,950.3	\$ 3,852.7
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The accompanying notes are an integral part of these statements.

LAIDLAW INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(\$ in millions)

	May 31, 2004 (unaudited) (restated)	August 31, 2003
LIABILITIES		
Current liabilities		
Accounts payable	\$ 128.9	\$ 119.4
Accrued liabilities	518.8	506.0
Current portion of long-term debt	37.8	69.4
Total current liabilities	685.5	694.8
Long-term debt	1,121.5	1,145.1
Pension liability	226.7	225.7
Other long-term liabilities	557.8	496.8
Total liabilities	2,591.5	2,562.4
SHAREHOLDERS EQUITY		
Common shares; \$0.01 par value per share; issued and outstanding 103,806,110 (August 31, 2003 - 103,777,422)	1.0	1.0
Additional paid in capital	1,359.8	1,358.3
Common shares held in trust; 3,777,419 issued	(50.0)	(50.0)
Accumulated other comprehensive loss	(6.5)	(9.1)
Retained earnings (deficit)	54.5	(9.9)
Total shareholders equity	1,358.8	1,290.3
Total liabilities and shareholders equity	\$ 3,950.3	\$ 3,852.7

The accompanying notes are an integral part of these statements.

LAIDLAW INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in millions except per share amounts)
(unaudited)

		Predecessor Company		Predecessor Company
	Three Months Ended May 31, 2004	Three Months Ended May 31, 2003	Nine Months Ended May 31, 2004	Nine Months Ended May 31, 2003
			(restated)	
Revenue	\$ 1,239.6	\$ 1,202.8	\$ 3,612.4	\$ 3,485.7
Compensation expense	706.5	691.3	2,070.6	2,001.1
Accident claims and professional liability expenses	78.1	71.4	245.2	241.4
Vehicle related costs	68.7	68.8	207.4	202.4
Occupancy costs	50.0	49.2	151.2	150.4
Fuel	50.1	46.4	139.8	133.4
Depreciation	70.1	76.8	215.3	228.4
Amortization	4.6	0.4	13.8	0.9
Other operating expenses	122.0	124.8	368.7	364.2
Operating income	89.5	73.7	200.4	163.5
Interest expense	(31.4)	(6.6)	(98.7)	(19.6)
Other expenses, net	(0.1)	(3.4)	(3.7)	(20.0)
Income before income taxes and cumulative effect of a change in accounting principle	58.0	63.7	98.0	123.9
Income tax expense	(23.4)	(1.5)	(33.6)	(4.5)
Income before cumulative effect of a change in accounting principle	34.6	62.2	64.4	119.4
Cumulative effect of a change in accounting principle				(2,205.4)
Net income (loss)	\$ 34.6	\$ 62.2	\$ 64.4	\$ (2,086.0)
Basic earnings (loss) per share				
Income before cumulative effect of a change in accounting principle	\$ 0.35	\$ 0.19	\$ 0.64	\$ 0.37
Cumulative effect of a change in accounting principle				(6.77)

Net income (loss)	\$	0.35	\$	0.19	\$	0.64	\$	(6.40)
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Diluted earnings (loss) per share

Income before cumulative effect of a change in accounting principle	\$	0.33	\$	0.19		0.62	\$	0.37
Cumulative effect of a change in accounting principle								(6.77)

Net income (loss)	\$	0.33	\$	0.19	\$	0.62	\$	(6.40)
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The accompanying notes are an integral part of these statements.

LAIDLAW INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(\$ in millions)
(unaudited)

		Predecessor Company		Predecessor Company
	Three Months Ended May 31, 2004	Three Months Ended May 31, 2003	Nine Months Ended May 31, 2004	Nine Months Ended May 31, 2003
			(restated)	
Net income (loss)	\$ 34.6	\$ 62.2	\$ 64.4	\$ (2,086.0)
Net change in unrealized gains (losses) on securities	(6.3)	5.7	(1.5)	9.2
Foreign currency translation adjustments	(6.8)	29.7	4.1	46.2
Minimum pension liability adjustment				(176.4)
Comprehensive income (loss)	\$ 21.5	\$ 97.6	\$ 67.0	\$ (2,207.0)

The accompanying notes are an integral part of these statements.

LAIDLAW INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)
(unaudited)

		Predecessor Company		Predecessor Company
	Three Months Ended May 31, 2004	Three Months Ended May 31, 2003	Nine Months Ended May 31, 2004	Nine Months Ended May 31, 2003
			(restated)	
Operating activities				
Net income (loss)	\$ 34.6	\$ 62.2	\$ 64.4	\$ (2,086.0)
Non-cash items included in net income (loss):				
Cumulative effect of a change in accounting principle				2,205.4
Depreciation and amortization	74.7	77.2	229.1	229.3
Deferred income taxes	25.3		33.5	
Other items	(0.8)	(1.1)	4.7	(8.1)
Increase in claims liability and professional liability insurance accruals	12.7	7.4	47.2	56.1
Cash provided by (used in) financing other working capital items	36.6	20.1	(101.8)	(133.8)
Decrease in restricted cash and cash equivalents	3.5	33.9	4.1	0.9
Net cash provided by operating activities	\$ 186.6	\$ 199.7	\$ 281.2	\$ 263.8
Investing activities				
Purchase of property, equipment and other assets, net of proceeds from sale	\$ (45.7)	\$ (104.2)	\$ (150.8)	\$ (208.7)
Expended on acquisitions		(1.4)	(1.3)	(4.6)
Net increase in investments	(2.5)	(3.0)	(10.6)	(37.3)
Net cash used in investing activities	\$ (48.2)	\$ (108.6)	\$ (162.7)	\$ (250.6)
Financing activities				
Net increase (decrease) in long-term debt	\$ (71.8)	\$ 21.2	\$ (55.2)	\$ 34.4
Net increase (decrease) in other long-term liabilities	1.6	(2.6)	(2.3)	(0.8)
Net cash provided by (used in) financing activities	\$ (70.2)	\$ 18.6	\$ (57.5)	\$ 33.6