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OMNI USA INC
Form 10QSB
May 15, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2003

Commission File Number: 0-17493

OMNI U.S.A., INC.

(Exact name of registrant as specified in its charter)

Nevada

(State of Incorporation)

88-0237223

(IRS Employer Identification No.)

7502 Mesa Road, Houston, Texas 77028
(Address of principal executive offices)

(713) 635-6331
(Issuer's Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

At May 14, 2003, there were 1,171,812 shares of common stock \$.004995 par value outstanding.

OMNI U.S.A., INC. AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets
March 31, 2003 and June 30, 2002

Condensed Consolidated Statements of Operations
Three Months and Nine Months Ended March 31, 2003 and March 31, 2002

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Condensed Consolidated Statements of Cash Flows
 Nine Months Ended March 31, 2003 and March 31, 2002

Notes to Condensed Consolidated Financial Statements

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

OMNI U.S.A., INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

	ASSETS	
	-----	March 31, 2003 (unaudited)

CURRENT ASSETS		
Cash		\$ 309,061
Accounts receivable, trade, net		4,597,576
Accounts receivable, related parties		30,437
Inventories, net		4,024,715
Notes receivable		63,810
Prepaid expenses		191,585
Deferred tax assets		0

TOTAL CURRENT ASSETS		9,217,184

PROPERTY AND EQUIPMENT, net of		
Accumulated depreciation and amortization		1,740,175

OTHER ASSETS		
Primarily intangible assets, net		301,705

TOTAL ASSETS		\$ 11,259,064
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES		
Accounts payable		\$ 3,078,227
Lines of credit		2,567,759
Accrued expenses		356,705
Current portion of long-term debt		1,204,465

TOTAL CURRENT LIABILITIES		7,207,156

LONG-TERM DEBT		1,125,793

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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Common stock (1,227,079 shares issued and 1,171,812 and 1,207,912 outstanding, respectively)	6,129
Additional paid-in capital	5,372,815
Treasury Stock (55,267 and 19,167 shares, respectively)	(100,071)
Retained earnings (deficit)	(2,449,031)
Foreign currency translation adjustment	96,273

TOTAL STOCKHOLDERS' EQUITY	2,926,115
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TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 11,259,064
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The accompanying notes are an integral part of the condensed consolidated financial statements.

OMNI U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
OPERATIONS (UNAUDITED) FOR THE THREE MONTHS AND
THE NINE MONTHS ENDED MARCH 31, 2003 AND 2002

	THREE MONTHS ENDED MARCH 31, 2003	THREE MONTHS ENDED MARCH 31, 2002
NET SALES	\$ 6,641,526	\$ 4,740,057
COST OF SALES	5,422,825	3,924,586
GROSS PROFIT	1,218,701	815,471
OPERATING EXPENSES		
Selling, general and administrative	971,640	733,076
OPERATING INCOME (LOSS)	247,061	82,395
OTHER INCOME (EXPENSE)		
Interest expense	(112,784)	(122,043)
Other, net	48,525	68,242
TOTAL OTHER EXPENSE	(64,259)	(53,801)

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INCOME TAXES	-	-
NET INCOME (LOSS)	\$ 182,802	\$ 28,594
COMPREHENSIVE INCOME - Foreign Currency		
Translation Adjustment	891	-
NET AND COMPREHENSIVE INCOME (LOSS)	\$ 183,693	\$ 28,594
BASIC EARNINGS (LOSS) PER SHARE	\$ 0.15	\$ 0.02
FULLY DILUTED EARNINGS (LOSS) PER SHARE	\$ 0.15	\$ 0.02

The accompanying notes are an integral part of the condensed consolidated financial statements.

OMNI U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended March 31, 2003	For
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (loss)	\$ 306,839	
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	261,323	
Deferred taxes	40,393	
Gain on sale of property and equipment	(2,285)	
Changes in operating assets and liabilities:		
Accounts receivable / Notes receivable	(1,159,548)	
Inventories	143,811	
Prepaid expenses	(76,675)	
Accounts payable and accrued expenses	632,867	
Total adjustments	(160,114)	
Net cash provided (used) by operating activities	146,725	

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CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of intangibles and other assets	(25,364)
Expenditures for property and equipment	(183,952)

Net cash used by investing activities	(209,316)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Purchases of treasury stock	(42,930)
Borrowings on long-term debt	-
Borrowings on line of credit	9,378,155
Payments on line of credit	(9,660,666)
Payments on long-term debt	(124,404)

Net cash (used) provided by financing activities	(449,845)

TRANSLATION EFFECT OF FOREIGN CURRENCIES	(47)

NET DECREASE IN CASH	(512,483)
CASH AT BEGINNING OF PERIOD	821,544

CASH AT END OF PERIOD	\$ 309,061
	=====

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. As permitted under those rules, certain footnotes or other financial information that are normally required by generally accepted accounting principles in the United States (GAAP) have been condensed or omitted. The Company believes that the disclosures made in this report are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-KSB.

The Company's management is responsible for the unaudited financial statements included in this document. In the opinion of the Company, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position of Omni U.S.A., Inc. and subsidiaries in accordance with GAAP have been made.

There are significant operations in Mainland China; however, the functional exchange rate for those operations is the U.S. dollar. The foreign currency translation adjustment primarily arises from the translation of amounts from operations in Hong Kong and Japan in which the functional currency is that of the foreign location.

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2. EARNINGS PER SHARE:

Basic and diluted loss per share is based on the weighted average number of shares of common stock outstanding. For the nine month and three month periods ended March 31, 2003 and 2002, the Company's weighted average shares are calculated as follows:

	Quarter Ended March 31, 2003	Quarter Ended March 31, 2002	Nine Months Ended March 31, 2003
Weighted average common shares outstanding	1,171,812	1,207,912	1,188,445
Effect of dilution of securities: conversion of stock options	-	-	-
Denominator for dilutive earnings per share	1,171,812	1,207,912	1,188,445

When the Company is in a net loss position, all common stock equivalents are considered anti-dilutive and are therefore not included in the calculation of earnings per share. During the nine month period ended March 31, 2003, the Company had positive net income; however, the exercise price of all common stock equivalents exceeded its average fair value. Accordingly, all common stock equivalents were considered anti-dilutive during the period and are therefore not included in the calculation of earnings per share.

3. MAJOR CUSTOMERS AND VENDORS:

The Company and its subsidiaries had consolidated sales of \$3,604,650 and \$1,529,631 to a domestic customer for a total of 23% and 12% of consolidated sales during the nine months ended March 31, 2003 and 2002, respectively. During the nine months ended March 31, 2003, the Company had sales to a foreign customer amounting to \$2,171,635 representing 14% of consolidated sales. The Company had sales of \$1,552,896 to a domestic customer for a total of 23% of consolidated sales and \$923,065 to a foreign customer for a total of 14% of sales for the quarter ended March 31, 2003. During the quarter ended March 31, 2002, the Company and its subsidiaries had consolidated sales of \$1,062,379 to a domestic customer for a total of 22% of consolidated sales.

During the nine months ended March 31, 2003 the Company and its subsidiaries had consolidated purchases of \$5,743,695 from two vendors for a total of 61% of consolidated purchases. During the nine months ended March 31, 2002, the Company and its subsidiaries had consolidated purchases of \$3,526,213 from one vendor for a total of 35% of consolidated purchases. During the quarter ended March 31, 2003, the Company and its subsidiaries had consolidated purchases of \$2,624,024 from two vendors for a total of 66% of consolidated purchases. During the quarter ended March 31, 2002, the Company and its subsidiaries had consolidated purchases of \$1,603,013 from one vendor for a total of 41% of consolidated purchases.

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4. PURCHASE OF ASSETS:

In December 2002, the Company purchased all the assets of Champion Gear, including customer and market information and all rights under a product distribution agreement for \$75,000 due in three installments, forgiveness of notes receivable of \$25,328 and settlement of all claims made by and counterclaims against the Company. The purchase has been recorded in other assets. Omni has made the first payment of \$25,000 in December 2002 and as of March 31, 2003 the remaining obligation of \$50,000 has been reflected in accrued expenses.

5. REVOLVING LINES OF CREDIT AND LONG-TERM DEBT:

The Company has a revolving line of credit with a financing company which provides for maximum borrowings of \$4,000,000 as determined by a formula based on trade accounts receivable and inventory. The line of credit matures June 2003, bears interest at prime plus 1%-2% depending upon certain financial ratios, requires the maintenance of certain levels of income and tangible net worth and is secured by essentially all of the U.S. assets of the Company. At June 30, 2002, the Company was not in compliance with the required minimum nine months earnings requirement. At March 31, 2003, the Company was in compliance with its minimum financial reporting covenants.

The Company also maintains a line of credit with a foreign financial institution which provides for maximum borrowings of \$750,000 based on the creditworthiness of the Company's customers serviced by the Company's foreign subsidiary. Outstanding borrowings amounted to \$194,278 and \$187,325 at March 31, 2003 and June 30, 2002, respectively. The line of credit matures November 30, 2003 and bears interest at 5.625%.

In the fiscal quarter ended December 31, 2002, the Company effectively restructured a note payable to HAAS Automation which reclassified \$47,008 of the liability as long-term which was previously classified as current. The new terms are monthly payments of \$5,740 for 5 years including interest at 8% with a balance as of March 31, 2003 of \$243,422.

During the quarter ended March 31, 2003, the Company refinanced \$466,209 of trade accounts payable into a note payable to the vendor. The non-interest bearing note is payable at 10% of the value of each invoice for subsequent purchases, with expected minimum future purchases of \$2 million per year, until the note is repaid.

6. INCOME TAXES

The difference between the effective rate of income tax expense at March 31, 2003 and 2002 and the amounts which would be determined by applying the statutory U.S. income tax rate of 34% to income before income tax expense, are due to the utilization of net operating losses which were fully reserved by the valuation allowance in previous periods.

7. COMMON STOCK

On June 7, 2002, June 19, 2002 and September 10, 2002, the Company received notification from NASDAQ that the Company's stock would be removed from the NASDAQ listing as Omni's share price had fallen below the minimum required ask price of \$1.00 per share and as the Company's Minimum Value of Publicly Held Securities had fallen below the minimum of \$1,200,000. As of November 12, 2002 the Company is no longer listed on the NASDAQ exchange and is currently listed and traded on the Over the Counter

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(OTC) Bulletin Board.

8. PURCHASE OF TREASURY STOCK

On September 10, 2002, the Board of Directors approved a stock repurchase plan to repurchase up to 500,000 shares of Omni common stock. From September 19 through November 14, 2002, the Company purchased a total of 36,100 treasury shares through its stock repurchase plan for a total cost of \$42,930.

9. OPERATING LEASES

The Company leases equipment and office, warehouse and manufacturing space in Houston, TX; Madill, OK; Shanghai, China; and Hong Kong. The Company has extended the Houston lease for \$8,500 per month through June 2005.

10. LITIGATION AND CONTINGENCIES

The Company continues to aggressively protect its trademarks. From time to time the Company files suit to enforce its trademark and other intellectual property. Historically, the Company has been successful in preventing others from using Omni's trademarks or trade dress or in seeking other relief.

SEGMENT INFORMATION:

11. The Company and its subsidiaries are engaged in the business of designing, developing and distributing power transmissions and trailer and implement components used for agricultural, construction and industrial equipment.

SEGMENT INFORMATION

THREE MONTHS ENDED MARCH 31, 2003	NET SALES	INCOME (LOSS) FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$5,759,865	\$ 300,518	\$ 74,602	\$ 8,174,070	\$84,635	
Trailer and Implement Components	881,661	(53,457)	38,182	3,084,994	6,906	
Total Omni, U.S.A., Inc.	\$6,641,526	\$ 247,061	\$112,784	\$11,259,064	\$91,541	

THREE MONTHS ENDED MARCH 31, 2003	NET SALES	MARCH 31, 2003	PRO EQUI
Domestic Customers	\$ 5,619,328	Domestic	

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Foreign Customers	1,022,198
Total Omni, U.S.A., Inc.	\$ 6,641,526

Foreign
Total Omni, U.S.A., Inc.

THREE MONTHS ENDED MARCH 31, 2002	NET SALES	INCOME (LOSS) FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$3,826,249	\$ 200,091	\$88,609	\$ 6,968,865	\$ 9,317	
Trailer and Implement Components	913,808	(117,696)	33,434	3,491,919	2,364	
Total Omni, U.S.A., Inc.	\$4,740,057	\$ 82,395	\$122,043	\$10,460,784	\$ 11,681	

THREE MONTHS ENDED MARCH 31, 2002	NET SALES	PROPE EQUIPM
Domestic customers	\$ 4,619,266	Domestic
Foreign customers	120,791	Foreign
Total Omni, U.S.A., Inc.	\$ 4,740,057	Total Omni, U.S.A., Inc.

SEGMENT INFORMATION
(CONTINUED)

NINE MONTHS ENDED MARCH 31, 2003	NET SALES	INCOME (LOSS) FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$13,192,103	\$ 728,856	\$222,152	\$8,174,070	\$ 146,330	
Trailer and Implement Components	2,621,595	(200,379)	90,941	3,084,994	37,622	
Total Omni, U.S.A., Inc.	\$15,813,698	\$ 528,477	\$313,093	\$ 11,259,064	\$ 183,952	

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NINE MONTHS ENDED MARCH 31, 2003	NET SALES	MARCH 31, 2003	PROPE EQUIPM
Domestic customers	\$ 13,882,699	Domestic	
Foreign customers	1,930,999	Foreign	
Total Omni, U.S.A., Inc.	\$ 15,813,698	Total Omni, U.S.A., Inc.	

NINE MONTHS ENDED MARCH 31, 2002	NET SALES	INCOME (LOSS) FROM OPERATIONS	INTEREST EXPENSE	IDENTIFIABLE ASSETS	CAPITAL EXPENDITURES	D A
Power Transmission Components	\$10,043,553	\$ 16,122	\$241,657	\$ 6,968,865	\$ 28,179	
Trailer and Implement Components	2,704,906	(76,514)	62,892	3,491,919	2,364	
Total Omni, U.S.A., Inc.	\$12,748,459	\$ (60,392)	\$304,549	\$10,460,784	\$ 30,543	

NINE MONTHS ENDED MARCH 31, 2002	NET SALES	MARCH 31, 2002	PROPE EQUIPM
Domestic customers	\$11,548,381	Domestic	
Foreign customers	1,200,078	Foreign	
Total Omni, U.S.A., Inc.	\$12,748,459	Total Omni, U.S.A., Inc.	

Item 3. Management's Discussion and Analysis of Financial Condition and
Results of Operations

This report has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. This report should be read in conjunction with the Company's latest Form 10-KSB, a copy of which may be obtained by visiting the Company's home page at www.ousa.com, or by writing to the Investor Relations Department, Omni U.S.A., Inc., 7502 Mesa Road, Houston, Texas 77028.

Liquidity and Capital Resources

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The Company's primary capital requirements are for routine working capital needs that are generally met through a combination of internally generated funds, revolving line of credit facilities and credit terms from suppliers. The Company's line of credit facilities had an outstanding balance of \$2,567,759 at March 31, 2003. The Company had working capital of \$2,010,028 as of March 31, 2003 and working capital of \$1,632,586 as of June 30, 2002, an increase of \$377,442 from June 30, 2002. The increase in working capital from June 30, 2002 was due to increases in accounts receivable and decreases in lines of credit offset by increases in accounts payable and accrued expenses.

The Company had a cash balance of \$309,061 as of March 31, 2003; reflecting a negative cash flow of \$512,483 compared to the June 30, 2002 cash balance of \$821,544. The Company's cash provided by operating activities for the nine months ended March 31, 2003 of \$146,725 consisted of the net income for the period.

The Company's cash used in investing activities for the nine months ended March 31, 2003 of \$209,316 consisted of net capital expenditures for the period in both operating segments.

Net cash used by financing activities for the nine months ended March 31, 2003 of \$449,845 consisted primarily of payments on the line of credit and long-term debt and \$42,930 spent to purchase treasury shares under the Company's stock repurchase plan.

The Company believes that between its access to the line of credit facilities and its ability to generate funds internally, it has adequate capital resources to meet its working capital requirements for the foreseeable future, given its current working capital requirements, known obligations, and assuming current levels of operations. In addition, the Company believes that it has the ability to raise additional financing in the form of debt or equity to fund additional capital expenditures and operations, if required. In response to general declines in demand and a recent economic downturn that occurred in fiscal year 2002, management initiated measures to minimize costs and scale down activities to match decreases in sales until such demand returns. The current period has shown some increases in demand and management has been able to benefit from the cost minimization efforts. Management believes that it will continue to be successful in this endeavor; however it is too early to tell if the trend of increased sales will continue for the remainder of the fiscal year.

Results for the Quarter ended March 31, 2003 compared with the Quarter ended

March 31, 2002

The Company had net sales of \$6,641,526 for the three months ended March 31, 2003. This represents an increase of 40% compared to the three months ended March 31, 2002 net sales of \$4,740,057. Net sales of the Power Transmission Components segment have increased through organic growth and relationships with new customers while the Trailer and Implement Components segment continues to see a constriction in the market, effecting sales negatively. The following table indicates the Company's net sales comparison and percentage of change for the three months ended March 31, 2003 and 2002:

QUARTER	%	QUARTER	%	DOLLAR
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NET SALES	ENDED 03/31/03	OF TOTAL	ENDED 03/31/02	OF TOTAL	CHANGE
Power Transmission Components	\$ 5,759,865	87%	\$ 3,826,249	80%	\$ 1,933,616
Trailer and Implement Components	881,661	13%	913,808	20%	(32,147)
Consolidated	\$ 6,641,526	100%	\$ 4,740,057	100%	\$ 1,901,469

Gross profit for the three months ended March 31, 2003 increased \$403,230 to \$1,218,701, compared to gross profit for the three months ended March 31, 2002 of \$815,471. Gross profit as a percentage of net sales for the three months ended March 31, 2003 increased to 18% as compared to 17% for the three months ended March 31, 2002. This increase in profit margin was primarily due to the product mix of sales for the period to existing and new customers.

Selling, general and administrative expenses increased \$238,564 to \$971,640 in the three months ended March 31, 2003 from \$733,076 in the three months ended March 31, 2002. Selling, general and administrative expenses increased due to additional operational support required by the increased sales activity for the quarter.

Income from operations for the Company increased \$164,666 to \$247,061 for the three months ended March 31, 2003, compared to \$82,395 for the three months ended March 31, 2002. This increase is the result of increased margins and sales during the period.

Interest expense decreased \$9,259, to \$112,784 for the three months ended March 31, 2003 from \$122,043 for the three months ended March 31, 2002. The decrease resulted from decreased borrowings on the Company's line of credit as a result of utilizing cash from operations to repay the line of credit.

Other income was of \$48,525 for the three months ended March 31, 2003 compared to \$68,242 for the three months ended March 31, 2002. This change is principally from decreased VAT refund from foreign sales.

The Company's net and comprehensive income increased \$155,099 to \$183,693 or \$0.15 per share, for the three months ended March 31, 2003 compared to \$28,594, or \$0.02 per share, for the three months ended March 31, 2002.

Results for the Nine months ended March 31, 2003 compared with the Nine months ended March 31, 2002

The Company had net sales of \$15,813,698 for the nine months ended March 31, 2003. This represents an increase of 24% compared to the nine months ended March 31, 2002 net sales of \$12,748,459. As stated above, net sales of the Power Transmission Components segment have increased through organic growth and relationships with new customers while the Trailer and Implement Components segment continues to see a constriction in the market, effecting sales negatively. The following table indicates the Company's net sales comparison and percentage of change for the nine months ended March 31, 2003 and 2002:

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	NINE MONTHS ENDED 03/31/03	% OF TOTAL	NINE MONTHS ENDED 03/31/02	% OF TOTAL	DOLLAR CHANGE
NET SALES					
Power Transmission Components	\$ 13,192,103	83%	\$10,043,553	79%	\$ 3,148,550
Trailer and Implement Components	2,621,595	17%	2,704,906	21%	(83,311)
Consolidated	\$15,813,698	100%	\$12,748,459	100%	\$ 3,065,239

Gross profit for the nine months ended March 31, 2003 increased \$952,146 to \$3,536,290, compared to gross profit for the nine months ended March 31, 2002 of \$2,584,144. Gross profit as a percentage of net sales for the nine months ended March 31, 2003 increased to 22% as compared to 20% for the nine months ended March 31, 2002. This increase in gross profit was primarily due to the product mix of sales for the period to existing and new customers.

Selling, general and administrative expenses increased \$363,277 to \$3,007,813 in the nine months ended March 31, 2003 from \$2,644,536 in the nine months ended March 31, 2002. Selling, general and administrative expenses increased due to additional operational support required by the increased sales activity for the period.

Income from operations for the Company increased \$588,869 to \$528,477 for the nine months ended March 31, 2003, compared to the loss from operations of \$(60,392) for the nine months ended March 31, 2002. This increase is primarily the result of increased sales and gross margin, offset by increased selling, general and administrative expenses.

Interest expense increased \$8,544, to \$313,093 for the nine months ended March 31, 2003 from \$304,549 for the nine months ended March 31, 2002. The increase resulted from increased average borrowings associated with the Company's line of credit to meet current inventory and working capital needs.

Other income was \$131,848 for the nine months ended March 31, 2003 compared to \$92,045 for the nine months ended March 31, 2002. This change primarily results from increased commission income and VAT refunds related to foreign sales.

The Company's net and comprehensive income increased \$579,065 to \$306,886, or \$0.26 per share, for the nine months ended March 31, 2003 compared to a loss of \$(272,179), or \$(0.22) per share, for the nine months ended March 31, 2002.

Cautionary Statement

The following is a "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995:

With the exception of historical facts, the statements contained in Item 2 of this form 10-QSB are forward-looking statements. Forward-looking statements discuss future expectations, plans, strategies, activities or events. They often include words such as believe, expect, anticipate, intend or

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plan, or words with similar meaning or with future or conditional verbs such as will, would, should, or may. The Company does not plan to update these forward-looking statements to reflect events or changes that occur after they are made.

Actual results may differ materially from those contemplated by the forward-looking statements. The Company cannot guarantee that any forward looking statement will be realized, although the Company and its management believe that it has been prudent in its plans and assumptions. Investors are further directed to the Company's documents, such as its Annual Report on Form 10-KSB, Forms 10-QSB and Forms 8-KSB filed with the Securities and Exchange Commission. Achievement of future results and these forward-looking statements involve risks and uncertainties, including but not limited to, the following:

- 1) acts or threats of war or terrorism, and the effects of such acts or threats on the Company, its employees, its debtors, customers and vendors as well as the local and international economies in which the Company sells its products,
- 2) changes in the availability of debt and equity capital resulting in increased costs, shareholder dilution, or reduced liquidity and lack of working capital,
- 3) cyclical downturns affecting the markets for our products over which we have no control,
- 4) our lack of ability to generate profitable operations and positive cash flows from those operations,
- 5) the effects of our failure to timely pay our outstanding debts,
- 6) substantial increases in interest rates,
- 7) availability or material increases in the costs of select raw materials,

The Company undertakes no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material changes from the disclosure in the Company's Form 10-KSB for the fiscal year ended June 30, 2002.

Item 2. Change in Securities.

From September 19 through November 14, 2002, the Company purchased a total of 36,100 treasury shares through its stock repurchase plan, as further discussed in NOTE 8, for a total cost of \$42,930.

Item 3. Defaults Upon Senior Securities.

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Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

None.

Item 7. Controls and Procedures.

Evaluation of disclosure controls and procedures. Within 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported to the Company's management within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in internal controls. Subsequent to the date of their evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures, and there were no corrective actions required with regard to significant deficiencies and material weaknesses based on such evaluation.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 14, 2003

OMNI U.S.A., INC.

By: /s/ Jeffrey K. Daniel

Jeffrey K. Daniel
President and Chief Executive Officer

CERTIFICATIONS

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I, Jeffrey K. Daniel, President and Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Omni U.S.A., Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report fully complies with the requirements of Exchange Act Section 13(a) and 15 (d) and fairly presents in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ JEFFREY K. DANIEL

JEFFREY K. DANIEL
CHIEF EXECUTIVE OFFICER & PRESIDENT

MAY 14, 2003