AIR T INC
Form 10-K/A
November 10, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K/A
(Amendment No. 1)

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the fiscal year ended March 31, 2004
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
For the transition period from _______________ to _____________

Commission file number 0-11720

Air T, Inc.
(Exact name of registrant as specified in its charter)

Delaware	52-1206400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3524 Airport Road Maiden, North Carolina	28650
(Address of principal executive offices)	(Zip Code)

(704) 377-2109
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, par value $.25 per share
(Title of Class)

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K (X).

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12G-2). Yes No (X)

The aggregate market value of voting stock held by non-affiliates of the registrant computed by reference to the average of the closing bid and asked prices for such stock on September 30, 2003, was $3,588,724. As of May 20, 2004, 2,686,825 shares of Common Stock were outstanding.

PRELIMINARY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends the Annual Report on Form 10-K (the "Annual Report") for the year ended March 31, 2004 of Air T, Inc. (the "Company") solely to correct the captions of the Company's consolidated statements of operations, consolidated statements of cash flows and the consolidated statements of stockholders' equity and comprehensive income (loss) which inadvertently included the words "condensed" and "(unaudited)" in those captions. The Company is filing this Amendment to clarify any uncertainty arising from these errors, although the report of the independent auditors accompanying the financial statements included in the Annual Report clearly indicates that such auditors have audited those statements. These errors appeared only in the EDGAR transmission copy of the Annual Report, and this Amendment is being filed promptly after the Company became aware of these transmission errors.

Pursuant to Rule 12b-15 under the Securities Act of 1934, the Company is restating in this Amendment the complete Item 8 of the Annual Report although the only changes being effected are the deletion of the words "condensed" and "(unaudited)" from the captions of the specified financial statements as noted above. Because this Amendment includes Item 8, the Company has restated Item 9A, even though the Company is reporting no changes in matters reported in that Item. Pursuant to Rule 12b-15, the Company has included as exhibits to this Amendment new certifications of its principal executive officer and principal financial officer, as well as a consent of its independent auditors to the inclusion of their report in this Amendment, and has revised the list of exhibits included in Item 15 accordingly.

PART II

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Air T, Inc.
Maiden, North Carolina

We have audited the accompanying consolidated balance sheets of Air T, Inc. and subsidiaries (the "Company") as of March 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended March 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Charlotte, North Carolina
June 21, 2004

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	2004	2003	2002
Operating Revenues (Note 11):			
Overnight air cargo	$36,168,096	$29,898,840	$29,258,086
Ground equipment	19,828,749	12,972,887	30,344,889
	55,996,845	42,871,727	59,602,975
Operating Expenses:			
Flight-air cargo	15,465,662	14,432,941	14,418,205
Maintenance-air cargo	13,863,329	10,328,867	9,978,664
Ground equipment	14,805,098	10,126,022	23,491,805
General and administrative (Note 7)	7,903,173	6,728,795	7,697,010
Depreciation and amortization	557,551	626,582	572,621
	52,594,813	42,243,207	56,158,305
Operating Income	3,402,032	628,520	3,444,670
Non-operating Expense (Income):			
Interest	(41,438)	(30,728)	288,761
Deferred retirement expense (Note 13)	21,000	21,000	88,078
Investment income	(69,421)	(90,003)	(115,562)
Other	(34,247)	84,636	(115,942)
	(124,106)	(15,095)	145,335
Earnings From Continuing Operations Before Income Taxes	3,526,138	643,615	3,299,335
Income Taxes (Note 12)	1,362,306	277,249	1,282,827
Earnings From Continuing Operations	2,163,832	366,366	2,016,508
Loss From Discontinued Operations, Net of Income Taxes (Note 10)	(425,970)	(1,590,577)	(738,009)
Net Earnings (Loss)	$ 1,737,862	$(1,224,211)	$ 1,278,499

Basic Earnings (Loss) Per Share (Note 14):			
Continuing Operations	$ 0.80	$ 0.13	$ 0.74
Discontinued Operations	(0.16)	(0.58)	(0.27)
Total Basic Net Earnings (Loss) Per Share	$ 0.64	$ (0.45)	$ 0.47
Diluted Earnings (Loss) Per Share (Note 14):			
Continuing Operations	$ 0.80	$ 0.13	$ 0.72
Discontinued Operations	(0.16)	(0.58)	(0.26)
Total Diluted Net Earnings (Loss) Per Share	$ 0.64	$ (0.45)	$ 0.46
Weighted Average Shares Outstanding:			
Basic	2,716,447	2,726,320	2,716,823
Diluted	2,727,919	2,726,320	2,788,700

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2004	March 31, 2003
ASSETS (Note 6)		
Current Assets:		
Cash and cash equivalents	$ 459,449	$ 79,715
Marketable securities (Note 2)	849,018	1,057,042
Accounts receivable, less allowance for doubtful accounts of $367,505 in 2004 and $449,358 in 2003	5,094,849	6,150,108
Notes and other non-trade receivables-current	146,137	17,573
Assets held for sale (Note 10)	-	1,950,000
Inventories (Notes 3 and 10)	6,460,072	6,275,288
Deferred tax asset (Note 12)	1,254,870	1,036,998
Prepaid expenses and other	151,879	129,029
Total Current Assets	14,416,274	16,695,753
Property and Equipment (Note 10):		
Furniture, fixtures and improvements	5,802,939	5,609,003
Flight equipment and rotables inventory	2,573,431	1,483,029
	8,376,370	7,092,032
Less accumulated depreciation	(5,105,802)	(4,788,779)
Property and Equipment, net	3,270,568	2,303,253
Deferred Tax Asset (Note 12)	288,920	1,096,883
Intangible Pension Asset (Note 13)	79,695	219,862
Other Assets	54,635	61,447
Cash surrender value of life insurance policies	1,059,862	879,032
Notes and other non-trade receivables-long-term	403,584	71,463

Total Assets	$ 19,573,538	$ 21,327,693

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(CONTINUED)

	March 31, 2004	March 31, 2003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,540,350	$ 4,436,291
Accrued expenses (Note 5)	2,200,209	1,691,341
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 4)	80,129	760,979
Income taxes payable (Note 12)	172,359	180,278
Current portion of long-term obligations (Notes 7 & 13)	94,807	113,130
Total Current Liabilities	6,087,854	7,182,019
Capital Lease Obligations (less current portion) (Note 7)	52,659	50,070
Long-term Debt (Note 6)	131,864	2,345,910
Deferred Retirement Obligations (less current portion (Note 13)	1,624,361	2,138,712
Stockholders' Equity (Note 9):		
Preferred stock, $1 par value, authorized 50,000 shares, none issued	-	-
Common stock, par value $.25; authorized 4,000,000 shares; 2,686,827 and 2,726,320 shares issued and outstanding in 2004 and 2003, respectively	671,706	681,580
Additional paid in capital	6,834,279	6,863,898
Retained earnings	4,127,484	2,529,556
Accumulated other comprehensive income (loss), net	43,331	(464,052)
Total Stockholders' Equity	11,676,800	9,610,982
Total Liabilities and Stockholders' Equity	$ 19,573,538	$ 21,327,693

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	$ 1,737,862	$(1,224,211)	$ 1,278,499
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Change in accounts receivable and inventory reserves	248,801	(432,187)	616,049
Depreciation and amortization	557,551	797,778	722,058
Deferred tax provision (benefit)	590,091	(838,030)	(283,805)
Other-than-temporary impairment charge on securities	-	161,000	-
Periodic pension cost	266,802	276,283	253,609
Asset impairment charge on discontinued operations	-	1,655,895	-
Change in assets and liabilities which provided (used) cash			
Accounts receivable	1,137,112	(339,476)	4,983,300
Notes receivable	(4,036)	(17,467)	(61,469)
Inventories	(784,773)	1,195,955	291,324
Prepaid expenses and other	(192,258)	(69,489)	58,495
Accounts payable	(1,153,568)	892,723	(5,336,060)
Accrued expenses	490,545	(279,040)	356,793
Billings in excess of costs and estimated earnings on uncompleted contracts	(680,850)	760,979	-
Income taxes payable	(7,919)	(174,917)	67,349
Total adjustments	467,498	3,590,007	1,667,643
Net cash provided by operating activities	2,205,360	2,365,796	2,946,142
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets of discontinued operations	1,550,000	140,000	50,000
Proceeds from sale of marketable securities	362,500	-	13,496
Capital expenditures	(1,260,819)	(466,867)	(776,097)
Net cash provided by (used in) investing activities	651,681	(326,867)	(712,601)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayments on line of credit	(2,197,880)	(1,370,630)	(1,479,100)
Repayment of term loan	-	(300,000)	(450,000)
Payment of cash dividend	-	(325,854)	(405,520)
Repurchase of common stock	(179,427)	-	(42,785)
Executive pension payment	(100,000)	-	-
Proceeds from exercise of stock options	-	5,500	77,835

Net cash used in financing activities	(2,477,307)	(1,990,984)	(2,299,570)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	379,734	47,945	(66,029)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	79,715	31,770	97,799
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 459,449	$ 79,715	$ 31,770
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:			
Note receivable from sale of assets-discontinued operations	$ 334,523	$ -	$ -
Capital leases entered into during fiscal year	51,361	-	24,581
Settlement installments due former executive officer	200,000	-	-
Increase in fair value of marketable securities	159,086	-	-
Change in fair value of deravitives	64,936	21,276	119,690
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 109,050	368,670	609,912
Income taxes	515,418	274,587	1,039,595

AIR T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Common Stock (Note 9) Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated other Compre-hensive Income (Loss)	Total Stockholders Equity
Balance,March 31, 2001	2,705,153	$ 676,288	$6,828,640	$3,206,642	$ (541,255)	$10,170,315
Comprehensive Income:						
Net Earnings				1,278,499		
Other compre-hensive income (loss),						
Unrealized gain on securities					119,690	
Pension liability adjustment					20,691	
Change in fair						

value of derivatives					(119,000)		
Total Comprehensive Income						1,299,880	
Repurchase and retirement of common stock	(13,500)	(3,375)	(39,410)			(42,785)	-
Exercise of stock options	32,667	8,167	69,668			77,835	
Cash dividend ($0.15 per share)				(405,520)		(405,520)	
Balance, March 31, 2002	2,724,320	681,080	6,858,898	4,079,621	(519,874)	11,099,725	
Comprehensive Loss:							
Net loss				(1,224,211)			
Other comprehensive income (loss),							
Other than temporary impairment charges on securities					161,000		
Unrealized gain on securities					74,098		
Pension liability adjustment					(158,000)		
Change in fair value of derivatives					(21,276)		
Total Comprehensive Loss						(1,168,389)	
Exercise of stock options	2,000	500	5,000			5,500	
Cash dividend ($0.12 per share)				(325,854)		(325,854)	
Balance, March 31, 2003	2,726,320	681,580	6,863,898	2,529,556	(464,052)	9,610,982	
Comprehensive Income Net earnings				1,737,862			
Other comprehensive income:							
Unrealized gain on securities					159,086		
Pension liability adjustment					283,361		
Change in fair value of derivatives					64,936		
Total Comprehensive Income						2,245,245	
Repurchase and retirement of							

common stock	(39,493)	(9,874)	(29,619)	(139,934)		(179,427)
Balance, March 31, 2004	2,686,827	$ 671,706	$6,834,279	$4,127,484	$ 43,331	$11,676,800

AIR T, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2004, 2003, AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activities - Air T, Inc. (the Company), through its operating subsidiaries, is an air cargo carrier specializing in the overnight delivery of small package air freight and a manufacturer of aircraft ground service equipment. In the fourth quarter of fiscal 2003, management committed to a plan to discontinue the operations of the aviation services sector of its business. The Company finalized the sale of certain assets of this business and discontinued its aviation services operations in fiscal 2004. See Note 10 "Discontinued Operations".

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Mountain Air Cargo, Inc., CSA Air, Inc., MAC Aviation Services, LLC (MACAS), formerly known as Mountain Aircraft Services, LLC (MAS) and Global Ground Support, LLC (Global). All significant intercompany transactions and balances have been eliminated.

Concentration of Credit Risk - The Company's potential exposure to concentrations of credit risk consists of trade accounts and notes receivable. Accounts receivable are normally due within 30 days and the Company performs periodic credit evaluations of its customers' financial condition. Notes receivable payments are normally due monthly.

Substantially all of the Company's customers are concentrated in the aviation industry and revenue can be materially affected by current economic conditions and the price of certain supplies such as fuel, the cost of which is passed through to the customer. The Company has customer concentrations in two areas of operations, air cargo which provides service to one major customer and ground support equipment which provides equipment and services to approximately 90 customers, one of which is considered a major customer. The loss of a major customer would have a material impact on the Company's results of operations. See Note 11. "Revenues From Major Customer".

Cash Equivalents - Cash equivalents consist of liquid investments with maturities of three months or less when purchased.

Marketable Securities - Marketable securities consists primarily of investments in mutual funds and preferred stocks. The Company has classified marketable securities as available-for-sale and they are carried at fair value in the accompanying consolidated balance sheets. Unrealized gains and losses on such securities are excluded from earnings and reported as a separate component of accumulated other comprehensive income (loss) until realized. Realized gains and losses on marketable securities are determined by calculating the difference between the basis of each specifically identified marketable security sold and its sales price.

Inventories - Inventories related to the Company's manufacturing operations are carried at the lower of cost (first in, first out) or market. Aviation parts and supplies inventories are carried at the lower of average cost or market. Consistent with industry practice, the Company includes aircraft parts and supplies in current assets, although a certain portion of these inventories may not be used or sold within one year.

Property and Equipment - Property and equipment is stated at cost or, in the case of equipment under capital leases, the present value of future lease payments. Rotables inventory represents aircraft parts, which are repairable, capitalized and depreciated over their estimated useful lives. Depreciation and amortization are provided on a straight-line basis over the shorter of the asset's service life or related lease term, as follows:

Flight equipment and intellectual property	7 years
Other equipment and furniture	3 to 7 years

Revenue Recognition - Cargo revenue is recognized upon completion of contract terms and maintenance revenue is recognized when the service has been performed. Revenue from product sales is recognized when contract terms are completed and title has passed to customers. Revenues from overhaul contracts on customer owned parts and long term fixed price construction projects are recognized on the percentage-of-completion method, in accordance with AICPA Statement of Position No. 81-1, "Accounting for Performance of Construction Type and Certain Production Type Contracts". Revenues for contracts under percentage of completion are measured by the percentage of cost incurred to date to estimated total cost for each contract or workorder. Contract costs include all direct material and labor costs and overhead costs related to contract performance. Unanticipated changes in job performance, job conditions and estimated profitability may result in revisions to costs and income, and are recognized in the period in which the revisions are determined. Such contracts generally have a customer

retainage provision. Except for a construction contract at Global, which is billed on a progress billing basis, the Company generally bills its customer at the time of completion of the contract or workorder.

Operating Expenses Reimbursed by Customer - The Company, under the terms of its air cargo dry-lease service contracts, passes through to its major customer certain cost components of its operations without markup. The cost of flight crews, fuel, landing fees, outside maintenance and certain other direct operating costs are included in operating expenses and billed to the customer, at cost, and included in overnight air cargo revenue on the accompanying statements of operations.

Stock Based Compensation - The Company measures employee stock compensation plans using the intrinsic value method with pro-forma disclosure of net earnings and earnings per share determined as if the fair value based method had been applied in measuring compensation cost.

As the Company uses the intrinsic value method, and all stock-based compensation has an exercise price equal to the market price at the date of grant, no compensation cost has been included in the accompanying financial statements. The following table sets forth compensation costs net of taxes, and proforma net income (loss) if compensation cost for the Company's stock-based compensation awards had been recorded at the grant dates based on the fair market value method described in FASB Statement No. 123, "Accounting for Stock-Based Compensation":

Stock based compensation	2004	2003	2002
Net income as reported	$ 1,738,000	(1,224,000	1,278,000
Compensation costs, net of taxes	$ -	-	46,000
Proforma net income	$ 1,738,000	(1,224,000)	1,232,000
Proforma net income per diluted share	$ 0.64	(0.45)	0.44

Financial Instruments - The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, notes receivable, accrued expenses, and long-term debt approximate their fair value at March 31, 2004 and 2003 because of their relatively short maturity or their variable interest nature.

Income Taxes - Deferred income taxes are provided for temporary differences between the tax and financial accounting bases of assets and liabilities using the asset and liability method. Deferred income taxes are recognized for the tax consequence of such temporary differences at the enacted tax rate expected to be in effect when the differences reverse.

Accounting Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported and disclosed. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, inventory reserves, intangible pension asset, deferred retirement obligations, revenue recognized under the percentage of completion method and valuation of long-lived assets.

Derivative Financial Instruments -As required by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company recognizes all derivatives as either assets or liabilities in the consolidated balance sheets and measures those instruments at fair value.

The Company is exposed to market risk, such as changes in interest rates. To manage the volatility relating to interest rate risk, the

Company may enter into interest rate hedging arrangements from time to time. The Company does not utilize derivative financial instruments for trading or speculative purposes.

Recent Accounting Pronouncements - The FASB has issued SFAS No. 143, "Accounting for Asset Retirement Obligations" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 was adopted by the Company in fiscal 2004 and did not have a material effect on the Company's financial position and results of operations.

SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and amends Accounting Principles Bulletin (APB) No. 30 "Reporting the Results of Operations-Discontinued Events and Extraordinary Items". Along with establishing a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale, this standard retains the basic provisions of APB No. 30 for the presentation of discontinued operations in the income statement but broadens that presentation to include a component of an entity. SFAS No. 144 is effective for fiscal 2003. The effect of the adoption of SFAS No. 144 on management's plan to discontinue the operations of MAS is reflected in the Company's consolidated statements of financial position and results of operations and is detailed in Note 10 Discontinued Operations.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of this Interpretation are currently effective and did not affect the Company's financial position and results of operations. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company has evaluated all of its guarantees under the provisions of FIN 45 and does not believe the effect of its adoption on its financial position and results of operations was not material.

The Company warranties its ground equipment products for up to a two-year period from date of sale. Product warranty reserves are recorded at time of sale based on the historical average warranty cost and are adjusted as actual warranty cost becomes known. As of March 31, 2004 the Company's warranty reserve amounted to $147,000.

Product warranty reserve activity during fiscal 2004 and fiscal 2003 is as follows:

Balance at 3/31/02	$119,000

Additions to reserve	199,000
Use of reserve	(202,000)
Balance at 3/31/03	116,000
Additions to reserve	217,000
Use of reserve	(186,000)
Balance at 3/31/04	$147,000

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Because the Company has elected to continue to account for its stock-based compensation under the provisions of Accounting Principles bulletin No. 25, SFAS No. 148 has no impact on the Company's consolidated statement of operations for 2004. However, the disclosure provisions of SFAS No. 148 are reflected in the accompanying notes to the Company's consolidated financial statements.

In January 2003, the FASB issued FIN 46 "Consolidation of Variable Interest Entities" which requires the primary beneficiary of a variable interest entity's activities to consolidate the variable interest entity. In December 2003, the FASB issued FIN 46 (Revised December 2003) (FIN 46R), "Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51," which supercedes and amends certain provisions of FIN 46. While FIN 46R retains many of the concepts and provisions of FIN 46, it also provides additional guidance related to the application of FIN 46 and certain additional scope exceptions, and incorporates several FASB Staff Positions issued related to the application of FIN 46. The provisions of FIN 46 are immediately applicable to variable interest entities created, or interests in variable interest entities obtained, after January 31, 2003 and the provisions of FIN 46R are required to be applied to such entities, except for special purpose entities, by the end of the first reporting period ending after March 15, 2004 (March 31, 2004 for the Company). For variable interest entities created, or interests in variable interest entities obtained, on or before January 31, 2003, FIN 46 or FIN 46R was required to be applied to special-purpose entities by the end of the first reporting period ending after December 15, 2003 (December 31, 2003 for the Company), and was required to be applied to all other non-special purpose entities by the end of the first reporting period ending after March 15, 2004 (March 31, 2004 for the Company). Adoption of FIN 46 did not have an impact on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 is effective for the Company July 1, 2003, although the FASB has recently proposed that implementation of certain provisions of SFAS No. 150 be postponed indefinitely. The Company has determined that the adoption of SFAS No. 150 will not have an impact on the financial position or results of operations.

Reclassifications - Certain reclassifications have been made to fiscal

2003 and 2002 amounts to conform to the current year presentation.

2. MARKETABLE SECURITIES

Marketable securities consist of the following investment types:

	Fair Value at March 31, 2004	Fair Value at March 31, 2003
Preferred stocks	$ -	$ 313,600
Mutual funds	849,018	743,442
Total	$ 849,018	1,057,042

The Company did not realize any gains or losses on sales of marketable securities in fiscal 2004, 2003 or 2002. Unrealized gains reflected in other comprehensive income totaled $159,000, $74,000 and $120,000 in fiscal 2004, 2003 and 2002. As of March 31, 2004 $119,000 in unrealized gains and an unrealized loss of $40,000 for 2003 are included in accumulated other comprehensive income (loss).

An other-than-temporary impairment charge of $161,000 was recorded in the consolidated statement of operations in the year ended March, 31, 2003.

3. INVENTORIES

Inventories consist of the following:

	March 31, 2004	March 31, 2003
Aircraft parts and supplies	$ 1,892,916	$ 2,088,315
Aircraft equipment manufacturing:		
Raw materials	3,508,363	2,595,448
Work in process	1,563,259	745,409
Finished goods	920,149	1,940,077
Total inventories	7,884,687	7,369,249
Reserves	(1,424,615)	(1,093,961)
Total, net of reserves	$ 6,460,072	$ 6,275,288

4. UNCOMPLETED CONTRACTS

Construction and overhaul contracts in process accounted for under the percentage of completion method are summarized as follows:

	March 31, 2004	March 31, 2003
Costs incurred and estimated on uncompleted contracts	$ 2,860,483	$ 803,605
Less billings to date	2,940,612	1,564,584
Billings in excess of costs and estimated		

earnings	$ (80,129)	$ (760,979)

5. ACCRUED EXPENSES

Accrued expenses consist of the following:

	March 31, 2004	2003
Salaries, wages and related items	$ 1,040,224	$ 819,848
Profit sharing	486,879	81,000
Health insurance	266,905	305,834
Professional fees	204,236	223,922
Warranty reserves	147,287	116,000
Other	54,678	144,737
Total	$ 2,200,209	$ 1,691,341

6. FINANCING ARRANGEMENTS

On August 31, 2003 the Company amended its $7,000,000 secured bank financing line to extend its expiration date to August 31, 2005.

The credit facility contains customary events of default, a subjective clause and restrictive covenants that, among other matters, require the Company to maintain certain financial ratios. There is no requirement for the Company to maintain a lock-box arrangement under this agreement. Under the provisions of the revolving credit line, the sale of certain assets of its aviation services business as described in Note 10. would be considered an event of default. The Company has obtained a waiver for this covenant. As of March 31, 2004, the Company was in compliance with all of the restrictive covenants.

The amount of credit available to the Company under the agreement at any given time is determined by an availability calculation, based on the eligible borrowing base, as defined in the credit agreement, which includes the Company's outstanding receivables, inventories and equipment, with certain exclusions. The credit facility is secured by substantially all of the Company's assets.

Amounts advanced under the credit facility bear interest at the 30-day "LIBOR" rate plus 137 basis points. The LIBOR rate at March 31, 2004 was 1.11%. At March 31, 2004 and 2003, the amounts outstanding against the line were $132,000 and $2,217,000, respectively. At March 31, 2004, an additional $3,175,000 was available under the terms of the credit facility.

The Company has classified the $132,000 outstanding balance on its credit line as of March 31, 2004 as long-term to reflect the terms included under the amendment signed on August 31, 2003.

7. LEASE COMMITMENTS

The Company has operating lease commitments for office equipment and its office and maintenance facilities, as well as capital leases for certain office and other equipment. The Company leases its corporate offices from a company controlled by certain Company officers for

$11,255 per month under two five-year leases which expire in May 2006.

In August 1996, the Company relocated certain portions of its maintenance operations to a new maintenance facility located at the Global TransPark in Kinston, N. C. Under the terms of the long-term facility lease, after an 18 month grace period (from date of occupancy), rent will escalate from $2.25 per square foot to $5.90 per square foot, per year, over the 21.5 year life of the lease. However, based on the occurrence of certain events related to the composition of aircraft fleet, the lease may be canceled by the Company. The Company currently considers the lease to be non-cancelable for eight and one-half years and has calculated rent expense on a straight-line basis over this portion of the lease term.

In August 1997 Global, located in Olathe, Kansas, leased approximately 57,000 square feet of manufacturing space for $17,030 per month, under a two-year operating lease. In September 1998, the lease was expanded to 112,500 square feet of manufacturing and office space for $35,903 per month and the term extended to August 2001. In April 2001 the lease was renewed through August 2006; monthly rental will increase over the life of the lease, based on increases in the Consumer Price Index.

At March 31, 2004, future minimum annual lease payments under capital and non-cancellable operating leases with initial or remaining terms of more than one year are as follows:

	Capital Leases	Operating Leases
2005	$ 37,547	$ 705,476
2006	26,318	710,632
2007	13,203	386,399
2008	13,203	216,699
2009	6,602	261,147
Total minimum lease payments	96,873	$ 2,280,353
less amount representing interest	13,728	
Present value of lease payments	83,145	
Less current maturities	30,486	
Long-term maturities	$ 52,659	

Rent expense for operating leases totaled approximately $704,000, $713,000, and $759,000 for fiscal 2004, 2003 and 2002, respectively, and includes amounts to related parties of $132,260 in fiscal 2004 and $109,860 in fiscal 2003 and 2002.

8. DERIVATIVE FINANCIAL INSTRUMENTS

In May 2001, the Company entered into two interest-rate swaps with notional amounts of $2.4 million, and $2 million respectively. These agreements were originally entered into at respective interest rates of 6.97% and 6.5%. On July 31, 2002 the Company elected to unwind its $2,000,000 (6.5%) revolving credit line swap in consideration for $58,750, the fair-market-value termination fee as of that date. On October 30, 2003, the Company terminated its remaining credit line swap for $97,500, the fair-market-value termination fee as of that date. The $75,000 balance included in accumulated other comprehensive income (loss) at March 31, 2004 will be ratably amortized into interest expense over the remaining term of the Company's credit line.

9. STOCKHOLDERS' EQUITY

The Company may issue up to 50,000 shares of preferred stock, in one or more series, on such terms and with such rights, preferences and limitations as determined by the Board of Directors. No preferred shares have been issued as of March 31, 2004.

The Company has granted options to purchase up to a total of 64,000 shares of common stock to certain Company employees and outside directors at prices of $3.19 and $6.38 per share. As of March 31, 2004, 301,000 shares remain available for issuance under future option grants. All options were granted at exercise prices which approximated the fair market value of the common stock on the date of grant. Options granted in fiscal 1998 and 2000 are fully vested and must be exercised within one to five years of the vesting date.

The following table summarizes information about stock options at March 31, 2004:

		Options Outstanding			Options Exercisable	
Option Grant Date	Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
1/28/00	$ 3.19	59,000	.8	$ 3.19	59,000	$ 3.19
8/13/98	6.38	5,000	4.4	6.38	5,000	6.38
		64,000	1.1	$ 3.44	64,000	$ 3.44

Option activity is summarized as follows:

	Shares	Weighted Average Exercise Price Per Share
Outstanding March 31, 2001	259,200	$ 2.93
Exercised	(32,667)	2.75
Outstanding March 31, 2002	226,533	3.00
Exercised	(2,000)	2.75
Expired	(160,533)	2.83
Outstanding March 31, 2003	64,000	3.44
Exercised	-	-

Outstanding March 31, 2004	64,000	$ 3.44

The fair value of options granted in fiscal 2000 and 1998, was estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions listed below. No options were granted since fiscal 2000.

	2000	1998
Weighted average fair value per option	$1.62	$ 1.15
Assumptions used:		
Weighted average expected volatility	65.1%	61.0%
Weighted average expected dividend yield	2.4%	2.2%
Weighted average risk-free interest rate	6.59%	5.70%
Weighted average expected life, in years	4.6	3.0

During fiscal 2004 the Company suspended its stock repurchase program. Except for 39,493 shares repurchased in conjunction with the retirement of an executive officer (see Note 13), no common shares were repurchased in fiscal 2004. Through March 31, 2004 the Company had repurchased and retired a total of 829,273 shares at a total cost of $3,437,045.

10. DISCONTINUED OPERATIONS

During the fourth quarter of fiscal 2003, Company management agreed to a plan to sell the assets of MAS and to discontinue the operations of the Company's aviation service sector business. The Company entered into a letter of intent on June 19, 2003 to sell certain assets and the business operations of MAS to an investor group, which included former management of MAS, for consideration of $1,950,000. On August 14, 2003, the Company closed on the transaction for consideration totaling $1,885,000, comprised of $1,550,000 in cash and a $335,000 promissory note. The sale resulted in the recognition of losses totaling $1,121,000. In conjunction with the sale, the Company agreed to indemnify the buyer and its affiliates with respect to certain matters related to contractual representations and warranties and the operation of the business prior to closing. Although no assurances can be made, the Company does not believe the indemnities provided will have a material effect on its financial condition or results of operations.

Under the terms of the sale agreement, the Company also entered into a three-year consignment agreement granting the buyer an exclusive right to sell remaining MAS inventory not included in the sale transaction. Upon termination of the consignment agreement, all unsold inventory will be returned to the Company. Inventory on consignment under this agreement amounted to $704,000 as of March 31, 2004. The accompanying consolidated financial statements reflect the sale of certain MAS assets and reclassify the net operations of MAS as discontinued operations, net of tax, for all periods presented.

A summary of the assets held for sale at March 31, 2004 and 2003 is as follows:

	2004	2003
Inventory	$ -	$ 1,900,000
Property, plant and equipment	-	50,000
Assets held for sale	$ -	$ 1,950,000

A summary of the operating results of the discontinued operations is as follows:

	2004	2003	2002
Revenue	$ 2,575,259	$ 5,977,697	$ 11,355,128
Operating loss	(500,901)	(942,110)	(90,491)
Loss before income taxes	(698,902)	(2,598,005)	(1,190,337)
Income tax benefit	272,932	1,007,428	452,328
Net loss	$ (425,970)	$(1,590,577)	$ (738,009)

The loss before income taxes on discontinued operations for the year ended March 31, 2003, was comprised of a $942,110 loss from operations and $1,655,895 impairment charge recorded to write down certain assets held for sale to their estimated fair value.

11. REVENUES FROM MAJOR CUSTOMER

Approximately 64.5%, 69.5% and 41.2% of the Company's revenues were derived from services performed for Federal Express in fiscal 2004, 2003 and 2002, respectively. In addition, approximately 16.4%, 19.9% and 22.9% of the Company's revenues for fiscal 2004, 2003 and 2002 respectively, were generated from Global's US Air Force contract.

12. INCOME TAXES

The provision (benefit) for income taxes consists of:

	Year Ended March 31, 2004		
	Continuing Operations	Discontinued Operations	Total
Current:			
Federal	$ 1,082,000	$ (665,000)	$ 417,000
State	228,000	(147,000)	81,000
Total current	1,310,000	(812,000)	498,000
Deferred:			
Federal	43,000	441,000	484,000
State	9,000	98,000	107,000
Total deferred	52,000	539,000	591,000
Total	$ 1,362,000	$ (273,000)	$1,089,000

Year Ended March 31, 2003

	Continuing Operations	Discontinued Operations	Total
Current:			
Federal	$ 278,000	$ (226,000)	$ 52,000
State	56,000	-	56,000
Total current	334,000	(226,000)	108,000
Deferred:			
Federal	(102,000)	(582,000)	(684,000)
State	45,000	(199,000)	(154,000)
Total deferred	(57,000)	(781,000)	(838,000)
Total	$ 277,000	$(1,007,000)	$ (730,000)

	Year Ended March 31, 2002		
	Continuing Operations	Discontinued Operations	Total
Current:			
Federal	$ 1,209,000	$ (293,000)	$ 916,000
State	264,000	(65,000)	199,000
Total current	1,473,000	(358,000)	1,115,000
Deferred:			
Federal	(137,000)	(77,000)	(214,000)
State	(53,000)	(17,000)	(70,000)
Total deferred	(190,000)	(94,000)	(284,000)
Total	$ 1,283,000	$ (452,000)	$ 831,000

The income tax provision for continuing operations was different from the amount computed using the statutory Federal income tax rate for the following reasons:

	2004		2003		2002	
Income tax provision at U.S. statutory rate	$1,199,000	34.0%	$219,000	34.0%	$1,122,000	34.0%
State income taxes, net of Federal benefit	163,000	4.6	31,000	4.8	154,000	4.7
Meal and entertainment disallowance	19,000	0.5	15,000	2.4	23,0000	0.7
Other, net	(19,000)	(0.5)	(71,000)	(11.0)	(16,000)	(0.5)
Change in valuation allowance	-		83,000	12.9	-	
Income tax provision	$1,362,000	38.6%	$277,000	43.1%	$1,283,000	38.9%

Deferred tax asset is comprised of the following components

	2004	2003
Net deferred tax asset		
Warranty reserve	56,853	46,864
Accounts receivable reserve	142,924	174,523
Inventory reserve	690,214	543,578
Accrued insurance	104,552	74,784
Accrued vacation'	174,971	94,290
Deferred compensation	698,269	658,559
Other	94,904	97,132
Fixed assets	(405,467)	(88,124)
MAS discontinued operations	-	545,705
State loss carryforward	70,000	70,000
Valuation allowance	(83,430)	(83,430)
Total	1,543,790	2,133,881

The deferred tax items are reported on a net current and non-current basis in the accompanying fiscal 2004 and 2003 consolidated balance sheets according to the classification of the related asset and liability. The Company has state net operating loss carryforwards as of March 31, 2004 with a tax effected amount of approximately $70,000. The state loss carryforwards will expire in varying periods through March 2023. At March 31, 2004 the Company had deferred tax assets of $21,853 for capital loss carryforwards and $61,577 for unrealized capital losses. The Company recorded a full valuation allowance of $83,430 on the deferred tax assets relating to these capital losses at March 31, 2004 based on management's belief that realization is unlikely.

13. EMPLOYEE BENEFITS

The Company has a 401K defined contribution plan (AirT 401(K) Retirement Plan). All employees of the Company are eligible to participate in the plan. The Company's contribution to the 401(K) plan for the years ended March 31, 2004, 2003 and 2002 was $231,000, $232,000, and $228,000, respectively and was recorded in general and administrative expenses in the consolidated statements of operations.

The Company, in each of the past three years, has paid a discretionary profit sharing bonus in which all employees have participated. Profit sharing expense in fiscal 2004, 2003, and 2002 was $487,000, $81,000 and $562,000, respectively, and was recorded in general and administrative expenses in the consolidated statements of operations.

Effective January 1, 1996 the Company entered into supplemental retirement agreements with certain key executives of the Company, to provide for a monthly benefit upon retirement. The Company has purchased life insurance policies for which the Company is the sole beneficiary to facilitate the funding of benefits under these supplemental retirement agreements. The cost of funding these benefits is recorded in general and administrative expense on the consolidated statements of operations and is offset by increases in the cash surrender value of the life insurance policies..

Effective December 31, 2003, an executive officer and director of the company resigned his employment with AirT. In consideration of approximately $300,000 the executive agreed to forgo certain retirement and other contractual benefits for which the Company had previously accrued aggregate liabilities of $715,000. See Item 2. Resignation of Executive Officer.

The above-mentioned cancellation of contractual retirement benefits reduced recorded liabilities by $715,000. The difference between the recorded liability and ultimate cash payment of $300,000 resulted in a $305,000 reduction in actuarial losses, recorded in Other Comprehensive Loss, a $90,000 reduction in intangible assets and a net $20,000 reduction in executive compensation charges included in the statement of operations.

The Company also agreed to purchase from the former executive officer 118,480 shares of AirT common stock held by him (representing approximately 4.3% of the outstanding shares of common stock at December 31, 2003) for $4.54 per share (80% of the January 5, 2004 closing price). The stock repurchase will take place in three installments over a one-year period, starting January 12, 2004, and will total approximately $538,000. The repurchase of the former executive's stock will be recorded in the period that the repurchase occurs as treasury stock transactions and all such stock will be subsequently retired. All installment payments required to be made on January 12, 2004, have been made.

The following tables set forth the funded status of the Company's supplemental retirement plan at March 31, 2004 and 2003 and the change in the projected benefit obligation during fiscal 2004 and 2003:

	March 31,	
	2004	2003
Vested benefit obligation and accumulated benefit obligation	$ 1,462,384	$ 1,918,826
Projected benefit obligation	1,462,384	1,918,826
Plan assets at fair value	-	-
Projected benefit obligation greater than plan assets	1,462,384	1,918,826
Unrecognized prior service cost	(149,324)	(219,862)
Unrecognized actuarial gain (loss)	69,629	(283,363)
Adjustment required to recognize minimum liability	79,695	503,225
Accrued pension cost recognized in the consolidated balance sheets	$ 1,462,384	$ 1,918,826

	2004	2003
Projected benefit obligation beginning of year	1,918,826	$ 1,555,827
Service cost	72,789	70,244
Interest cost	113,510	112,194
Actuarial loss due to change in assumption	72,315	180,561
Non-cash reduction due to partial settlement	(415,056)	-
Benefits paid	(300,000)	-
Projected benefit obligation end of year	$ 1,462,384	$ 1,918,826

In accordance with the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," the Company has recorded an additional minimum liability of $79,695 at March 31, 2004 and $503,225 at March 31, 2003, representing the excess of the accumulated benefit obligation over the fair value of plan assets and accrued pension liability for its pension plan. The additional liability has been offset by an intangible asset to the extent of unrecognized prior service cost. The portion of the additional minimum liability in excess of unrecognized prior service cost decreased by $283,000 in fiscal 2004 and is reported as a component of other comprehensive loss for the year ended March 31, 2004 due to the above-mentioned settlement.

The projected benefit obligation was determined using an assumed discount rate of 5.75% at March 31, 2004 and 6.5% at March 31, 2003. The liability relating to these benefits has been included in deferred retirement obligation in the accompanying financial statements.

Net periodic pension expense for fiscal 2004, 2003 and 2002 consisted of the following:

	2004	2003	2002
Service cost	72,789	70,244	62,944
Interest cost	113,510	112,194	97,665
Amortization of unrecognized prior service cost and actuarial losses	99,714	93,845	93,000
Gain on partial settlement	(19,211)	-	-
Net periodic pension cost	266,802	276,283	253,609

The Company's former Chairman and CEO passed away on April 18, 1997. Under the terms of his supplemental retirement agreement, approximately $498,000 in present value of death benefits is required to be paid to fulfill death benefit payments over 10 years after his death. As of March 31, 2004 and 2003 accruals related to the unpaid present value of the benefit amounted to approximately $226,000 and $293,000, respectively (of which approximately $152,000 and $220,000, respectively is included under defined retirement obligations in the accompanying consolidated balance sheets). Net periodic pension costs are included in general and administrative expenses in the accompanying consolidated statements of operations.

14. NET EARNINGS (LOSS) PER COMMON SHARE

Basic earnings (loss) per share has been calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during each period. For purposes of calculating diluted earnings (loss) per share, shares issuable under employee stock options were considered potential common shares and were included in the weighted average common shares unless they were anti-dilutive. As of March 31, 2004 5,000 shares of outstanding stock options were anti-dilutive.

The computation of basic and diluted weighted average common shares outstanding is as follows:

	Year Ended March 31, 2004	2003	2002
Basic	2,716,447	2,726,320	2,716,823
Incremental Shares From Stock Options	11,472	-	71,877
Diluted	2,727,919	2,726,320	2,788,700

15. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)
(in thousands except per share data)

During the fourth quarter of fiscal 2003, management agreed to a plan to discontinue the operations of MAS and dispose of its assets. The Company closed on the transaction to sell certain MAS assets and operations on August 14, 2003. As a result, the Company has retroactively reflected the discontinued operations of MAS in the accompanying consolidated statements of financial position and results of operations.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
2004				
Operating Revenues	$11,056	$13,623	$12,980	$18,338
Operating Income	$ 675	$ 939	$ 370	$ 1,418
Earnings Before Income Taxes	$ 444	$ 612	$ 493	$ 1,977
Net Earnings	$ 349	$ 358	$ 230	$ 801
Basic and Diluted Net Earnings per share	$ 0.13	$ 0.13	$ 0.08	$ 0.30
2003				
Operating Revenues	$10,198	$ 9,176	$11,233	$12,265
Operating Income (Loss)	$ 41	$ (390)	$ 160	$ 818
(Loss) Earnings Before Income Taxes	$ (70)	$ (351)	$ 177	$ 888
Net (Loss) Earnings	$ (161)	$ (363)	$ 37	$ (737)
Basic and Diluted Net (Loss) Earnings per share	$ (0.06)	$ (0.13)	$ 0.01	$ (0.27)

16. SEGMENT INFORMATION

The Company operates three subsidiaries in two continuing business segments. Each business segment has separate management teams and infrastructures that offer different products and services. During the fourth quarter of fiscal 2003, Company management agreed to a plan to sell the assets of MAS and to discontinue the operations of the Company's aviation service sector business (MAS). The Company completed an agreement to sell certain assets and operation on August 14, 2003. The operations of MAS are, therefore, not presented in the segment information below. The subsidiaries with continuing operations have been combined into the following two reportable segments: overnight air cargo and ground equipment. The overnight air cargo segment encompasses services provided primarily to one customer, Federal Express, and the ground equipment segment encompasses the operations of Global.

The accounting policies for all reportable segments are the same as those described in Note 1 to the Consolidated Financial Statements. The Company evaluates the performance of its operating segments based on operating income from continuing operations.

Segment data is summarized as follows:

	2004	2003	2002
Operating Revenues			
Overnight Air Cargo	$ 36,168,096	$ 29,898,840	$ 29,258,086
Ground Equipment	19,828,749	12,972,887	30,344,889
Total	$ 55,996,845	$ 42,871,727	$ 59,602,975
Operating Income from Continuing operations			
Overnight Air Cargo	$ 3,988,995	$ 2,621,003	$ 2,215,901
Ground Equipment	2,039,691	204,642	3,335,477
Corporate (1)	(2,626,654)	(2,197,125)	(2,106,708)
Total	$ 3,402,032	$ 628,520	$ 3,444,670
Identifiable Assets			
Overnight Air Cargo	$ 5,727,470	$ 4,130,676	$ 3,852,042
Ground Equipment	9,646,490	8,615,032	10,051,691
Corporate	3,093,449	4,684,070	2,856,792
Total	$ 18,467,409	$ 17,429,778	$ 16,760,525
Capital Expenditures, net			
Overnight Air Cargo	$ 1,101,355	$ 131,626	$ 107,264
Ground Equipment	75,775	155,528	216,032
Corporate	83,689	175,670	303,184
Total	$ 1,260,819	$ 462,824	$ 626,480
Depreciation and Amortization			
Overnight Air Cargo	$ 200,128	$ 243,635	$ 228,051
Ground Equipment	187,284	239,699	253,377
Corporate	170,139	143,248	91,193

Total	$ 557,551	$ 626,582	$ 572,621

(1) Includes income from inter-segment transactions, eliminated in consolidation.

17. COMMITMENTS AND CONTINGENCIES

Global and one of its employees are defendants in a lawsuit filed in March 2002 in the United States District Court for the District of Columbia, Catalyst & Chemical Services et al v. Terex, et al. In this action, the plaintiffs allege that they provided to Global and the employee certain trade secrets regarding aircraft de/anti-icing systems that were then disclosed by Global and the employee to third parties. The plaintiffs allege misappropriation of trade secrets, breach of contract and violation of the federal Racketeer Influenced and Corrupt Organizations Act and seek monetary damages. The Company and its employee have filed an answer in this action denying all liability. Upon Global's motion, the court has dismissed the plaintiff's claims under the Racketeer Influenced and Corrupt Organizations Act. The Company does not believe that the action has any merit and intends to defend the lawsuit vigorously. In November 2002, Global and the Company filed suit in North Carolina state court against affiliates of the plaintiffs in the Catalyst & Chemical Services et al v. Terex, et al action alleging defamation. This action has been moved to, and is pending before, the United States District Court for the Western District of North Carolina.

The Company is currently involved in certain intellectual property, personal injury and environmental matters, which involve pending or threatened lawsuits. Management believes the results of these pending or threatened lawsuits will not have a material adverse effect on the Company's results of operations or financial position.

Item 9A. Controls and Procedures.

As of the end of the period covered by this report, management, including the Company's Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures with respect to the information generated for use in this report. Based upon, and as of the date of that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

Except as described below, there was no change in our internal control over financial reporting during or subsequent to the fourth fiscal quarter for the fiscal year ended March 31, 2004, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

It should be noted that while the Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that the Company's disclosure controls and procedures provide a reasonable level of assurance, they do not expect that the disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control

system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

The following documents are filed as part of this report:

1. Financial Statements

a. The following are incorporated herein by reference in Item 8 of Part II of this report:

(i) Independent Auditors' Report.
(ii) Consolidated Balance Sheets as of March 31, 2004 and 2003.
(iii) Consolidated Statements of Operations for each of the three years in the period ended March 31, 2004.
(iv) Consolidated Statements of Stockholders' Equity for each of the three years in the period ended March 31, 2004.
(v) Consolidated Statements of Cash Flows for each of the three years in the period ended March 31, 2004.
(vi) Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

No schedules are required to be submitted.

3. Exhibits

No. Description

3.1 Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2001

3.2 By-laws of the Company, as amended, incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1996

4.1 Specimen Common Stock Certificate, incorporated by reference to

Exhibit 4.1 of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994

10.1 Aircraft Dry Lease and Service Agreement dated February 2, 1994 between Mountain Air Cargo, Inc. and Federal Express Corporation, incorporated by reference to Exhibit 10.13 to Amendment No. 1 on Form 10-Q/A to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1993

10.2 Loan Agreement among Bank of America, N.A. the Company and its subsidiaries, dated May 23, 2001, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001

10.3 Aircraft Wet Lease Agreement dated April 1, 1994 between Mountain Air Cargo, Inc. and Federal Express Corporation, incorporated by reference to Exhibit 10.4 of Amendment No. 1 on Form 10-Q/Q to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1994

10.4 Adoption Agreement regarding the Company's Master 401(k) Plan and Trust, incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1993*

10.5 Amendment No. 1 to Omnibus Securities Award Plan incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K for the year ended March 31, 2000*

10.6 Premises and Facilities Lease dated November 16, 1995 between Global TransPark Foundation, Inc. and Mountain Air Cargo, Inc., incorporated by reference to Exhibit 10.5 to Amendment No. 1 on Form 10-Q/A to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 1995

10.7 Employment Agreement dated January 1, 1996 between the Company, Mountain Air Cargo Inc. and Mountain Aircraft Services, LLC and William H. Simpson, incorporated by reference to Exhibit 10.8 to the Company's Annual Report Form 10-K for the fiscal year ended March 31, 1996*

10.8 Employment Agreement dated January 1, 1996 between the Company, Mountain Air Cargo Inc. and Mountain Aircraft Services, LLC and John J. Gioffre, incorporated by reference to Exhibit 10.9 to the Company's Annual Report Form 10-K for the fiscal year ended March 31, 1996*

10.9 Omnibus Securities Award Plan, incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report Form 10-Q for the quarter ended June 30, 1998*

10.10 Commercial and Industrial Lease Agreement dated August 25, 1998 between William F. Bieber and Global Ground Support, LLC, incorporated by reference to Exhibit 10.12 of the Company's Quarterly Report on 10Q for the period ended September 30, 1998

10.11 Amendment, dated February 1, 1999, to Aircraft Dry Lease and Service Agreement dated February 2, 1994 between Mountain Air Cargo, Inc. and Federal Express Corporation, incorporated by reference to Exhibit 10.13 of the Company's Quarterly Report on 10Q for the period ended December 31, 1998

10.12 ISDA Schedule to Master Agreement between Bank of America, N.A. and the Company dated May 23, 2001, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001

10.13 Amendment No 1. to Loan Agreement among Bank of America, N.A., the Company and its subsidiaries, dated August 31, 2002, incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002

10.14 Lease Agreement between Little Mountain Airport Associates, Inc. and Mountain Air Cargo, Inc., dated June 1, 1991, most recently amended May 28, 2001, incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended March 31, 2003

10.15 Agreement dated January 12, 2004 between the Company and J. Hugh Bingham, incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended March 31, 2004*

10.16 Amendment No 2. to Loan Agreement among Bank of America, N.A., the Company and its subsidiaries, dated August 31, 2003, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2003

21.1 List of subsidiaries of the Company, incorporated by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K for the year ended March 31, 2004

23.1 Consent of Deloitte & Touche LLP

31.1 Certification of Walter Clark

31.2 Certification of John J. Gioffre

32.1 Section 1350 Certification

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* Management compensatory plan or arrangement required to be filed as an exhibit to this report.

b. Reports on Form 8-K.

The Company filed the following Current reports on Form 8-K in the last quarter of the fiscal year ended March 31, 2004:

Current Report on form 8-K dated January 12, 2004 announcing the resignation of J. Hugh Bingham.
Current Report on form 8-K dated February 13, 2004 announcing unaudited financial results for the period ended December 31, 2003.

AIR T, INC.
EXHIBIT INDEX

Exhibit Number	Document
23.1	Consent of Deloitte & Touche LLP
31.1	Certification of Walter Clark
31.2	Certification of John J. Gioffre
32.1	Section 1350 certification