Symmetry Medical Inc.
Form 10-Q/A
April 24, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 1O-Q/A

(Amendment No. 1)

(Mark One)

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

For the quarterly period ended June 30, 2007

or

o 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: 001-32374

SYMMETRY MEDICAL INC.

(Exact name of registrant as specified in its charter)

Delaware	**35-1996126**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3724 North State Road 15, Warsaw, Indiana	**46582**
(Address of principal executive offices)	(Zip Code)

(574) 268-2252
(Registrant s telephone number, including area code)

(Former name, former address and former 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. o Yes x No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

o Yes x 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.

o Yes o No

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.

The number of shares outstanding of the registrant s common stock as of April 3, 2008 was 35,466,654.

TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

Throughout this Amended Quarterly Report on Form 10-Q/A or in other reports or registration statements filed from time to time with the Securities and Exchange Commission under the Securities Exchange Act of 1934, or under the Securities Act of 1933, as well as in documents we incorporate by reference or in press releases or oral statements made by our officers or representatives, we may make statements that express our opinions, expectations or projections regarding future events or future results, in contrast with statements that reflect historical facts. These predictive statements, which we generally precede or accompany by such typical conditional words such as anticipate, intend, believe, estimate, plan, seek, project, potential, or expect, or by the words may, will, could, or should, and similar expressions or terminology are i operate as forward-looking statements of the kind permitted by the Private Securities Litigation Reform Act of 1995. That legislation protects such predictive statements by creating a safe harbor from liability in the event that a particular prediction does not turn out as anticipated.

Forward-looking statements convey our current expectations or forecast future events. While we always intend to express our best judgment when we make statements about what we believe will occur in the future, and although we base these statements on assumptions that we believe to be reasonable when made, these forward-looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. Forward-looking statements are subject to many uncertainties and other variable circumstances, many of which are outside of our control, that could cause our actual results and experience to differ materially from those we thought would occur.

We also refer you to and believe that you should carefully read the Risk Factors portion of our Annual Report for fiscal 2007 on Form 10-K, filed contemporaneously with this Form 10-Q/A, to better understand the risks and uncertainties that are inherent in our business and in owning our securities.

Any forward-looking statements which we make in this report or in any of the documents that are incorporated by reference herein speak only as of the date of such statement, and we undertake no ongoing obligation to update such statements. Comparisons of results between current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Explanatory Note Regarding Our Restatement

On October 4, 2007, we issued a press release and filed a related Current Report on Form 8-K with the Securities and Exchange Commission (the SEC) in which we announced that, due to the apparent overstatement of revenues by our Sheffield, UK operating unit, it may be necessary for us to restate our financial statements for the periods subsequent to June 2003, and that as a result our historical financial statements for those periods can no longer be relied upon. On November 12, 2007, we issued a press release and filed a related Current Report on Form 8-K with the SEC in which we announced that the potential irregularities in the financial reporting by our Sheffield, UK operating unit also includes the overstatement of inventory and other matters. The Sheffield, UK operating unit is part of our Thornton Precision Components Limited subsidiary.

This Form 10-Q/A reflects the restatement of: i) our previously issued consolidated financial statements for the three months and six months ended July 1, 2006 and June 30, 2007 and the year ended December 30, 2006; and ii) Management s Discussion and Analysis, based on the restated quarterly financial information. These adjustments are discussed in Note 2 to the condensed consolidated financial statements. Along with this report, we are filing our amended Quarterly Report on Form 10-Q/A for the first quarter of fiscal 2007 and the delayed third quarter of fiscal 2007 on Form 10-Q as well as our Annual Report for fiscal 2007 on Form 10-K. We do not intend to amend our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods prior to fiscal 2007. The financial information that was presented in previous filings or otherwise reported for these periods is amended by the information in our Annual Report for fiscal 2007 on Form 10-K. The financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

Upon discovery of the accounting irregularities, the Audit Committee engaged special legal counsel, who in turn retained independent forensic accountants, to investigate and report to the Audit Committee. That investigation has concluded that the irregularities were isolated to our Sheffield, UK operating unit.

We have quantified the impact of the irregularities identified at our Sheffield, UK operating unit, and are restating our financial statements to correct those irregularities. The restatements correct misstatements within accounts receivable, inventory, accounts payable, property, plant and equipment and the corresponding income tax profit and loss impact. Furthermore, once the restated financial performance was known, an impairment of goodwill and certain other intangibles at that subsidiary occurred in fiscal 2005. The Audit Committee engaged Ernst & Young LLP to audit our restated consolidated financial statements for fiscal 2005 and 2006, while simultaneously completing its audit of our 2007 fiscal year. Ernst & Young LLP was also engaged to re-review our quarterly consolidated financial statements for fiscal 2006 and 2007. The adjustments made as a result of the restatements are more fully discussed in Note 2 to the consolidated financial statements.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Symmetry Medical Inc.

Condensed Consolidated Balance Sheets

	June 30, 2007 (Restated) (unaudited)	December 30, 2006 (Restated)
	(In Thousands, Except Per Share Data)	
Assets:		
Current Assets:		
Cash and cash equivalents	$ 10,991	$ 11,721
Accounts receivables, net	37,995	32,909
Inventories	35,163	33,134
Refundable income taxes	4,253	4,374
Deferred income taxes	2,418	2,826
Other current assets	4,025	3,965
Total current assets	94,845	88,929
Property and equipment, net	103,595	102,907
Goodwill	132,791	129,966
Intangible assets, net of accumulated amortization	37,077	31,613
Other assets	1,098	981
Total Assets	$ 369,406	$ 354,396
Liabilities and Shareholders Equity:		
Current Liabilities:		
Accounts payable	$ 26,754	$ 20,683
Accrued wages and benefits	8,055	7,816
Other accrued expenses	4,647	4,104
Income tax payable	95	970
Deferred income taxes	752	249
Derivative valuation liability	58	1,184
Revolving line of credit	1,062	
Current portion of capital lease obligations	2,895	3,500
Current portion of long-term debt	8,275	5,550
Total current liabilities	52,593	44,056
Deferred income taxes	8,132	8,392
Derivative valuation liability	175	549
Capital lease obligations, less current portion	4,498	5,142
Long-term debt, less current portion	62,575	63,650
Total Liabilities	127,973	121,789

Commitments and contingencies (Note 9)

Shareholders Equity:				
Common Stock, $.0001 par value; 72,410 shares authorized; shares issued June 30, 2007 35,435; December 30, 2006 35,107)		4		4
Additional paid-in capital		272,294		270,716
Retained earnings (deficit)		(39,066)		(45,377)
Accumulated other comprehensive income		8,201		7,264
Total Shareholders Equity		241,433		232,607
Total Liabilities and Shareholders Equity	$	369,406	$	354,396

See accompanying notes to condensed consolidated financial statements.

Symmetry Medical Inc.

Condensed Consolidated Statements of Operations

	Three Months Ended		Six Months Ended	
	June 30, 2007 (Restated)	July 1, 2006 (Restated)	June 30, 2007 (Restated)	July 1, 2006 (Restated)
	(unaudited) (In Thousands, Except Per Share Data)			
Revenue	$ 69,713	$ 63,181	$ 134,436	$ 131,505
Cost of Revenue	54,997	46,427	108,007	96,096
Gross Profit	14,716	16,754	26,429	35,409
Selling, general and administrative expenses	8,030	6,873	15,681	13,908
Operating Income	6,686	9,881	10,748	21,501
Other (income)/expense:				
Interest expense	1,607	925	3,194	1,586
Derivatives valuation (gain)/loss	(278)	408	(16)	407
Other	(765)	(2,174)	(665)	(2,557)
Income before income taxes	6,122	10,722	8,235	22,065
Income tax expense	1,426	2,982	1,924	6,359
Net income	$ 4,696	$ 7,740	$ 6,311	$ 15,706
Net income per share:				
Basic	$ 0.13	$ 0.22	$ 0.18	$ 0.45
Diluted	$ 0.13	$ 0.22	$ 0.18	$ 0.45
Weighted average common shares and equivalent shares outstanding:				
Basic	35,119	34,830	35,046	34,774
Diluted	35,277	35,177	35,237	35,157

See accompanying notes to condensed consolidated financial statements.

Symmetry Medical Inc.

Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30, 2007 (Restated)	Six Months Ended July 1, 2006 (Restated)
	(unaudited) (In Thousands)	
Operating activities		
Net Income	$ 6,311	$ 15,706
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,591	7,677
Amortization	1,012	386
Foreign currency transaction (gain) loss	(279)	(1,534)
Net (gain) loss on sale of assets	(348)	(1,233)
Deferred income tax provision	(695)	2,275
Excess tax benefit from stock-based compensation	(796)	(1,062)
Stock-based compensation	142	212
Derivative valuation change	(1,500)	407
Change in operating assets and liabilities:		
Accounts receivable	(2,019)	2,759
Other assets	132	834
Inventories	1,263	(208)
Current income taxes	399	(3,923)
Accounts payable	4,259	(6,180)
Accrued expenses and other	623	(1,861)
Net cash provided by operating activities	17,095	14,255
Investing activities		
Purchases of property and equipment	(3,963)	(11,487)
Proceeds from the sale of fixed assets	1,589	2,434
Acquisition, net of cash received	(17,621)	(45,629)
Net cash used in investing activities	(19,995)	(54,682)
Financing activities		
Proceeds from bank revolver	49,013	47,598
Payments on bank revolver	(44,471)	(45,373)
Issuance of long-term debt		40,000
Payments on long-term debt and capital lease obligations	(3,742)	(5,130)
Proceeds from the issuance of common stock, net of expenses	641	547
Excess tax benefit from stock-based compensation	796	1,062
Debt issuance costs paid		(322)
Net cash provided by financing activities	2,237	38,382
Effect of exchange rate changes on cash	(67)	260
Net increase (decrease) in cash and cash equivalents	(730)	(1,785)
Cash and cash equivalents at beginning of period	11,721	12,471
Cash and cash equivalents at end of period	$ 10,991	$ 10,686

Supplemental disclosures:				
Cash paid for interest	$	3,204	$	1,284
Cash paid for income taxes	$	2,221	$	6,996

See accompanying notes to condensed consolidated financial statements.

Symmetry Medical Inc.

Notes to Condensed Consolidated Financial Statements

(In Thousands, Except Per Share Data)

(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of Symmetry Medical, Inc. and its wholly-owned subsidiaries (collectively referred to as the Corporation), Symmetry Medical USA Inc., Jet Engineering, Inc., Ultrexx, Inc., Riley Medical Inc., Symmetry Medical Switzerland SA (formerly known as Riley Medical Europe SA), Symmetry Medical Everest LLC, Everest Metal International Limited, Symmetry Medical Cheltenham Limited, Symmetry Medical PolyVac, SAS, Thornton Precision Components Limited, Symmetry Medical Malaysia SDN, Clamonta Limited, and TNCO, Inc. The Corporation is a global supplier of integrated products consisting primarily of surgical implants, instruments and cases to orthopedic and other medical device companies.

The condensed consolidated financial statements of the Corporation have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments of a normal recurring nature as well as all adjustments discussed in Note 2, Restatement considered necessary to present fairly, the consolidated financial position of the Corporation, its results of operations and cash flows. The Corporation s results are subject to seasonal fluctuations. Interim results are not necessarily indicative of results for a full year. The condensed consolidated financial statements included herein should be read in conjunction with the fiscal year 2006 restated consolidated financial statements and the notes thereto included in the Corporation s Annual Report on Form 10-K for fiscal year 2007 filed contemporaneously with this Form 10-Q/A.

The Corporation s year end is the 52 or 53 week period ending the Saturday closest to December 31. Fiscal year 2007 and 2006 are 52 week years. As such, interim quarters are 13 weeks long ending the Saturday closest to March 31, June 30, or September 30. References in these consolidated financial statements to the three months ended refer to these financial periods, respectively.

Riley Medical Inc. and Symmetry Medical Switzerland SA (formerly known as Riley Medical Europe SA) were acquired on May 2, 2006 and are collectively referred to as Riley Medical. The Corporation acquired certain assets of Everest Finishing, LLC and all of the issued and outstanding stock of Everest Metal International Limited on August 31, 2006 and are collectively referred to as Everest Metal.

On January 9, 2007, the Corporation acquired all of the stock of Whedon Limited, a privately owned company based in Warwickshire, UK and the holding company of Clamonta Limited (collectively Clamonta Ltd), for $10,331 in cash, subject to certain post closing adjustments. Clamonta Ltd manufactures aerospace products for the global aerospace industry.

On April 3, 2007, the Corporation acquired all of the stock of TNCO, Inc. (TNCO), a privately owned company based in Whitman, Massachusetts for $7,223 in cash, subject to certain post closing adjustments. TNCO designs and supplies precision instruments for arthroscopic, laparoscopic, sinus, and other minimally invasive procedures.

2. Restatement

Background of the Investigation

On October 4, 2007, we issued a press release and filed a Current Report on Form 8-K with the Securities and Exchange Commission (the SEC) in which we announced that, due to the apparent overstatement of revenues by our Sheffield, United Kingdom (UK) operating unit, it may be necessary for us to restate our financial statements for the periods subsequent to June 2003, and that as a result our historical financial statements for those periods can no longer be relied upon. On November 12, 2007, we filed a Current Report on Form 8-K with the SEC in which we announced that the potential irregularities in the financial reporting by the Sheffield, UK operating unit also includes the overstatement of inventory and other matters. The Sheffield, UK operating unit is part of the Thornton Precision Components Limited subsidiary.

This Form 10-Q/A reflects the restatement of our previously issued condensed consolidated financial statements for the three months and six months ended July 1, 2006 and June 30, 2007 and the year ended December 30, 2006. Along with this report, we are filing our amended Quarterly Report on Form 10-Q/A for the first quarter of fiscal 2007 and the delayed third quarter of fiscal 2007 on Form 10-Q as well as our Annual Report for fiscal 2007 on Form 10-K. We do not intend to amend our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods prior to fiscal 2007. The financial information that was presented in previous filings or otherwise reported for these periods is amended by the information in our Annual Report for fiscal 2007 on Form 10-K. The financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

Upon discovery of the accounting irregularities, the Audit Committee engaged special legal counsel who in turn retained independent forensic accountants, to investigate and report to the Audit Committee. That investigation has concluded that the irregularities were isolated to our Sheffield, UK operating unit.

We have quantified the impact of the irregularities identified at our Sheffield, UK operating unit, and are restating our financial statements to correct those irregularities. The restatements correct misstatements within accounts receivable, inventory, accounts payable, property, plant and equipment and the corresponding income tax and profit and loss impacts. Furthermore, once the restated financial performance was known, an impairment of goodwill and certain other intangibles at that subsidiary occurred in fiscal 2005. The cumulative impact to beginning retained earnings as of December 31, 2005 was $46.5 million.

Restatement Adjustments

The following table represents the effect of the restatement on the condensed consolidated statements of operations for the three months ended June 30, 2007 and July 1, 2006 and should be reviewed in conjunction with the descriptions of the adjustments following the condensed consolidated balance sheets:

		Three Months Ended			Three Months Ended	
	June 30, 2007 (Reported)	June 30, 2007 (Adjustment)	June 30, 2007 (Restated)	July 1, 2006 (Reported)	July 1, 2006 (Adjustment)	July 1, 2006 (Restated)
			(unaudited) (In Thousands, Except per Share Data)			
Revenue	$ 69,566	$ 147	$ 69,713	$ 64,760	$ (1,579)	$ 63,181
Cost of Revenue	54,093	904	54,997	47,873	(1,446)	46,427
Gross Profit	15,473	(757)	14,716	16,887	(133)	16,754
Selling, general, and administrative expenses	8,365	(335)	8,030	6,892	(19)	6,873
Operating Income	7,108	(422)	6,686	9,995	(114)	9,881
Other expense:						
Interest expense	1,607		1,607	925		925
Derivatives valuation (gain)/loss	(278)		(278)	408		408
Other	(730)	(35)	(765)	(2,059)	(115)	(2,174)
Income before income taxes	6,509	(387)	6,122	10,721	1	10,722
Income tax expense	2,078	(652)	1,426	3,042	(60)	2,982

Net income	$	4,431	$	265	$	4,696	$	7,679	$	61	$	7,740
Net income per share:												
Basic	$	0.13	$	0.00	$	0.13	$	0.22	$	0.00	$	0.22
Diluted	$	0.13	$	0.00	$	0.13	$	0.22	$	0.00	$	0.22
Weighted average common shares and equivalent shares outstanding:												
Basic		35,119				35,119		34,830				34,830
Diluted		35,277				35,277		35,177				35,177

The following table represents the effect of the restatement on the condensed consolidated statements of operations for the six months ended June 30, 2007 and July 1, 2006 and should be reviewed in conjunction with the descriptions of the adjustments following the condensed consolidated balance sheets:

		Six Months Ended				
	June 30, 2007 (Reported)	**June 30, 2007 (Adjustment)**	**June 30, 2007 (Restated)**	**July 1, 2006 (Reported)**	**July 1, 2006 (Adjustment)**	**July 1, 2006 (Restated)**
			(unaudited)			
Revenue	$ 137,085	$ (2,649)	$ 134,436	$ 134,373	$ (2,868)	$ 131,505
Cost of Revenue	106,651	1,356	108,007	97,145	(1,049)	96,096
Gross Profit	30,434	(4,005)	26,429	37,228	(1,819)	35,409
Selling, general, and administrative expenses	16,238	(557)	15,681	13,932	(24)	13,908
Operating Income (loss)	14,196	(3,448)	10,748	23,296	(1,795)	21,501
Other (income) expense:						
Interest expense	3,194		3,194	1,586		1,586
Derivatives valuation (gain)/loss	(16)		(16)	407		407
Other	(741)	76	(665)	(2,280)	(277)	(2,557)
Income before income taxes	11,759	(3,524)	8,235	23,583	(1,518)	22,065
Income tax expense	3,618	(1,694)	1,924	7,526	(1,167)	6,359
Net income (loss)	$ 8,141	$ (1,830)	$ 6,311	$ 16,057	$ (351)	$ 15,706
Net income (loss) per share:						
Basic	$ 0.23	$ (0.05)	$ 0.18	$ 0.46	$ (0.01)	$ 0.45
Diluted	$ 0.23	$ (0.05)	$ 0.18	$ 0.46	$ (0.01)	$ 0.45
Weighted average common shares and equivalent shares outstanding:						
Basic	35,046		35,046	34,774		34,774
Diluted	35,237		35,237	35,157		35,157

The following table represents the effect of the restatement on the condensed consolidated balance sheets as of June 30, 2007 and December 30, 2006 and should be reviewed in conjunction with the descriptions of the adjustments following the condensed consolidated balance sheets:

	June 30, 2007 (Reported) (unaudited)	June 30, 2007 (Adjustment) (unaudited)	June 30, 2007 (Restated) (unaudited)	December30, 2006 (Reported)	December 30, 2006 (Adjustment)	December 30, 2006 (Restated)
			(In Thousands, Except Per Share Data)			
Assets:						
Current Assets:						
Cash and cash equivalents	$ 10,991	$	$ 10,991	$ 11,721	$	$ 11,721
Accounts receivables, net	53,101	(15,106)	37,995	47,506	(14,597)	32,909
Inventories	50,208	(15,045)	35,163	47,392	(14,258)	33,134
Refundable income taxes	32	4,221	4,253	111	4,263	4,374
Deferred income taxes	2,418		2,418	2,826		2,826
Other current assets	5,457	(1,432)	4,025	3,965		3,965
Total current assets	122,207	(27,362)	94,845	113,521	(24,592)	88,929
Property and equipment, net	110,030	(6,435)	103,595	106,147	(3,240)	102,907
Goodwill	159,706	(26,915)	132,791	156,241	(26,275)	129,966
Intangible assets, net of accumulated amortization	38,719	(1,642)	37,077	33,257	(1,644)	31,613
Other assets	1,098		1,098	981		981
Total Assets	$ 431,760	$ (62,354)	$ 369,406	$ 410,147	$ (55,751)	$ 354,396
Liabilities and Shareholders Equity:						
Current Liabilities:						
Accounts payable	$ 23,010	$ 3,744	$ 26,754	$ 14,860	$ 5,823	$ 20,683
Accrued wages and benefits	8,055		8,055	7,816		7,816
Other accrued expenses	4,647		4,647	4,104		4,104
Income tax payable	386	(291)	95	850	120	970
Deferred income taxes	332	420	752	249		249
Derivative valuation liability	58		58	1,184		1,184
Revolving line of credit	1,062		1,062			
Current portion of capital lease obligations	2,895		2,895	3,500		3,500
Current portion of long-term debt	8,275		8,275	5,550		5,550
Total current liabilities	48,720	3,873	52,593	38,113	5,943	44,056
Deferred income taxes	12,310	(4,178)	8,132	11,832	(3,440)	8,392
Derivative valuation liability	175		175	549		549
Capital lease obligations, less current portion	4,498		4,498	5,142		5,142

Long-term debt, less current portion		62,575				62,575		63,650				63,650
Total Liabilities		128,278		(305)		127,973		119,286		2,503		121,789
Commitments and contingencies (Note 9)												
Shareholders Equity:												
Common Stock, $.0001 par value; 72,410 shares authorized; shares issued June 30, 2007 35,435; December 30, 2006 35,107)		4				4		4				4
Additional paid-in capital		273,482		(1,188)		272,294		271,388		(672)		270,716
Retained earnings (deficit)		14,912		(53,978)		(39,066)		6,771		(52,148)		(45,377)
Accumulated other comprehensive income (loss)		15,084		(6,883)		8,201		12,698		(5,434)		7,264
Total Shareholders Equity		303,482		(62,049)		241,433		290,861		(58,254)		232,607
Total Liabilities and Shareholders Equity	$	431,760	$	(62,354)	$	369,406	$	410,147	$	(55,751)	$	354,396

The adjustments resulting in the restatements are described as follows:

Revenue and Accounts Receivable Adjustments - Revenue adjustments include the correction of revenue recognized in incorrect periods and the elimination of fictitious transactions.

Cost of Revenue, Inventory and Accounts Payable Adjustments - Adjustments include the correction of cost of sales related to revenue adjustments discussed above in addition to the eliminations of fictitious work in process inventory which had been previously sold or scrapped and adjustments to properly reflect the timing of inventory receipts and related disbursements.

Selling General and Administrative and Additional Paid in Capital Adjustments - Selling, general and administrative adjustments include the reversal of amortization expense related to performance based restricted stock awards which are no longer probable of vesting due to the lower restated financial results at Sheffield.

Other Expense Adjustments - Other expense adjustments are due primarily to revised the foreign currency transaction gains and losses associated with the restated accounts receivable balances.

Income Tax Expense, Refundable Income Taxes, Deferred Income Taxes and Income Taxes Payable Adjustments - Income tax expense adjustments result from the tax impacts of the restatement adjustments to pre-tax income at the UK statutory rate of 30%.

Property & Equipment, Net Adjustments Remove costs in construction in progress related to costs associated with tools and dies that were capitalized erroneously.

Goodwill, Intangible Assets and Retained Earnings Adjustments Certain of the above mentioned errors and irregularities date back to prior periods including the opening balance sheet established at the time of the acquisition of the Sheffield operation in 2003. The adjustments to the opening balance sheet result in an increase to goodwill of approximately $8,242. In addition, utilizing the restated operating results we determined that carrying value of the Sheffield reporting unit as well as a customer related intangible were in excess of their fair value. The impairment analysis resulted in the write-off of goodwill and intangibles of $33,580 in 2005.

The following table represents the effect of the restatement on the condensed consolidated statements of cash flows for the six months ended June 30, 2007 and July 1, 2006 and should be reviewed in conjunction with the descriptions following the condensed consolidated balance sheets:

	June 30, 2007 (Reported)	Six Months Ended June 30, 2007 (Adjustment)	June 30, 2007 (Restated)	July 1, 2006 (Reported)	Six Months Ended July 1, 2006 (Adjustment)	July 1, 2006 (Restated)
			(unaudited) (In Thousands)			
Operating activities						
Net Income (loss)	$ 8,141	$ (1,830)	$ 6,311	$ 16,057	$ (351)	$ 15,706
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation	8,591		8,591	7,677		7,677
Amortization	1,053	(41)	1,012	424	(38)	386
Foreign currency transaction (gain) loss	(355)	76	(279)	(1,257)	(277)	(1,534)
Net (gain) loss on sale of assets	(348)		(348)	(1,233)		(1,233)
Deferred income tax provision	944	(1,639)	(695)	253	2,022	2,275
Excess tax benefit from stock-based	(796)		(796)	(1,062)		(1,062)
Stock-based compensation	658	(516)	142	212		212
Derivative valuation change	(1,500)		(1,500)	407		407
Change in operating assets and liabilities:						
Accounts receivable	(2,055)	36	(2,019)	1,614	1,145	2,759
Other assets	(1,288)	1,420	132	834		834
Inventories	872	391	1,263	(1,034)	826	(208)
Current income taxes	1,007	(608)	399	(735)	(3,188)	(3,923)
Accounts payable	6,369	(2,110)	4,259	(5,730)	(450)	(6,180)
Accrued expenses and other	(1,158)	1,781	623	(1,863)	2	(1,861)
Net cash provided by operating activities	20,135	(3,040)	17,095	14,564	(309)	14,255
Investing activities						
Purchases of property and equipment	(7,007)	3,044	(3,963)	(11,783)	296	(11,487)
Proceeds from the sale of fixed assets	1,589		1,589	2,434		2,434
Acquisition, net of cash received	(17,621)		(17,621)	(45,629)		(45,629)
Net cash used in investing activities	(23,039)	3,044	(19,995)	(54,978)	296	(54,682)
Financing activities						
Proceeds from bank revolver	49,013		49,013	47,598		47,598
Payments on bank revolver	(44,471)		(44,471)	(45,373)		(45,373)
Issuance of long-term debt				40,000		40,000
Payments on long-term debt and capital lease obligations	(3,742)		(3,742)	(5,130)		(5,130)
Proceeds from the issuance of common stock, net of expenses	641		641	547		547
Excess tax benefit from stock-based compensation	796		796	1,062		1,062
Debt issuance costs paid				(322)		(322)
Net cash provided by financing activities	2,237		2,237	38,382		38,382
Effect of exchange rate changes on cash	(63)	(4)	(67)	247	13	260
Net increase (decrease) in cash and cash equivalents	(730)		(730)	(1,785)		(1,785)

Cash and cash equivalents at beginning of period		11,721				11,721		12,471				12,471
Cash and cash equivalents at end of period	$	10,991	$		$	10,991	$	10,686	$		$	10,686
Supplemental disclosures:												
Cash paid for interest	$	3,184	$	20	$	3,204	$	1,284	$		$	1,284
Cash paid for income taxes	$	2,858	$	(637)	$	2,221	$	6,996	$		$	6,996

Consolidated Statement of Cash Flow Adjustments For the income statement and balance sheet adjustments described above, corresponding adjustments were made to the condensed consolidated statement of cash flows.

3. Inventories

Inventories consist of the following:

	June 30, 2007 (Restated)	December 30, 2006 (Restated)
Raw material and supplies	$ 9,969	$ 10,661
Work-in-process	13,979	10,561
Finished goods	11,215	11,912
	$ 35,163	$ 33,134

4. Property and Equipment

Property and equipment, including depreciable lives, consists of the following:

	June 30, 2007 (Restated)	December 30, 2006 (Restated)
Land	$ 6,504	$ 6,735
Buildings and improvements (20 to 40 years)	46,897	44,430
Machinery and equipment (5 to 15 years)	103,617	96,192
Office equipment (3 to 5 years)	8,218	7,895
Construction-in-progress	324	1,560
	165,560	156,812
Less accumulated depreciation	(61,965)	(53,905)
	$ 103,595	$ 102,907

5. Intangible Assets

Intangible assets were acquired in connection with our business acquisitions.

As of June 30, 2007, the balances of intangible assets, other than goodwill, were as follows:

	Weighted-average Amortization Period (Restated)	Gross Intangible Assets (Restated)	Accumulated Amortization (Restated)	Net Intangible Assets (Restated)
Acquired technology and patents	11 years	$ 2,095	$ (372)	$ 1,723
Acquired customers	19 years	31,295	(3,123)	28,172

Non-compete agreements	5 years	484	(71)		413
Intangible assets subject to amortization		33,874	(3,566)		30,308
Proprietary processes	Indefinite				3,924
Trademarks	Indefinite				2,845
Indefinite-lived intangible assets, other than goodwill					6,769
Total				$	37,077

As of December 30, 2006, the balances of intangible assets, other than goodwill were as follows:

	Weighted-average Amortization Period (Restated)	Gross Intangible Assets (Restated)	Accumulated Amortization (Restated)	Net Intangible Assets (Restated)
Acquired technology and patents	12 years	$ 1,573	$ (363)	$ 1,210
Acquired customers	19 years	27,116	(2,159)	24,957
Non-compete agreements	5 years	290	(27)	263
Intangible assets subject to amortization		28,979	(2,549)	26,430
Proprietary processes	Indefinite			3,883
Trademarks	Indefinite			1,300
Indefinite-lived intangible assets, other than goodwill				5,183
Total				$ 31,613

The increase in intangibles is due to our acquisition of Clamonta Ltd. in January 2007 as well as TNCO acquired in April 2007.

6. New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*. This statement prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This statement was adopted by the Corporation on December 31, 2006. The implementation of FIN 48 had no impact on the Corporation s financial position or results of operations. As of the beginning of fiscal year 2007, the Corporation had unrecognized tax benefits of $248. There has been no significant change in the unrecognized tax benefits through the second quarter ending June 30, 2007.

The Corporation recognizes interest and penalties related to unrecognized tax benefits through income tax expense.

The Corporation is subject to periodic audits by domestic and foreign tax authorities. Currently, the Corporation is undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of the audits. It is impossible to estimate the significance of such a potential change at this time. For the majority of tax jurisdictions, the Corporation is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2003.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements.* The Statement provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. This Statement is effective for fiscal years beginning after November 15, 2007. The adoption of this Statement is not expected to have a material impact on the Corporation s financial position, results of operations and cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This Statement allows entities to measure many financial instruments and certain other instruments at fair value. This Statement is effective for fiscal years beginning after November 15, 2007. The Company does not anticipate adopting this standard.

7. Segment Reporting

The Corporation primarily designs, develops and manufactures implants and related surgical instruments and cases for orthopedic device companies and companies in other medical device markets such as dental, osteobiologic and endoscopy. The Corporation also sells products to the aerospace industry. The Corporation manages its business in multiple operating segments. Because of the similar economic characteristics of the operations, including the nature of the products, comparable level of FDA regulations, same or similar customers, those operations have been aggregated following the provisions of SFAS No. 131 for segment reporting purposes. The results of one segment which sells exclusively to aerospace customers has not been disclosed separately as it does not meet the quantitative disclosure requirements.

The Corporation is a multi-national corporation with operations in the United States, the United Kingdom, Ireland, Switzerland, France and Malaysia. As a result, the Corporation s financial results can be impacted by currency exchange rates in the foreign markets in which the Corporation sells its products. Revenue is attributed to geographic locations based on the location to which we ship our products.

Revenue from External Customers:

	Three Months Ended		Six Months Ended	
	June 30, 2007 (Restated)	July 1, 2006 (Restated)	June 30, 2007 (Restated)	July 1, 2006 (Restated)
	(unaudited)			
United States	$ 40,571	$ 40,995	$ 79,230	$ 86,979
United Kingdom	12,234	7,344	24,229	14,414
Ireland	7,397	5,048	13,193	12,578
Other foreign countries	9,511	9,794	17,784	17,534
Total net revenues	$ 69,713	$ 63,181	$ 134,436	$ 131,505

Concentration of Credit Risk:

A substantial portion of the Corporation s net revenues is derived from a limited number of customers. Net revenues include revenues from customers of the Corporation which individually account for 10% or more of net revenues as follows:

Three months ended June 30, 2007 Three customers represented approximately 20.1%, 11.7% and 10.0% of net revenues, respectively.

Six months ended June 30, 2007 Four customers represented approximately 18.4%, 11.9%, 10.6% and 10.1% of net revenues, respectively.

Three months ended July 1, 2006 Three customers represented approximately 23.7%, 12.5% and 12.2% of net revenues, respectively.

Six months ended July 1, 2006 Four customers represented approximately 26.7%, 11.4%, 10.6% and 10.5% of net revenues, respectively.

Following is a summary of the composition by product category of the Corporation s revenue to external customers. Revenue from aerospace products are included in the other category.

	Three Months Ended		Six Months Ended	
	June 30, 2007 (Restated)	July 1, 2006 (Restated)	June 30, 2007 (Restated)	July 1, 2006 (Restated)
	(unaudited)			
Implants	$ 27,120	$ 23,202	$ 49,792	$ 49,851
Instruments	15,451	18,032	30,694	39,610
Cases	18,790	16,489	36,376	31,160
Other	8,352	5,458	17,574	10,884

Total net revenues	$	69,713	$	63,181	$	134,436	$	131,505

8. Net Income Per Share

The following table sets forth the computation of earnings per share.

	Three Months Ended		Six Months Ended	
	June 30, 2007 (Restated)	July 1, 2006 (Restated)	June 30, 2007 (Restated)	July 1, 2006 (Restated)
		(unaudited)		
Net income	$ 4,696	$ 7,740	$ 6,311	$ 15,706
Weighted-average common shares outstanding basic	35,119	34,830	35,046	34,774
Effect of stock options, restricted stock and stock warrants	158	347	191	383
Weighted-average common shares outstanding and assumed conversions	35,277	35,177	35,237	35,157
Net income per share:				
Basic	$ 0.13	$ 0.22	$ 0.18	$ 0.45
Diluted	$ 0.13	$ 0.22	$ 0.18	$ 0.45

During the six month period ended June 30, 2007, the Corporation issued 178 shares of common stock through the exercise of stock options.

9. Commitments and Contingencies

Environmental and Legal

The Corporation is involved, from time to time, in various contractual, product liability, patent (or intellectual property) and other claims and disputes incidental to its business. Currently, there is no environmental or other litigation pending or, to the knowledge of the Corporation, threatened, that the Corporation expects to have a material adverse affect on its financial condition, results of operations or liquidity. While litigation is subject to uncertainties and the outcome of litigated matters is not predictable with assurance, the Corporation currently believes that the disposition of all pending or, to the knowledge of the Corporation threatened, claims and disputes, individually or in the aggregate, should not have a material adverse effect on the Corporation s consolidated financial condition, results of operations or liquidity.

Unconditional Purchase Obligations

The Corporation has contracts to purchase minimum quantities of cobalt chrome through December 2007. Based on contractual pricing at June 30, 2007, the minimum purchase obligations totaled $6,800. Purchases under 2007 contracts totaled approximately $5,249 as of June 30, 2007. These purchases are not in excess of our forecasted requirements.

10. Comprehensive Income

Comprehensive income is comprised of net income and gains and losses resulting from currency translations of foreign entities. Comprehensive income consists of the following:

	Three Months Ended		Six Months Ended	
	June 30, 2007 (Restated)	July 1, 2006 (Restated)	June 30, 2007 (Restated)	July 1, 2006 (Restated)
		(unaudited)		
Net Income	$ 4,696	$ 7,740	$ 6,311	$ 15,706
Foreign currency translation adjustments	578	2,065	937	2,480
Comprehensive income	$ 5,274	$ 9,805	$ 7,248	$ 18,186

11. Acquisitions

On January 9, 2007, the Corporation s subsidiary Thornton Precision Components Limited (Thornton) acquired all of the stock of Whedon Limited, a privately owned company based in Warwickshire, UK and the holding company of Clamonta Limited (collectively Clamonta Ltd), for $10,331 in cash, subject to certain post closing adjustments. The acquisition of Clamonta Ltd expands the Corporation s Total Solutions® business model into the global aerospace industry and further strengthens our relationship with a key aerospace customer. Results of Clamonta Ltd are included from the date of acquisition.

As of June 30, 2007, the aggregate purchase price was allocated to the opening balance sheet as follows:

Current assets	$ 3,365
Property, plant & equipment	3,695
Acquired customers (amortized over 15 years)	2,910
Non-compete agreements (amortized over 5 years)	110
Trademarks (indefinite-lived)	1,310
Goodwill	1,256
Current liabilities	(1,765)
Capital leases	(550)
Purchase price, net	$ 10,331

On April 3, 2007, the Corporation s subsidiary Symmetry Medical USA Inc. acquired all of the stock of TNCO, Inc. (TNCO), a privately owned company based in Whitman, Massachusetts for $7,223 in cash, subject to certain post closing adjustments. TNCO designs and supplies precision instruments for arthroscopic, laparoscopic, sinus, and other minimally invasive procedures.

As of June 30, 2007, the aggregate purchase price was allocated to the opening balance sheet as follows:

Current assets	$	2,700
Property, plant & equipment		1,740
Acquired technology (amortized over average weighted 8 years)		510
Acquired customers (amortized over 15 years)		1,170
Non-compete agreements (amortized over 5 years)		80
Trademarks (indefinite-lived)		190
Goodwill		1,313
Current liabilities		(480)
Purchase price, net	$	7,223

On May 2, 2006, the Corporation completed the acquisition of Riley Medical, a privately-owned company based in Auburn, Maine, for approximately $45,797 in net cash, subject to adjustment for tax impacts to the previous owners. Riley Medical is a manufacturer of standard and custom cases, trays and containers for the medical device industry with locations in the United States and Switzerland. The acquisition expands the Corporation s geographic footprint in Europe and the case product line, including several new patents and trademarks.

On August 31, 2006, the Corporation completed the acquisition of Everest Metal for approximately $9,214 in net cash, plus an earn-out provision. The earn-out provision requires payments of up to approximately $1,081 after the end of 2007 if certain revenue targets are met.

Unaudited Proforma Results The following table represents the proforma results of the Corporation s operations had the acquisitions of Riley Medical, Everest Metal, Clamonta Ltd and TNCO been completed as of the beginning of the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2007 (Restated)	July 1, 2006 (Restated)	June 30, 2007 (Restated)	July 1, 2006 (Restated)
	(unaudited)			
Revenue	$ 69,713	$ 71,025	$ 136,254	$ 150,027
Net income (loss)	4,696	8,148	6,229	16,256
Earnings per share basic	$ 0.13	$ 0.23	$ 0.18	$ 0.47
Earnings per share diluted	$ 0.13	$ 0.23	$ 0.18	$ 0.46

12. Subsequent Event

On December 14, 2007, the Corporation entered into a definitive agreement with DePuy Orthopaedics, Inc., whereby the Corporation purchased DePuy s orthopedic instrument manufacturing facility located in New Bedford, Massachusetts for $45,000 in cash, subject to certain post closing adjustments. The acquisition closed on January 25, 2008. Further description of this transaction is contained in the Corporation s annual financial statements which have been contemporaneously filed on Form 10-K.

Additionally, the Corporation has amended its debt agreement to address certain covenant violations. These amendments are more fully described in the Corporation s annual consolidated financial statements contemporaneously filed on Form 10-K.

Following the discovery of the accounting irregularities at our Sheffield, UK operating unit, the Audit Committee self-reported the matter to the staff of the Securities and Exchange Commission (SEC). Thereafter, the SEC commenced an informal inquiry into this matter. The Corporation intends to fully cooperate with the SEC in its investigation. At this time, the Corporation is unable to predict the timing of the ultimate resolution of this investigation or the impact thereof.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Explanatory Note Regarding Our Restatement

On October 4, 2007, we issued a press release and filed a related Current Report on Form 8-K with the Securities and Exchange Commission (the SEC) in which we announced that, due to the apparent overstatement of revenues by our Sheffield, UK operating unit, it may be necessary for us to restate our financial statements for the periods subsequent to June 2003, and that as a result our historical financial statements for those periods can no longer be relied upon. On November 12, 2007, we issued a press release and filed a related Current Report on Form 8-K with the SEC in which we announced that the potential irregularities in the financial reporting by our Sheffield, UK operating unit also includes the overstatement of inventory and other matters. The Sheffield, UK operating unit is part of our Thornton Precision Components Limited subsidiary.

This Form 10-Q/A reflects the restatement of: i) our previously issued consolidated financial statements for the three months and six months ended July 1, 2006 and June 30, 2007 and the year ended December 30, 2006; and ii) Management s Discussion and Analysis, based on the restated quarterly financial information. These adjustments are discussed in Note 2 to the consolidated financial statements. Along with this report, we are filing our amended Quarterly Report on Form 10-Q/A for the first quarter of fiscal 2007 and the delayed third quarter of fiscal 2007 on Form 10-Q as well as our Annual Report for fiscal 2007 on Form 10-K. We do not intend to amend our previously filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods prior to fiscal 2007. The financial information that was presented in previous filings or otherwise reported for these periods is amended by the information in our Annual Report for fiscal 2007 on Form 10-K. The financial statements and related financial information contained in such previously filed reports should no longer be relied upon.

Upon discovery of the accounting irregularities, the Audit Committee engaged special legal counsel, who in turn retained independent forensic accountants, to investigate and report to the Audit Committee. That investigation has concluded that the irregularities were isolated to our Sheffield, UK operating unit.

We have quantified the impact of the irregularities identified at our Sheffield, UK operating unit, and are restating our financial statements to correct those irregularities. The restatements correct misstatements within accounts receivable, inventory, accounts payable, property, plant and equipment and the corresponding income tax and profit and loss impact. Furthermore, once the restated financial performance was known, an impairment of goodwill and certain other intangibles at that subsidiary occurred in fiscal 2005. The Audit Committee engaged Ernst & Young LLP to audit our restated consolidated financial statements for fiscal 2005 and 2006, while simultaneously completing its audit of our 2007 fiscal year. Ernst & Young LLP was also engaged to re-review our quarterly consolidated financial statements for fiscal 2006 and 2007. The adjustments made as a result of the restatements are more fully discussed in Note 2 to the consolidated financial statements.

Business Overview

We are a leading independent provider of implants and related instruments and cases to global orthopedic device manufacturers and other medical markets. We also design, develop and produce these products for companies in other segments of the medical device market, including the dental, osteobiologic and endoscopy segments, and we also provide limited specialized products to non-healthcare markets, such as the aerospace market.

We offer our customers Total Solution® for complete implant systems implants, instruments and cases. While our revenue to date has been derived primarily from the sale of implants, instruments and cases separately, or instruments and cases together, our ability to provide Total Solutions® for complete implant systems has already proven to be attractive to our customers, and we expect this capability will provide us with growth opportunities. In addition, we expect that our Total Solutions® capability will increase the relative percentage of value added products that we supply to our customers.

Our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, filed contemporaneously with this Form 10-Q/A provides additional information about our business, operations and financial condition.

During the second quarter 2007, our revenue growth of 7.7% over the first quarter of 2007 was driven by a continued ramp-up in our core orthopedics business, continued momentum from the integration of our 2006 acquisitions and the acquisitions of Clamonta and TNCO. Revenue increased 10.3% in the second quarter 2007 compared to second quarter 2006 as 2007 includes results from our Clamonta Ltd and TNCO acquisitions. Revenues from our top five orthopedic customers were 55.6% of total revenue year to date 2007 compared to 66.8% of total revenue year to date 2006. Quarterly revenue from all other customers increased 31.5% compared to the same period last year. Our long-term strategy is to diversify our customer base and expand into other medical device markets outside of our core hip and knee business, and we continue to make progress on these initiatives.

A significant part of our business strategy has been growth through acquisitions which have enhanced our product offerings and our business model. We acquired Riley Medical Inc. and Symmetry Medical Switzerland SA (formerly known as Riley Medical Europe SA) (collectively Riley Medical) on May 2, 2006 for $45.8 million. Riley Medical is a leading designer and manufacturer of specialty cases and trays for the global medical market. We also acquired certain assets of Everest Metal Finishing, LLC and all of the issued and outstanding stock of Everest Metal International Limited (collectively Everest Metal) on August 31, 2006 for $9.2 million, subject to adjustment. Everest Metal specializes in implant finishing. On January 9, 2007, our wholly-owned subsidiary Thornton Precision Components Limited (Thornton) acquired all of the stock of Whedon Limited, a privately owned company based in Warwickshire, UK and the holding company of Clamonta Limited (collectively Clamonta Ltd), for $10.3 million in cash, subject to certain post closing adjustments. Clamonta Ltd machines high-precision specialty parts for the global aerospace industry. On April 3, 2007 we acquired TNCO, Inc. (TNCO), a privately owned company based in Whitman, Massachusetts for $7.2 million in cash, subject to certain post closing adjustments. TNCO designs and supplies precision instruments for arthroscopic, laparoscopic, sinus, and other minimally invasive procedures.

While acquisitions are an important part of our growth strategy and we have a strong pipeline across several diverse medical device segments, we continue to invest in our core business with the ramp-up of our Malaysian facility, the introduction of new Symmetry products and innovation with new materials and technologies, such as carbon fiber. On April 30, 2007, we announced the introduction of a new proprietary printing technology for our cases, DigiPrint, that will allow us to employ a non-toxic, durable graphic printed below the surface of the metal making it impervious to scratching, peeling and fading.

Our focus remains on being well positioned for a resurgence of growth in our core orthopedic business, while capitalizing on our market leadership to extend our Total Solutions® approach into other markets. We experienced increased customer activity near the end of the second quarter of 2007 and into the second half of 2007. In particular, we continue to expand our engineering resources that produce and provide closer and critical customer relationships on the development of new products. This local presence in the global marketplace allows us to be closer to our customer base, provide quicker response times and increase our value added services.

Second Quarter Results of Operations

Revenue. Revenue for the three month period ended June 30, 2007 increased $6.5 million, or 10.3% to $69.7 million from $63.2 million for the comparable 2006 period. Revenue for each of our principal product categories in these periods was as follows:

Product Category	Three Months Ended June 30, 2007 (Restated)	Three Months Ended July 1, 2006 (Restated)
	(unaudited) (in millions)	
Implants	$ 27.1	$ 23.2
Instruments	15.4	18.0
Cases	18.8	16.5
Other	8.4	5.5
Total	$ 69.7	$ 63.2

The $6.5 million increase in revenue resulted from increased implant, case and other revenue of $3.9 million, $2.3 million and $2.9 million, respectively. The increase in implant revenue was driven by a $1.6 million increase in customer demand for products plus an incremental $2.2 million from our Everest Metal acquisition in August 2006. The increase in case revenue was driven by increase in revenue from our Riley Medical acquisition in May 2006. These increases were partially offset by decreased instrument revenue of $2.6 million, despite the addition of $1.4 million of revenue from the TNCO acquisition in 2007. This decrease in instrument revenue was driven by a continued softening of market with our top five customers as they reduced their inventories and maintained smaller product launch quantities. Other product revenue increased

$2.9 million driven by the addition of $2.9 million of revenue from Clamonta in 2007.

Gross Profit. Gross profit for the three month period ended June 30, 2007 decreased $2.0 million, or 12.2%, to $14.7 million from $16.8 million for the comparable 2006 period. The decrease in gross profit was due to a decrease in gross profit as a percentage of sales to 21.1% for the three month period ended June 30, 2007 compared to 26.5% in the comparable 2006 period. The decline in gross margin as a percentage of sales was primarily driven by our Sheffield, UK operations which experienced significantly higher costs as a percentage of revenue driven by higher fixed costs for depreciation, the adverse impacts of a flood during the second quarter, and other increased costs of manufacturing related to poor operational management. We have commenced a full and complete review of Sheffield s operations and anticipate significant improvements in 2008. Gross margin was also impacted by higher fixed costs from our significant investment in 2005 capacity expansion across our global facilities and a more pronounced sales reduction in our higher margin products within several of our product segments. We view our global infrastructure as a competitive strength, enabling us to respond quickly to our customers high volume demand on short notice.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three month period ended

June 30, 2007 increased $1.1 million, or 16.8%, to $8.0 million from $6.9 million for the comparable 2006 period. As a percentage of revenue, selling, general and administrative expenses increased to 11.5% of revenue for the three month period ended June 30, 2007 from 10.9% of revenue for the comparable 2006 period. Costs related to Riley Medical, Everest Metal, Clamonta Ltd and TNCO accounted for all of the increase, which included $0.3 million of additional intangible asset amortization.

Other Expense. Interest expense for the three month period ended June 30, 2007 increased $0.7 million, or 73.7%, to $1.6 million from $0.9 million for the comparable 2006 period. This increase reflects the cost of the additional $40.0 million senior term debt related to the acquisition of Riley Medical in May 2006 and increased average borrowings on the revolving credit facility to fund the Clamonta and TNCO acquisitions. This increase was partially offset by the reduction in outstanding capital lease obligations and existing senior term debt through normal amortization.

The derivatives valuation (gains) losses consist of interest rate swap valuations used to mitigate the effect of changing interest rates on net income and foreign currency forward contracts used to mitigate the effect of changes in the foreign exchange rates on net income. The gain of $0.3 million for the three month period ended June 30, 2007 is consistent with the loss of $0.4 million in the comparable 2006 period. During the second quarter of 2007, we settled two of our foreign exchange rate contracts at a loss of $0.9 million. No contracts were settled in the second quarter of 2006.

Included in Other is a $0.4 million gain for the three month period ended June 30, 2007 for the sale of surplus land adjacent to our Sheffield, UK facility. The comparable 2006 period had a $1.2 million gain on the sale of other surplus land adjacent to our Sheffield, UK facility.

Provision for Income Taxes. Our effective tax rate was 23.3% for the three month period ended June 30, 2007 as compared to 27.8% for the comparable 2006 period. The provision for income taxes decreased by $1.6 million, or 52.2%, to $1.4 million for the three month period ended June 30, 2007 from $3.0 million for the comparable 2006 period primarily due to lower pre-tax income.

Six Months Results of Operations

Revenue. Revenue for the six month period ended June 30, 2007 increased $2.9 million, or 2.2%, to $134.4 million from $131.5 million for the comparable 2006 period. Revenue for each of our principal product categories in these periods was as follows:

Product Category	**Six Months Ended**			
		June 30, 2007 (Restated)		**July 1, 2006 (Restated)**
	(unaudited) (in millions)			
Implants	$	49.7	$	49.8
Instruments		30.7		39.6

Cases		36.4		31.2
Other		17.6		10.9
Total	$	134.4	$	131.5

The $2.9 million increase in revenue resulted from increased case and other revenue of $5.2 million, and $6.7 million, respectively. Case revenues include $13.4 million for the six month period ended June 30, 2007 compared to $3.4 million for the comparable 2006 period from our Riley Medical acquisition offset by a continued soft market with large customers as they reduced their inventories and maintained smaller launch quantities. Other product revenues increased due to the inclusion of $5.7 million from our Clamonta acquisition in 2007. These increases were partially offset by decreased instrument and implant revenue of $8.9 and $0.1 million, respectively. The decrease in instrument revenue was due to slower demand from our top five customers, particularly in the first quarter of 2007. Implant revenue increased $4.2 million from our Everest Metal acquisition in 2007; however, this increase was more than offset by slower growth at our top five customers as they reduced inventories.

Gross Profit. Gross profit for the six month period ended June 30, 2007 decreased $9.0 million, or 25.4%, to $26.4 million from $35.4 million for the comparable 2006 period. This decrease in gross profit was driven primarily by a reduced gross profit as a percentage of sales which was 19.7% for the six month period ended June 30, 2007 compared to 26.9% for the comparable 2006 period. The decline in gross profit as a percentage of sales of 7.2% was driven by our Sheffield, UK operations which experienced significantly higher costs as a percentage of revenue driven by higher fixed costs for depreciation, the adverse impacts of a flood during the second quarter, and other increased costs of manufacturing related to poor operational management. We have commenced a full and complete review of Sheffield s operations and anticipate significant improvements in 2008. Gross margin was also impacted by higher fixed costs from our significant investment in 2005 capacity expansion across our global facilities and a more pronounced sales reduction in our higher margin products within several of our product segments. We view our global infrastructure as a competitive strength, enabling us to respond quickly to our customers high volume demand on short notice.

Selling, General and Administrative Expenses. Selling, general and administrative (SG&A) expenses for the six month period ended June 30, 2007 increased $1.8 million, or 12.7%, to $15.7 million from $13.9 million for the comparable 2006 period. As a percentage of revenue, SG&A expenses increased to 11.7% of revenue for the six month period ended June 30, 2007 from 10.6% of revenue for the comparable 2006 period. SG&A expenses from our Riley Medical, Everest Metal, Clamonta and TNCO acquisitions totaled $3.2 million for the six month period ended June 30, 2007 compared to $0.7 million for the comparable 2006 period. The $2.5 million increase from acquired companies was partially offset by initiatives to cut costs across our global facilities.

Other Expense. Interest expense for the six month period ended June 30, 2007 increased $1.6 million, or 101.4%, to $3.2 million from $1.6 million for the comparable 2006 period. This increase primarily reflects the increase of interest from new senior term and revolving debt related to our acquisitions in the past year. This increase was offset by reductions in outstanding capital lease obligations and previously held senior term debt through normal amortization.

The derivatives valuation (gains) losses consist of interest rate swap valuations used to mitigate the effect of changing interest rates on net income and foreign currency forward contracts used to mitigate the effect of changes in the foreign exchange rates on net income. The neglible gain for the six month period ended June 30, 2007 versus the loss of $0.4 million in the comparable 2006 period is due to market fluctuations in these contracts, which are not designated as hedges under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. During the six month period ended June 30, 2007, we settled three of our foreign exchange rate contracts at a loss of $1.5 million. No contracts were settled in the comparable 2006 period.

Also included in Other is a $0.4 million gain for the six month period ended June 30, 2007 for the sale of surplus land adjacent to our Sheffield, UK facility. The comparable 2006 also had a $1.2 million gain on the sale of surplus land adjacent to our Sheffield, UK facility.

Provision for Income Taxes. Our effective tax rate was 23.4% for the six month period ended June 30, 2007 as compared to 28.8% for the comparable 2006 period. The provision for income taxes decreased by $4.4 million, or 69.7%, to $1.9 million for the six month period ended June 30, 2007 from $6.4 million for the comparable 2006 period primarily due to lower pre-tax income.

Liquidity and Capital Resources

Our principal sources of cash in the six month period ended June 30, 2007 were cash generated from operations and borrowings under our senior credit revolving loan facility and UK revolving credit facility. Principal uses of cash in the six month period ended June 30, 2007 included capital expenditures, the acquisition of Clamonta Ltd and TNCO as well as debt service. We expect that our principal uses of cash in the future will be for working capital, capital expenditures, debt service and to fund mergers and acquisitions.

We completed the acquisition of Clamonta on January 9, 2007 for $10.3 million, subject to adjustment, through the use of the existing cash balances and our $40.0 million senior debt facility. On April 3, 2007, we completed the acquisition of TNCO for approximately $7.2 million, subject to adjustment, through the use of existing cash balances and our $40.0 million senior debt facility.

Operating Activities We generated cash from operations of $17.1 million in the six month period ended June 30, 2007 compared to $14.3 million for the six month period ended July 1, 2006, an increase of $2.8 million. Net cash provided by working capital for the six month period ended June 30, 2007 was $13.2 million higher than the comparable 2006 period. This improvement in the net change in working capital was offset by a decrease in net income of $9.4 million.

In the six month period ended June 30, 2007, the primary sources of cash for working capital came from an increase in accounts payable, offset by increases in accounts receivable and other assets. In the six month period ended July 1, 2006, the primary uses of cash for working capital came from an increase in inventory and decreases in accounts payable and accrued expenses, offset by a decrease in account receivable and other assets. The volatility in working capital is a result of increasing production activity in the second quarter of 2007 compared to decreasing production activity in the second quarter of 2006.

Investing Activities Capital expenditures of $4.0 million were lower by $7.5 million, or 65.5%, in the six month period ended June 30, 2007 compared to the six month period ended July 1, 2006. The acquisition of Clamonta Ltd and TNCO used $17.6 million of cash in the 2007 period while acquisition activity in the 2006 period used $45.6 million for Riley Medical.

Financing Activities Financing activities generated $2.2 million of cash due primarily to borrowings on the revolving credit facility, offset by payments on long-term debt and capital leases. Borrowings on the revolving credit facility partially funded the Clamonta Ltd and TNCO acquisitions.

Capital Expenditures

Capital expenditures totaled $4.0 million for the six months ended June 30, 2007, compared to $11.5 million for the six month period ended July 1, 2006. Expenditures were primarily related to our Sheffield, UK facility s increase to forging and machining capacity and to maintain capacity at our other facilities.

Debt and Credit Facilities

As of June 30, 2007, we had an aggregate of $79.3 million of outstanding indebtedness, which consisted of $62.3 million of term loan borrowings outstanding under our senior credit facility, $8.5 million of borrowings outstanding under our revolving credit facility, $1.1 million of borrowings under our UK short-term credit facility and $7.4 million of capital lease obligations. We had no outstanding letters of credit as of June 30, 2007.

Our senior credit agreement contains various financial covenants, including covenants requiring a maximum total debt to EBITDA ratio, minimum EBITDA to interest ratio and a minimum EBITDA to fixed charges ratio. We were in compliance with our financial and other covenants under the senior credit facility as of June 30, 2007. See note 12 to the condensed consolidated financial statements.

We believe that cash flow from operating activities and borrowings under our senior credit facility will be sufficient to fund currently anticipated working capital, planned capital spending, debt service requirements for the foreseeable future, including at least the next twelve months. We also review technology, manufacturing and other strategic acquisition opportunities regularly, which may require additional debt or equity financing.

Contractual Obligations and Commercial Commitments

	Payments due by period (in millions)				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt obligations (1)	$ 70.9	$ 3.7	$ 20.1	$ 47.1	$
Capital lease obligations	11.3	1.8	4.1	1.6	3.8
Operating lease obligations	3.7	0.4	2.0	1.3	
Purchase obligations (2)	6.8	6.8			
Total	$ 92.7	$ 12.7	$ 26.2	$ 50.0	$ 3.8

* Less than 1 year is defined as the remainder of fiscal 2007. Following periods are whole fiscal years.

(1) Represents principal maturities only and, therefore excludes the effects of interest and interest rate swaps.

(2) Represents purchase agreements to buy minimum quantities of cobalt chrome through December 2007.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements include our operating leases and letters of credit, which are available under the senior credit facility. We had no letters of credit outstanding as of June 30, 2007.

Environmental

Our facilities and operations are subject to extensive federal, state, local and foreign environmental and occupational health and safety laws and regulations. These laws and regulations govern, among other things, air emissions; wastewater discharges; the generation, storage, handling, use and transportation of hazardous materials; the handling and disposal of hazardous wastes; the cleanup of contamination; and the health and safety of our employees. Under such laws and regulations, we are required to obtain permits from governmental authorities for some of our operations. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We could also be held responsible for costs and damages arising from any contamination at our past or present facilities or at third-party waste disposal sites. We cannot completely eliminate the risk of contamination or injury resulting from hazardous materials, and we may incur material liability as a result of any contamination or injury.

We incurred approximately $0.2 million and $0.2 million in capital expenditures for environmental, health and safety in 2007 and 2006, respectively. During 2007 we upgraded our HVAC and dust collection system at multiple locations.

In 2000, we purchased pollution legal liability insurance that covers certain environmental liabilities that may arise at our Warsaw, Indiana facility, at a former facility located in Peru, Indiana, and at certain non-owned locations that we use for the disposal of waste. The insurance has a $5.0 million aggregate limit and is subject to a deductible and certain exclusions. The policy period expires in 2010. While the insurance may mitigate the risk of certain environmental liabilities, we cannot guarantee that a particular liability will be covered by this insurance.

Based on information currently available, we do not believe that we have any material environmental liabilities.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the periods presented. Our Annual Report on Form 10-K for fiscal year ended December 29, 2007, filed contemporaneously with this Form 10Q/A, includes a summary of the critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no material changes to these critical accounting policies that impacted our reported amounts of assets, liabilities, revenues or expenses during the six months ended June 30, 2007.

New Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. . This statement prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This statement was adopted by the Corporation on December 31, 2006. The implementation of FIN 48 had no impact on the Corporation s financial position or results of operations. As of the beginning of fiscal year 2007, the Corporation had unrecognized tax benefits of $0.3 million. There has been no significant change in the unrecognized tax benefits through the second quarter ending June 30, 2007

We recognize interest and penalties related to unrecognized tax benefits through income tax expense.

We are subject to periodic audits by domestic and foreign tax authorities. Currently, we are undergoing routine periodic audits in both domestic and foreign tax jurisdictions. It is reasonably possible that the amounts of unrecognized tax benefits could change in the next 12 months as a result of the audits. It is impossible to estimate the significance of such a potential change at this time. For the majority of tax jurisdictions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2003.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements.* The Statement provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. This Statement is effective for fiscal years beginning after November 15, 2007. The adoption of this Statement is not expected to have a material impact on our financial position, results of operations and cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This Statement allows entities to measure many financial instruments and certain other instruments at fair value. This

Statement is effective for fiscal years beginning after November 15, 2007. We do not intend to adopt this voluntary standard.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

For financial market risks related to changes in interest rates, foreign currency exchange rates, commodity prices and the effects of inflation, reference is made to Item 7a Quantitative and Qualitative Disclosures About Market Risk contained in Part II of our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, filed contemporaneously with this Form 10-Q/A. Our exposure to these risks, at the end of the second quarter covered by this report, had not changed materially since December 30, 2006.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

At the time of the filing of our Quarterly Report on Form 10-Q, as filed on August 9, 2007, our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934), concluded that our disclosure controls and procedures were effective and designed to ensure that material information relating to the Company and our consolidated subsidiaries would be made known to them by others within those entities. At the time of the filing of this Form 10-Q/A, as a result of our accounting review and restatement, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were ineffective, as more fully described in Item 9A in our Annual Report on 10-K for fiscal year ended December 29, 2007 filed contemporaneously with this Form 10-Q/A.

(b) Changes in internal control over financial reporting.

During the fiscal quarter covered by this report, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting, except that, during the fiscal quarter covered by this report, we were still in the process of integrating the Everest Metal, Riley Medical, Clamonta Ltd and TNCO operations and were incorporating these operations as part of our internal controls. For purposes of this evaluation, the impact of these acquisitions on our internal controls over financial reporting were excluded. See Note 11 to the condensed consolidated financial statements included in Item 1 for a discussion of the Everest Metal, Riley Medical, Clamonta Ltd and TNCO acquisitions.

In addition, subsequent to the fiscal quarter covered by this report, but prior to the filing of this Form 10-Q/A, several remedial measures were identified and implemented in response to the conclusion reached by our Chief Executive and Chief Financial Officer as of December 29, 2007, that our disclosure controls and procedures were not effective. The Corporation did not maintain an effective control environment including a tone of control consciousness that consistently emphasized strict adherence to accounting principles generally accepted in the United States of America at its Thornton Precision Components Limited (TPC) subsidiary. This control deficiency included inadequate operation of entity level controls including monitoring controls that were not sufficiently sensitive in scope and therefore failed to detect and prevent on a timely basis management override of controls at TPC and collusion of TPC s management team to achieve desired financial accounting results. In certain instances, information critical to an effective review of transactions and accounting entries was not disclosed to internal and external auditors. See our Annual Report on Form 10-K for fiscal year ended December 29, 2007 filed contemporaneously with this Form 10-Q/A.

PART II OTHER INFORMATION

ITEM 1A RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended December 29, 2007, filed contemporaneously with this Form 10-Q/A, which could materially affect our business, financial condition or future results.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our Annual Meeting of Shareholders was held May 3, 2007. Proxies were solicited for the Annual Meeting in accordance with the requirements of The Securities Exchange Act 1934. At the Annual Meeting, the following occurred:

- With respect to Item 1 in our Proxy Statement (Election of Directors), James S. Burns was elected to serve as the Class II Director. The newly-elected Class II Director will serve a three-year term, expiring at the annual shareholder meeting in 2010. The Class III Directors, Brian S. Moore and Francis T. Nusspickel are continuing Directors serving three-year terms that expire at the annual shareholder meeting in 2008. The Class I Directors, Stephen B. Oresman and Frank Turner are continuing Directors serving three-year terms that expire at the annual shareholder meeting in 2009. The voting result for the Class II Director was as follows:

Class II Director	Shares Voted For	Shares Voted Against	Abstentions
James S. Burns	32,685,108	0	677,349
	97.97%		2.03%

• With respect to Item 2 in our Proxy Statement (Ratification of the Appointment of Ernst & Young LLP as Auditors for the Year 2007), Ernst & Young LLP was approved as our independent auditors for the year 2007:

Shares Voted For	33,225,667	99.59%
Shares Voted Against	127,235	.38%
Abstentions	9,365	.03%
Broker Non-Votes	0	

ITEM 5 OTHER INFORMATION

(b) There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors since our Schedule 14A filed March 21, 2006.

ITEM 6 EXHIBITS

10.30	Form of Restricted Stock Agreement (Key Employees) issued under the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our Form 8-K filed May 8, 2007).
31.1	Certification of Chief Executive Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
31.2	Certification of Chief Financial Officer required by Item 307 of Regulation S-K as promulgated by the Securities and Exchange Commission and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

** Filed or furnished herewith.

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.

SYMMETRY MEDICAL INC.

By	/s/ Brian S. Moore Brian S. Moore, *President and Chief Executive Officer* *(Principal Executive Officer)*
By	/s/ Fred L. Hite Fred L. Hite, *Senior Vice President and Chief Financial Officer* *(Principal Financial and Accounting Officer)*

April 23, 2008