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OMNI USA INC
Form 10QSB
February 14, 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 December 31, 2002

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 February 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

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

	ASSETS	December 31, 2002 (unaudited)	June
		-----	-----
CURRENT ASSETS			
Cash		\$ 447,766	\$
Accounts receivable, trade, net		3,459,794	3
Accounts receivable, related parties		36,050	
Inventories, net		4,606,778	4
Notes receivable		25,328	
Prepaid expenses		199,439	
Deferred tax assets		--	
		-----	-----
TOTAL CURRENT ASSETS		8,775,155	8
		-----	-----
PROPERTY AND EQUIPMENT, net of			
Accumulated depreciation and amortization		1,727,670	1
		-----	-----
OTHER ASSETS			
Primarily intangible assets, net		341,011	
		-----	-----
TOTAL ASSETS		\$ 10,843,836	\$ 10
		=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 3,261,557	\$ 3
Line of credit		2,524,574	2
Accrued expenses		386,865	
Current portion of long-term debt		1,031,717	1
		-----	-----
TOTAL CURRENT LIABILITIES		7,204,713	7
		-----	-----

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LONG-TERM DEBT	894,919	-----
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	5
Treasury Stock (55,267 and 19,167 shares, respectively)	(100,071)	-----
Retained earnings (deficit)	(2,631,833)	(2)
Foreign currency translation adjustment	97,164	-----
TOTAL STOCKHOLDERS' EQUITY	2,744,204	2
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 10,843,836	\$ 10
	=====	=====

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 SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001

	THREE MONTHS ENDED DECEMBER 31, 2002	THREE MONTHS ENDED DECEMBER 31, 2001	SIX M END DECEMB 20
	-----	-----	-----
NET SALES	\$ 4,710,079	\$ 4,382,065	\$ 9,1
COST OF SALES	3,611,923	3,289,202	6,8
GROSS PROFIT	1,098,156	1,092,863	2,3
OPERATING EXPENSES			
Selling, general and administrative	1,065,453	923,175	2,0
OPERATING INCOME (LOSS)	32,703	169,688	2
OTHER INCOME (EXPENSE)			
Interest expense	(98,810)	(93,146)	(2)
Other, net	53,057	45,671	-----
TOTAL OTHER EXPENSE	(45,753)	(47,475)	(1)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(13,050)	122,213	1
	-----	-----	-----

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INCOME TAXES	--	--	(
	-----	-----	-----
NET INCOME (LOSS)	\$ (13,050)	\$ 122,213	\$ 1
	=====	=====	=====
COMPREHENSIVE INCOME - Foreign Currency Translation Adjustment	478	(137)	
	-----	-----	-----
NET AND COMPREHENSIVE INCOME (LOSS)	\$ (12,572)	\$ 122,076	\$ 1
	=====	=====	=====
BASIC EARNINGS (LOSS) PER SHARE	\$ (0.01)	\$ 0.10	\$
	=====	=====	=====
FULLY DILUTED EARNINGS (LOSS) PER SHARE	\$ (0.01)	\$ 0.10	\$
	=====	=====	=====

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
FOR THE SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001
(UNAUDITED)

	For the six months ended December 31, 2002	For
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income/(loss)	\$ 124,037	

Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	179,726	
Deferred taxes	40,393	
Loss on sale of assets	(2,285)	
Changes in operating assets and liabilities:		
Accounts receivable / Notes receivable	(27,379)	
Inventories	(438,252)	
Prepaid expenses	(84,529)	
Intangible and other assets	1,373	
Accounts payable and accrued expenses	380,148	

Total adjustments	49,195	

Net cash provided by operating activities	173,232	

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CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of other assets	(25,000)
Capital expenditures	(92,411)

Net cash used by investing activities	(117,411)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Purchases of treasury stock	(42,930)
Net Borrowings on line of credit	6,128,580
Net Payments on line of credit	(6,454,276)
Payments on long-term debt	(61,817)

Net cash used by financing activities	(430,443)

TRANSLATION EFFECT OF FOREIGN CURRENCIES	844
NET DECREASE IN CASH	(373,778)
CASH AT BEGINNING OF PERIOD	821,544

CASH AT END OF PERIOD	\$ 447,766
	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Purchase of assets in exchange for note receivable	\$ 63,810

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 as of December 31, 2002, and the results of their operations for the three months and six months ended December 31, 2002, and 2001, and cash flows for the six months ended December 31, 2002, and 2001, have been made in accordance with GAAP.

There are significant operations in Mainland China; however, the functional

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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.

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 six month and three month periods ended December 31, 2002 and 2001, the Company's weighted average shares are calculated as follows:

	Quarter Ended December 31, 2002 -----	Quarter Ended December 31, 2001 -----	Six Mont Ended December 2002 -----
Weighted average common shares outstanding	1,185,612	1,207,912	1,196,
Conversion of stock options:	--	--	
Denominator for dilutive earnings per share	1,185,612 =====	1,207,912 =====	1,196, =====

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 six month period ended December 31, 2002, and the three month period ending December 31, 2001 the Company had positive net income; however, the exercise price of all common stock equivalents exceeded their average fair values. 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 \$1,757,845 to a domestic customer for a total of 19% of consolidated sales during the six months ended December 31, 2002. No single customer accounted for more than 10% of consolidated sales during the six months ended December 31, 2001. The Company had sales of \$1,045,863 to a domestic customer for a total of 22% of consolidated sales during the quarter ended December 31, 2002 and \$503,695 to a foreign customer for a total of 11% of sales for the quarter ended December 31, 2001. During the six months ended December 31, 2002 and December 31, 2001, the Company and its subsidiaries had consolidated purchases of \$3,225,657 and \$2,569,610 from one vendor for a total of 47% and 41% of consolidated purchases, respectively. During the quarters ended December 31, 2002 and December 31, 2001, the Company and its subsidiaries had consolidated purchases of \$1,851,724 and \$1,400,672 from one vendor for a total of 51% and 42% of consolidated purchases, respectively.

4. PURCHASE OF ASSETS:

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In December 2002, the Company purchased all the assets of Champion Gear, including the customer and market information and all rights under a product distribution agreement for \$75,000 due in three installments, forgiveness of notes receivable of \$63,810 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 as of December 31, 2002 and the remaining obligation of \$50,000 has been reflected in accrued expenses.

5. REVOLVING LINE 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 six months earnings requirement. At December 31, 2002, 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 \$270,752 and \$187,325 at December 31, 2002 and June 30, 2002, respectively. The line of credit matures November 30, 2003 and bears interest at 5.625%.

The Company has effectively restructured a note payable to HAAS Automation which has reclassified \$47,008 of the liability as long-term which was previously classified as current. The new terms are for 5 years at 8% with a balance as of December 31, 2002 of \$251,576.

6. INCOME TAXES

The difference between the effective rate of income tax expense at December 31, 2002 and 2001 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 (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

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The Company leases equipment and office, warehouse and manufacturing space in Houston, TX; Madill, OK; Shanghai, China; and Hong Kong. The Company has entered into a verbal agreement to extend the Houston lease, which expired June 30, 2002 at \$9,000 per month. The amended lease terms expire six months after written notice from either party.

10. LITIGATION AND CONTINGENCIES

From time to time, the Company is engaged in litigation to protect its property and intellectual rights. The Company has been successful in protecting these rights over the years and intends to continue to protect its rights. Management does not believe these lawsuits will have a negative impact on the Company or its operations.

11. SEGMENT INFORMATION:

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 DECEMBER 31, 2002 -----	NET SALES -----	OPERATING INCOME -----	INTEREST EXPENSE -----	IDENTIFIABL ASSETS -----
Power Transmission Components	\$ 3,941,900	\$ 202,742	\$ 71,356	\$ 7,745,14
Trailer and Implement Components	768,179	(170,039)	27,454	3,098,69
Corporate and Eliminations				
Total Omni, U.S.A., Inc.	\$ 4,710,079 =====	\$ 32,703 =====	\$ 98,810 =====	\$ 10,843,83 =====

THREE MONTHS ENDED DECEMBER 31, 2002 -----	NET SALES -----
Domestic Customers	\$ 4,379,617
Foreign Customers	330,462
Total Omni, U.S.A., Inc.	\$ 4,710,079 =====

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DECEMBER 31, 2002 -----	PROPERTY AND EQUIPMENT, NET -----
Domestic	\$ 554,355
Foreign	1,173,315

Total Omni, U.S.A., Inc.	\$ 1,727,670 =====

THREE MONTHS ENDED DECEMBER 31, 2001 -----	NET SALES -----	INCOME FROM OPERATIONS -----	INTEREST EXPENSE -----	IDENTIFIABL ASSETS -----
Power Transmission Components	\$ 3,509,593	\$ 142,141	\$ 83,262	\$ 6,759,06
Trailer and Implement Components	872,472	104,533	9,884	3,131,48
Corporate and Eliminations		(76,986)		
	-----	-----	-----	-----
Total Omni, U.S.A., Inc.	\$ 4,382,065 =====	\$ 169,688 =====	\$ 93,146 =====	\$ 9,890,54 =====

THREE MONTHS ENDED DECEMBER 31, 2001 -----	NET SALES -----
Domestic customers	\$ 3,492,752
Foreign customers	889,313

Total Omni, U.S.A., Inc.	\$ 4,382,065 =====

DECEMBER 31, 2001 -----	PROPERTY AND EQUIPMENT, NET -----
Domestic	\$ 643,095
Foreign	1,306,550

Total Omni, U.S.A., Inc.	\$ 1,949,645 =====

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SEGMENT INFORMATION
(CONTINUED)

SIX MONTHS ENDED DECEMBER 31, 2002 -----	NET SALES -----	INCOME FROM OPERATIONS -----	INTEREST EXPENSE -----	IDENTIFIABL ASSETS -----
Power Transmission Components	\$ 7,432,238	\$ 428,336	\$ 147,552	\$ 7,745,14
Trailer and Implement Components	1,739,934	(146,920)	52,757	3,098,69
Corporate and Eliminations				
Total Omni, U.S.A., Inc.	<u>\$ 9,172,172</u>	<u>\$ 281,416</u>	<u>\$ 200,309</u>	<u>\$ 10,843,83</u>

SIX MONTHS ENDED DECEMBER 31, 2002 -----	NET SALES -----
Domestic customers	\$ 8,282,816
Foreign customers	889,356
Total Omni, U.S.A., Inc.	<u>\$ 9,172,172</u>

DECEMBER 31, 2002 -----	PROPERTY AND EQUIPMENT, NET -----
Domestic	\$ 554,355
Foreign	1,173,315
Total Omni, U.S.A., Inc.	<u>\$ 1,727,670</u>

SIX MONTHS ENDED DECEMBER 31, 2001 -----	NET SALES -----	INCOME FROM OPERATIONS -----	INTEREST EXPENSE -----	IDENTIFIABL ASSETS -----
Power Transmission Components	\$ 6,217,304	\$ (39,073)	\$ 153,048	\$ 6,759,06
Trailer and Implement Components	1,791,098	41,182	29,458	3,131,48

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Corporate and Eliminations	(144,896)			
Total Omni, U.S.A., Inc.	\$ 8,008,402	\$ (142,787)	\$ 182,506	\$ 9,890,54

SIX MONTHS ENDED
DECEMBER 31, 2001

	NET SALES
Domestic customers	\$ 6,929,115
Foreign customers	1,079,287
Total Omni, U.S.A., Inc.	\$ 8,008,402

	PROPERTY AND EQUIPMENT, NET
Domestic	\$ 643,095
Foreign	1,306,550
Total Omni, U.S.A., Inc.	\$ 1,949,645

Item 2. 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

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 \$2,524,574 at December 31, 2002. The Company had working capital of \$1,570,442 as of December 31, 2002 and working capital of \$1,632,585 as of June 30, 2002, a decrease of \$62,143 from June 30, 2002. The decrease in working capital from June 30, 2002 was due to increases in accounts payable and accrued expenses and decreases in cash, offset by increases in inventories and accounts receivable.

The Company had a cash balance of \$447,766 as of December 31, 2002; reflecting a negative cash flow of \$373,778 compared to the June 30, 2002 cash balance of \$821,544. The Company's cash provided by operating activities for the six months ended December 31, 2002 of \$173,232 consisted of the net income for the period, increases in accounts payable and accrued expenses offset by

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increases in inventories.

The Company's cash used in investing activities for the six months ended December 31, 2002 of \$117,411 consisted of net capital expenditures for the period in both operating segments.

Net cash used by financing activities for the six months ended December 31, 2002 of \$430,443 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 and current economic conditions. 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 and 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 December 31, 2002 compared with the Quarter ended December 31, 2001

The Company had net sales of \$4,710,079 for the three months ended December 31, 2002. This represents an increase of 7% compared to the three months ended December 31, 2001 net sales of \$4,382,065. Sales have increased due to the acquisition of new customers as well as increases in demand within the power transmission segment. The following table indicates the Company's net sales comparison and percentage of change for the three months ended December 31, 2002 and 2001:

NET SALES	QUARTER ENDED 12/31/02	%	QUARTER ENDED 12/31/01	%
-----	-----	OF TOTAL	-----	OF TOTAL
-----	-----	-----	-----	-----
Power Transmission Components	\$ 3,941,900	84%	\$ 3,509,593	8
Trailer and Implement Components	768,179	16%	872,472	2
	-----	-----	-----	-----
Consolidated	\$ 4,710,079	100%	\$ 4,382,065	10
	=====	=====	=====	=====

Gross profit for the three months ended December 31, 2002 increased \$5,293 to \$1,098,156, compared to gross profit for the three months ended December 31, 2001 of \$1,092,863. Gross profit as a percentage of net sales for the three months ended December 31, 2002 decreased to 23% as compared to 25% for

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the three months ended December 31, 2001. This decrease in profit margin was primarily due to the product mix of sales for the period and pricing incentives.

Selling, general and administrative expenses increased \$142,278 to \$1,065,453 in the three months ended December 31, 2002 from \$923,175 in the three months ended December 31, 2001. 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 decreased \$136,985 to \$32,703 for the three months ended December 31, 2002, compared to \$169,688 for the three months ended December 31, 2001. This decrease is the result of reduced margins and increased operating expenses during the period.

Interest expense increased \$5,664, to \$98,810 for the three months ended December 31, 2002 from \$93,146 for the three months ended December 31, 2001. The increase resulted from increased borrowings associated with the Company's line of credit to meet current inventory and working capital needs.

Other income was of \$53,057 for the three months ended December 31, 2002 compared to \$45,671 for the three months ended December 31, 2001. This change is principally from increased VAT refund from foreign sales.

The Company's net income decreased \$135,263 to (\$13,050) or (\$0.01) per share, for the three months ended December 31, 2002 compared to \$122,213, or \$0.10 per share, for the three months ended December 31, 2001.

Results for the Six months ended December 31, 2001 compared with the Six months ended December 31, 2000

The Company had net sales of \$9,172,172 for the six months ended December 31, 2002. This represents an increase of 15% compared to the six months ended December 31, 2001 net sales of \$8,008,402. Sales have increased due to improved demand in the power transmission component segment and carryover of deliveries from the fourth quarter of fiscal year 2002. The following table indicates the Company's net sales comparison and percentage of change for the six months ended December 31, 2002 and 2001:

NET SALES	SIX MONTHS ENDED 12/31/02	%	SIX MONTHS ENDED 12/31/01	%
-----	-----	OF TOTAL	-----	OF TOTAL
-----	-----	-----	-----	-----
Power Transmission Components	\$ 7,432,238	81%	\$ 6,217,304	77%
Trailer and Implement Components	1,739,934	19%	1,791,098	22%
Consolidated	\$ 9,172,172	100%	\$ 8,008,402	100%
	=====	=====	=====	=====

Gross profit for the six months ended December 31, 2002 increased \$548,916 to \$2,317,589, compared to gross profit for the six months ended December 31, 2001 of \$1,768,673. Gross profit as a percentage of net sales for the six months ended December 31, 2002 increased to 25% as compared to 22% for the six months ended December 31, 2001. This increase in gross profit was

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primarily due to the product mix of sales for the period and a full period of cost saving initiatives taken in the first quarter of fiscal year 2002.

Selling, general and administrative expenses increased \$124,713 to \$2,036,173 in the six months ended December 31, 2002 from \$1,911,460 in the six months ended December 31, 2001. 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 \$424,203 to \$281,416 for the six months ended December 31, 2002, compared to \$(142,787) for the six months ended December 31, 2001. This increase is primarily the result of increased sales and gross margin, offset by increased selling, general and administrative expenses.

Interest expense increased \$17,803, to \$200,309 for the six months ended December 31, 2002 from \$182,506 for the six months ended December 31, 2001. The increase resulted from increased borrowings associated with the Company's line of credit to meet current inventory and working capital needs.

Other income was \$83,323 for the six months ended December 31, 2002 compared to \$23,803 for the six months ended December 31, 2001. This change primarily results from increased commission income and VAT refunds related to foreign sales.

The Company's net income increased \$425,527 to \$124,037, or \$0.10 per share, for the six months ended December 31, 2002 compared to a loss of \$301,490, or \$0.25 loss per share, for the six months ended December 31, 2001.

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 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, Form 10-QSB and Form 8-K 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,

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- 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.

Item 3. 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There have been no material changes from the disclosure in the Company's Form 10-QSB 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.

Not applicable.

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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.

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: February 14, 2003

OMNI U.S.A., INC.

By: /s/ Jeffrey K. Daniel

Jeffrey K. Daniel
President and Chief Executive Officer

CERTIFICATIONS

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, fairly present 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;

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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

FEBRUARY 14, 2003