CTI INDUSTRIES CORP
Form 10-Q/A
October 13, 2004

FORM 10-Q/A
Amendment No. 1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

For the quarterly period ended March 31, 2004

Commission File No. 000-23115

CTI INDUSTRIES CORPORATION
(Exact name of registrant as specified in its charter)

Illinois	36-2848943
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

22160 North Pepper Road, Barrington, Illinois 60010
(Address of principal executive offices) (Zip Code)

(847) 382-1000
(Registrant's telephone number, including area code)

Registrant 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 and has been subject to such filing requirements for the past 90 days.

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

COMMON STOCK, no par value, 1,918,420 outstanding Shares, as of March 31, 2004.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The following consolidated financial statements of the Registrant are attached to this Form 10-Q/A Amendment No. 1:

1. Interim Balance Sheet as at March 31, 2004 (unaudited) and December 31, 2003;

2. Interim Statements of Operations (unaudited) for the three months ended March 31, 2004 and March 31, 2003;

3. Interim Statements of Cash Flows (unaudited) for the three

months ended March 31, 2004 and March 31, 2003.

4. Notes to Consolidated Financial Statements

The Financial Statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of results for the periods presented.

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

Results of Operations

Net Sales. For the fiscal quarter ended March 31, 2004, net sales were $10,894,000 compared to net sales of $10,162,000 for the three months ended March 31, 2003, an increase of 7.2%. For the quarters ended March 31, 2004 and 2003, net revenues by product category were as follows:

	For the Three Month Period Ended March 31, 2004	March 31, 2003
Laminated and Printed Films	$3,674,000	$4,187,000
Metalized Balloons	$4,931,000	4,712,000
Latex Balloons	$1,685,000	992,000
Other	$ 604,000	271,000

During the quarter ended March 31, 2004, sales of laminated and printed films represented 33.7% of total sales, metalized balloons 45.3% of total sales and latex balloons 15.5% of total sales other sales consisting primarily of helium products and accessories represented 5.5% of sales. For the same period of the prior year, laminated and printed films represented 41.2% of total sales, metalized balloons 46.4% latex balloons 9.8%, and other sales 2.7%, consisting primarily of helium products for which we act as a broker for the Eckerd and Walgreen Drug Store chains. Those sales were approximately $479,000.

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The decrease in sales of laminated and printed product in the first quarter of 2004 is the result principally of a decrease in sales to a significant customer. Sales to that customer for the first quarter of 2004 were $1,245,000 (or 11.4% of total sales for the quarter) compared to sales to such customer of $2,593,000 (or 25.5% of total sales for the quarter) in 2003. During the first quarter of 2004, there were two other customers whose purchases represented more than 10% of the Company's sales during the quarter: (i) one customer of laminated film products whose purchases totaled $1,978,000 or 18.2% of total sales for the quarter, and (ii) a customer of metalized balloons whose purchases totaled $1,142,000 or 10.5% of total Company sales for the quarter.

Cost of Sales. For the fiscal quarter ended March 31, 2004, cost of sales decreased to 80.3% of net sales as compared to 80.9% of net sales in the three month period ended March 31, 2003. This decrease was primarily the result of a reduction in overhead expense.

Administrative. For the fiscal quarter ended March 31, 2004, administrative expenses were $989,000, or 9.1% of net sales as compared to $1,259,000, or 12.4% of net sales for the three month period ended March 31, 2003. This decrease is attributable to decreases in audit expense and salary expense.

Selling. For the fiscal quarter ended March 31, 2004, selling expenses were $390,000, or 3.6% of net sales, as compared to $402,000, or 4.0% of net sales for the three month period ended March 31, 2003. There was no significant change in the amount or nature of selling expenses in the first quarter of 2004 related to the first quarter of 2003.

Advertising and Marketing. For the fiscal quarter ended March 31, 2004, advertising and marketing expenses were $393,000, or 3.6% of net sales as compared to $589,000, or 5.8% of net sales in the three month period ended March 31, 2003. This decrease is attributable principally to a reduction in salaries, travel, artwork and plate expense.

Other Income. Other income of $446,000 relates primarily to income from the resolution of vendor and other obligations of CTI Mexico

Net Income or Loss. For the fiscal quarter ended March 31, 2004, the Company had a net profit before taxes and minority interest of $607,000 as compared to net (loss) before taxes and minority interest of ($658,000) for the first quarter of 2003. Income tax expense for the first quarter of fiscal 2004 was $233,000, resulting in net income of $372,000 after minority interest of $2,000. The income tax expense for the three month period ended March 31, 2003 was $34,000, resulting in net (loss) of ($690,000) after minority interest of ($2,000).

The change in net income before income taxes and minority interest for the first quarter of 2004 from the first quarter of 2003 is attributable to several factors: (i) higher sales and increased margins in US operations with the result that gross profit on sales was increased to $2,147,000 for the quarter ending March 31,2004 as compared to $1,937,000 for the quarter ending on March 31, 2003, an increase of $210,000; these margin gains were driven by a reduction in overhead costs associated with more efficient use of equipment and labor and increased use of temporary labor reducing fringe and overtime costs; (ii) the recognition of $446,000 of income due to the reduction of debt at our CTI Mexico facility; and (iii) a reduction in

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administrative, selling, advertising, and marketing expenses as compared to the first quarter of 2003.

Liquidity and Capital Resources

Cash Flow Items. Cash flow used in operations during the three months ended March 31, 2004 was $1,240,000. Cash flow in the first quarter was affected by an increase in receivables of $1,754,000 and a decrease in accounts payable of $659,000. During the first quarter of 2003, cash flow used in operations was $588,000.

Investment Activities. During the three months ended March 31, 2004, cash flow used in investing activities was $262,000. In the first quarter of 2003, cash used in investing activities was $333,000 for the purchase of machinery and equipment. The Company has no commitments for capital expenditures over the second quarter of 2004.

Financing Activities. For the three months ended March 31, 2004, cash flow generated from financing activities was $1,421,000. The funds provided were principally advances on the company's line of credit in the amount of $1,336,000. Cash flow provided by financing activities during the first quarter of 2003 was $1,476,000.

Liquidity and Capital Resources. At March 31, 2004, the Company had a cash balance of $331,000. The Company's current cash management strategy includes maintaining minimal cash balances and utilizing the Company's revolving line of credit for liquidity. At March 31, 2004, the Company had a working capital deficit of $346,000 compared to a working capital deficit of $3,588,000 at March 31, 2003. As of March 31, 2004, there was an additional $312,000 available under the Company's revolving line of credit.

The Company believes that existing capital resources and cash generated from operations will be sufficient to meet the Company's requirements for at least the next 12 months.

Seasonality. In the metalized balloon product line, sales have historically been seasonal, with approximately 22% to 25% of annual sales of metalized balloons being generated in December and January and 11% to 13% of annual metalized sales being generated in September and July in recent years. With the inclusion of a new major customer in metalized balloons with sales that are not expected to be seasonal we expect this season effect to be reduced. In addition, the sale of latex balloons and laminated film products have not historically been seasonal. As sales of latex balloons and laminated film products have increased in relation to sales of metalized balloons, the effect of this seasonality has been reduced.

Critical Accounting Policies

A summary of our critical accounting policies and estimates is presented on pages 18 and 19 of our 2003 Annual Report on Form 10-K/A, Amendment No. 1, as filed with the Securities and Exchange Commission.

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Safe Harbor Provision of the Private Securities Litigation Act of 1995 and Forward Looking Statements.

The Company operates in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. The market for metalized and latex balloon products is generally characterized by intense competition, frequent new product introductions and changes in customer tastes which can render existing products unmarketable. The statements contained in Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operation) that are not historical facts may be forward-looking statements (as such term is defined in the rules promulgated pursuant to the Securities Exchange Act of 1934) that are subject to a variety of risks and uncertainties more fully described in the Company's filings with the Securities and Exchange Commission including, without limitation, those described under "Risk Factors" in the Company's Form SB-2 Registration Statement (File No. 333-31969) effective November 5, 1997. The forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to the Company's management. Accordingly, these statements are subject to significant risks, uncertainties and contingencies which could cause the Company's actual growth, results, performance and business prospects and opportunities in 2004 and beyond to differ materially from those expressed in, or implied by, any such forward-looking statements. Wherever possible, words such as "anticipate," "plan," "expect," "believe," "estimate," and similar expressions have been used to identify these forward-looking statements, but are not the exclusive means of identifying such statements. These risks, uncertainties and contingencies include, but are not limited to, the Company's limited operating history on which expectations regarding its future performance can be based, competition from, among others, national and regional balloon, packaging and custom film product manufacturers and sellers that have greater financial, technical and marketing resources and distribution capabilities than the Company, the availability of sufficient capital, the maturation and success of the Company's strategy to develop, market and sell its products, risks inherent in conducting international business, risks associated with securing licenses, changes in the Company's product mix and pricing, the effectiveness of the Company's efforts to control operating expenses, general economic and business conditions affecting the Company and its customers in the United States and other countries in which the Company sells and anticipates selling its products and services and the Company's ability to (i) adjust to changes in technology, customer preferences, enhanced competition and new competitors; (ii) protect its intellectual property rights from infringement or misappropriation; (iii) maintain or enhance its relationships with other businesses and vendors; and (iv) attract and retain key employees. There can be no assurance that the Company will be able to identify, develop, market, sell or support new products successfully, that any such new products will gain market acceptance, or that the Company will be able to respond effectively to changes in customer preferences. There can be no assurance that the Company will not encounter technical or other difficulties that could delay introduction of new or updated products in the future. If the Company is unable to introduce new products and respond to industry changes or customer preferences on a timely basis, its business could be materially adversely affected. The Company is not obligate to update or revise these forward-looking statements to reflect new events or circumstances.

Item 3. Quantitative and Qualitative Disclosures of Market Risk

The Company has not identified any material changes in risk factors identified in its Form 10-K/A Amendment No. 2 for the fiscal year ended December 31, 2003, which would create any material market risk for the Company.

The Company and its subsidiaries are exposed to market risk in changes of commodity prices in some of the raw materials they purchase for their manufacturing needs' particularly nylon film, resin and latex. However, the risk involved would not have a material effect on the Company's results of operations or financial condition.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) as of the end of the period covered by this report, have concluded that, as of such date our disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would be made known to them by others within the Company.

(b) Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. As a result, no corrective actions were required or undertaken.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 5, 2003, Airgas, Inc., Airgas-Southwest, Inc., Airgas-South, Inc. and Airgas-East, Inc. filed a joint action against CTI Industries Corporation for claimed breach of contract in the Circuit Court of Lake County, Illinois claiming as damages the aggregate amount of $162,242. The Company has filed an answer denying the material claims of the complaint, affirmative defenses and a counterclaim. In the action, the plaintiffs claim that CTI Industries Corporation owes them certain sums for (i) helium sold and delivered, (ii) rental charges with respect to helium tanks and (iii) replacement charges for tanks claimed to have been lost. The parties are presently engaged in discovery proceedings, and the case has been set for a final pre-trial settlement conference on January 3, 2005. The Company, based upon discussion with counsel, has accrued the amount it estimates will be required to settle or resolve this matter. The Company intends to vigorously defend this action and to pursue its counterclaim.

In addition, the Company is also party to certain lawsuits arising in the normal course of business. The ultimate outcome of these matters is unknown, but in the opinion of management, we do not believe any of these proceedings will have, individually or in the aggregate, a material adverse effect upon our financial condition or future results of operation.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

Item 5. Other Information

The Certifications of the Chief Executive Officer and the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached as Exhibits to this Report on Form 10-Q.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits*

Exhibit No.	Description
3.1	Third Restated Certificate of Incorporation of CTI Industries Corporation (incorporated by reference to Exhibit A contained in Registrant's Schedule 14A Definitive Proxy Statement for solicitation of written

	consent of shareholders, as filed with Commission on October 25, 1999)
3.2	By-laws of CTI Industries Corporation (incorporated by reference to Exhibits, contained in Registrant's Form SB-2 Registration Statement (File No. 333-31969) effective November 5, 1997)
11	Statement: Computation of Per Share Earnings
31.1	Sarbanes-Oxley Act Section 302 Certifications for Howard W. Schwan
31.2	Sarbanes-Oxley Act Section 302 Certification for Stephen M. Merrick
32.1	Sarbanes-Oxley Act Section 906 Certification for Stephen M. Merrick, Chief Financial Officer
32.2	Sarbanes-Oxley Act Section 906 Certification for Howard W. Schwan, Chief Executive Officer

(b) The Company filed a Current Report on Form 8-K on April 16, 2004, reporting its financial results for the fiscal year ended December 31, 2003. The Company has not filed any other Current Reports on Form 8-K during the quarter covered by this report.

* Also incorporated by reference the Exhibits filed as part of the SB-2 Registration Statement of the Registrant, effective November 5, 1997, and subsequent periodic filings.

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.

Dated: October 8, 2004 CTI INDUSTRIES CORPORATION

By: /s/ Howard W. Schwan

Howard W. Schwan, President

By: /s/ Stephen M. Merrick

Stephen M. Merrick

Executive Vice President and
Chief Financial Officer

CTI Industries Corporation and Subsidiaries
Consolidated Balance Sheets

	March 31, 2004 (Unaudited)	De
ASSETS		
Current assets:		
Cash	$ 331,189	
Accounts receivable, (less allowance for doubtful accounts of $186,215 and $223,220 respectively)	6,129,142	
Inventories	9,168,518	
Deferred tax assets	361,751	
Prepaid expenses and other current assets	1,125,211	
Total current assets	17,315,810	
Property and equipment:		
Machinery and equipment	19,254,421	
Building	2,714,301	
Office furniture and equipment	1,872,593	
Land	250,000	
Leasehold improvements	587,034	
Fixtures and equipment at customer locations	2,286,814	
Projects under construction	319,592	
	27,284,755	
Less : accumulated depreciation	(15,305,718)	
Total property and equipment, net	11,979,036	
Other assets:		
Deferred financing costs, net	203,538	
Goodwill	1,113,108	
Deferred Income tax asset	803,449	
Other assets	354,142	
Total other assets	2,274,237	
TOTAL ASSETS	31,569,083	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Checks written in excess of bank balance	529,703	
Accounts payable	6,273,299	
Line of credit	5,929,714	
Notes payable - current portion	2,528,708	

Notes payable - officer	0
Accrued liabilities	2,200,412
Total current liabilities	17,461,837
Long-term liabilities:	
Other liabilities	873,815
Notes payable	5,445,151
Notes payable - officers	2,111,999
Total long-term liabilities	8,430,965
Minority interest	10,230
Stockholders' equity:	
Common stock - no par value, 5,000,000 shares authorized, 2,150,216 and 2,141,882 shares issued, 1,918,420 and 1,910,086 shares outstanding, respectively	3,764,020
Class B Common stock - no par value, 500,000 shares authorized, 0 shares issued and outstanding	0
Paid-in-capital	5,554,332
Warrants issued in connection with subordinated debt and bank debt	595,174
Accumulated deficit	(3,156,162)
Accumulated other comprehensive earnings	(152,199)
Less:	
Treasury stock - 231,796 shares	(939,114)
Total stockholders' equity	5,666,051
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 31,569,083

See accompanying notes to condensed consolidated unaudited statements

CTI Industries Corporation and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Quarter Ended March 31, 2004	2003
Net Sales	$ 10,893,984	$ 10,162,495
Cost of Sales	8,746,614	8,225,442
Gross profit on sales	2,147,370	1,937,053
Operating expenses:		
Administrative	988,513	1,259,004
Selling	390,556	402,363
Advertising and marketing	393,484	588,894

Total operating expenses	1,772,552	2,250,261
Income from operations	374,817	(313,208)
Other income (expense):		
Interest expense	(331,136)	(201,752)
Interest income	--	389
Gain (loss) on sale of assets	--	--
Foreign currency (loss) gain	76,756	(108,506)
Other	486,896	(34,884)
Total other income (expense)	232,516	(344,753)
Income (loss) before income taxes and minority interest	607,333	(657,961)
Income tax (benefit) expense	233,456	34,245
Income (loss) before minority interest	373,877	(692,206)
Minority interest in income (loss) of subsidiary	1,976	(2,418)
Net income (loss)	$ 371,901	$ (689,788)
Income (loss) applicable to common shares	$ 371,901	$ (689,788)
Basic income (loss) per common share	$ 0.19	$ (0.36)
Diluted income (loss) per common share	$ 0.18	$ (0.36)
Weighted average number of shares and equivalent shares of common stock outstanding:		
Basic	1,918,420	1,917,772
Diluted	2,044,501	1,917,772

See accompanying notes to condensed consolidated unaudited statements

CTI Industries Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Month	
	March 31, 2004	Ma

Cash flows from operating activities:	
Net (loss) income	$ 371,901
Adjustment to reconcile net loss to cash (used in) provided by operating activities:	
Depreciation and amortization	509,280
Deferred gain on sale/leaseback	(7,512)
Amortization of Debt Discount	62,873
Minority interest in loss of subsidiary	967
Provision for losses on accounts receivable & inventory	100,000
Deferred income taxes	233,456
Change in assets and liabilities:	
Accounts receivable	(1,753,866)
Inventory	39,642
Other assets	(139,917)
Accounts payable and accrued expenses	(657,064)
Net cash (used in) provided by operating activities	(1,240,239)
Cash flows from investing activities:	
Purchases of property, plant and equipment	(261,510)
Purchases of other assets	
Net cash (used in) investing activities	(261,510)
Cash flows from financing activities:	
Checks written in excess of bank balance	188,595
Net change in revolving line of credit	2,235,473
Warrants issued with Debt	
Proceeds from issuance of long-term debt	0
Proceeds from issuance of notes due to officer	
Repayment of long-term debt	(1,003,442)
Proceeds from exercise of warrants	
Cash paid for deferred financing fees	0
Net cash provided by (used in) financing activities	1,420,627
Effect of exchange rate changes on cash	82,569
Net increase (decrease) in cash	1,447
Cash and Equivalents at Beginning of Period	329,742
Cash and Equivalents at End of Period	$ 331,189

See accompanying notes to condensed consolidated unaudited statements

March 31, 2004

CTI Industries Corporation and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation

The accompanying financial statements are unaudited but in the opinion of management contain all the adjustments (consisting of those of a normal recurring nature) considered to present fairly the financial position and the results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2004. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K/A Amendment No. 2 for the fiscal year ended December 31, 2003.

Principles of consolidation and nature of operations:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CTI Balloons Limited and CTF International S.A. de C.V., as well as its majority owned subsidiaries CTI Mexico S.A. de C.V., and Flexo Universal, S.A. de C.V. All significant intercompany transactions and accounts have been eliminated in consolidation. The Company (i) designs, manufactures and distributes balloon products throughout the world and (ii) operates systems for the production, lamination, coating and printing of films used for food packaging and other commercial uses and for conversion of films to flexible packaging containers and other products.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Stock-Based Compensation

At March 31, 2004, the Company had four stock-based compensation plans. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations. The Company recognizes compensation cost for stock-based compensation awards equal to the difference between the quoted market price of the

stock at the date of grant or award and the price to be paid by the employee upon exercise in accordance with the provisions of APB No. 25. Based upon the terms of Company's current stock option plans, the stock price on the date of grant and price paid upon exercise are the same. Accordingly, no stock-based employee compensation cost has been recognized, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. No stock options were granted during the three months ended March 31, 2004.

Historically, the Company's option awards have vested at date of grant. Accordingly, had the Company applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-based Compensation," there is no pro forma effect on net income to disclose in periods with no option awards.

Note 2 - Legal Proceedings

On September 5, 2003, Airgas, Inc., Airgas-Southwest, Inc., Airgas-South, Inc. and Airgas-East, Inc. filed a joint action against the Company for claimed breach of contract in the Circuit Court of Lake County, Illinois claiming as damages the aggregate amount of $162,242. The Company has filed an answer denying the material claims of the complaint, affirmative defenses and a counterclaim. In the action, these plaintiffs claim that the Company owes to them certain sums for (i) helium sold and delivered, (ii) rental with respect to helium tanks and (iii) replacement charges for tanks claimed to have been lost. The Company intends to vigorously defend this action and pursue its counterclaim.

In addition, the Company and its subsidiaries are party to certain lawsuits arising in the normal course of business. The ultimate outcome of these matters is unknown but, in the opinion of management, the settlement of these matters is not expected to have a significant effect on the future financial position or results of operations of the Company.

Note 3 - Comprehensive Income

Total Comprehensive Income was $82,569 for the three months ended March 31, 2004 and was a comprehensive loss of $666,202 for the three months ended March 31, 2003.

Note 4 - Inventories, net

	March 31, 2004	December 31, 2003
Raw material and work in process	$ 2,619,675	$ 2,231,428
Finished goods	7,071,796	7,523,889
Inventory, Gross	9,691,471	9,755,317
Less: Inventory Reserves	(522,952)	(492,157)
Inventories, net	9,168,519	9,263,160

Note 5 - Geographic Segment Data

The Company has determined that it operates primarily in one business segment which designs, manufactures, and distributes film products for use in packaging and novelty balloon products. The Company operates in foreign and domestic regions. Information about the Company's operations by geographic areas is as follows.

	Net Sales to External Customers For the Three Months Ended March 31, 2004		Total Assets at	
			March 31	March
	2004	2003	2004	200
United States	$ 9,617,000	$ 9,194,000	$ 28,457,000	$ 28,873
Mexico	1,532,000	1,180,000	5,605,000	5,584

United Kingdom	751,000	681,000	1,801,000	1,275
Eliminations	(1,006,000)	(893,000)	(4,299,000)	(3,930
	$ 10,894,000	$ 10,162,000	$ 31,564,000	$ 31,802

Note 6 - Concentration of Credit Risk

Concentration of credit risk with respect to trade accounts receivable is generally limited due to the number of entities comprising the Company's customer base. The Company performs ongoing credit evaluations and provides an allowance for potential credit losses against the portion of accounts receivable which is estimated to be uncollectable. Such losses have historically been within management's expectations. For the three months ended March 31, 2004, the Company had 3 customers that accounted for approximately; ($1,979,000) or 18.2%, ($1,245,000) or 11.4%, and ($1,142,000) or 10.5%, respectively, of consolidated net sales.