CYCLE COUNTRY ACCESSORIES CORP
Form 10QSB
August 10, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark one)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 333-68570

Cycle Country Accessories Corp.
(Exact name of small business issuer as specified in its charter)

Nevada	42-1523809
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2188 Highway 86, Milford, Iowa 51351
(Address of principal executive offices)

(712) 338-2701
(Issuer's telephone number)

(Former name, former address and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

The number of shares of the registrant's common stock, par value $0.0001 per share, outstanding as of July 21, 2004 was 4,914,422 and there were 805 stockholders of record.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

Cycle Country Accessories Corp.
Index to Form 10-QSB

Part I Financial Information

Item 1. Financial Statements

Cycle Country Accessories Corp. and Subsidiaries
Condensed Consolidated Balance Sheet
June 30, 2004
(Unaudited)

Assets

Current Assets:	
Cash and cash equivalents	$ 376,957
Accounts receivable, net	1,414,659
Inventories	3,627,687
Deferred income taxes	72,095
Prepaid expenses and other	156,661
Total current assets	5,648,059
Property, plant, and equipment, net	2,858,798
Intangible assets, net	204,457
Goodwill	41,700
Other assets	38,620
Total assets	$8,791,634

Liabilities and Stockholders' Equity

Current Liabilities:	
Accounts payable	$ 999,641
Accrued expenses	299,960
Income taxes payable	516,146
Total current liabilities	1,815,747
Long-Term Liabilities:	
Deferred income taxes	96,405
Total liabilities	1,912,152
Stockholders' Equity:	
Preferred stock, $.0001 par value; 20,000,000 shares authorized; no shares issued or outstanding	--
Preferred stock, $.0001 par value; 2,000,000 shares authorized; no shares issued or outstanding	--
Common stock, $.0001 par value; 100,000,000 shares authorized; 4,889,422 shares issued and outstanding	489
Additional paid-in capital	5,494,341
Retained earnings	1,384,652
Total stockholders' equity	6,879,482
Total liabilities and stockholders' equity	$8,791,634

See accompanying notes to the condensed consolidated financial statements.

Cycle Country Accessories Corp. and Subsidiaries
Condensed Consolidated Statements of Income

	Three Months Ended June 30,	
	2004	2003

	(Unaudited)	(Unaudited)
Revenues:		
Net sales	$ 4,035,775	$ 3,043,621
Freight income	31,724	42,334
Total revenues	4,067,499	3,085,955
Cost of goods sold	(3,006,499)	(2,255,984)
Gross profit	1,061,000	829,971
Selling, general, and administrative expenses	(706,345)	(679,077)
Income from operations	354,655	150,894
Other Income (Expense):		
Interest expense	(48,655)	(60,722)
Interest income	4,629	876
Miscellaneous	4,257	413
Total other expense	(39,769)	(59,433)
Income before provision for income taxes	314,886	91,461
Provision for income taxes	(119,479)	(32,645)
Net income	$ 195,407	$ 58,816
Dividends on preferred stock	7,644	--
Net income available to common Stockholders	$ 187,763	$ 58,816
Weighted average shares outstanding:		
Basic	4,305,784	3,953,000
Diluted	4,708,624	3,953,000
Earnings per share:		
Basic	$ 0.04	$ 0.02
Diluted	$ 0.04	$ 0.02

See accompanying notes to the condensed consolidated financial statements.

Cycle Country Accessories Corp. and Subsidiaries
Condensed Consolidated Statements of Income

	Nine Months Ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)
Revenues:		

Net sales	$ 14,973,212	$ 10,122,003
Freight income	119,563	110,567
Total revenues	15,092,775	10,232,570
Cost of goods sold	(11,162,822)	(7,587,590)
Gross profit	3,929,953	2,644,980
Selling, general, and administrative expenses	(2,182,758)	(2,063,622)
Income from operations	1,747,195	581,358
Other Income (Expense):		
Interest expense	(131,135)	(169,689)
Interest income	15,921	2,088
Miscellaneous	40,910	5,940
Total other income (expense)	(74,304)	(161,661)
Income before provision for income taxes	1,672,891	419,697
Provision for income taxes	(608,361)	(150,810)
Net income	$ 1,064,530	$ 268,887
Dividends on preferred stock	52,395	--
Net income available to common Stockholders	$ 1,012,135	$ 268,887
Weighted average shares outstanding:		
Basic	4,083,621	3,953,000
Diluted	4,361,435	3,953,000
Earnings per share:		
Basic	$ 0.25	$ 0.07
Diluted	$ 0.24	$ 0.07

See accompanying notes to the condensed consolidated financial statements.

Cycle Country Accessories Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)
Cash Flows from Operating Activities:		
Net income	$ 1,064,530	$ 268,887
Adjustments to reconcile net income to net cash provided by operating		

activities:		
Depreciation	259,306	226,549
Amortization	15,609	15,610
Inventory reserve	(21,340)	--
Gain on sale of equipment	(6,514)	(4,205)
(Increase) decrease in assets:		
Accounts receivable, net	(333,805)	312,188
Inventories	(581,614)	3,471
Prepaid expenses and other	102,608	48,877
Increase (decrease) in liabilities:		
Accounts payable	(42,405)	(436,477)
Accrued expenses	(84,653)	(177,082)
Income taxes payable	605,653	--
Accrued interest payable	(2,200)	(500)
Net cash provided by operating activities	975,175	406,228
Cash Flows from Investing Activities:		
Purchase of equipment	(199,819)	(574,378)
Withdrawals from restricted cash	1,911,054	--
Deposits into restricted cash	(9,156)	(1,898,780)
Proceeds from sale of equipment	19,107	5,515
Net cash provided by (used in) investing activities	1,721,186	(2,467,643)
Cash Flows from Financing Activities:		
Payments on bank notes payable	(3,631,954)	(588,720)
Net borrowings from (payments on) bank line of credit	(420,000)	773,984
Proceeds from exercise of stock warrants	1,500,000	--
Proceeds from preferred stock conversion	16,999	--
Proceeds from issuance of preferred stock	--	1,898,000
Payment of loan costs	--	(25,000)
Net cash provided by (used in) financing activities	(2,534,955)	2,058,264
Net increase (decrease) in cash and cash equivalents	161,406	(3,151)
Cash and cash equivalents, beginning of period	215,551	207,162
Cash and Cash Equivalents, end of period	$ 376,957	$ 204,011

See accompanying notes to the condensed consolidated financial statements.

Cycle Country Accessories Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended June 30,	
	2004	2003
	(Unaudited)	(Unaudited)

Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 133,335	$ 170,189
Income taxes	$ 2,708	$ 1,899
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common stock for payment of employee compensation	$ 9,902	$ --
Issuance of common stock for payment of dividends on preferred stock	$ 52,395	$ --
Issuance of common stock for payment of professional services fee included in prepaid expenses	$ 171,750	$ --
Issuance of common stock for payment of a contract fee	$ 13,150	$ --
Issuance of common stock for conversion of preferred stock	$ 2,000,000	$ --
Conversion of bank line of credit to bank note payable	$ --	$ 735,439

See accompanying notes to the condensed consolidated financial statements.

Cycle Country Accessories Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended June 30, 2004 and 2003
(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements for the three and nine months ended June 30, 2004 and 2003 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-QSB. 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. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of the Company's financial position, results of operations, and cash flows for the periods presented.

The results of operations for the interim periods ended June 30, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year.

These interim consolidated financial statements should be read in conjunction with the September 30, 2003 consolidated financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2003.

2. Inventories:

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. The major components of inventories at June 30, 2004 are summarized as follows:

Raw materials	$ 1,843,203
Work in progress	83,188
Finished goods	1,701,296
Total inventories	$ 3,627,687

3. Accrued Expenses:

The major components of accrued expenses at June 30, 2004 are summarized as follows:

Accrued salaries and related benefits	$ 162,136
Accrued warranty expense	39,000
Distributor rebate payable	39,716
Accrued real estate tax	27,573
Accrued investment management fee	20,000
Royalties payable	11,535
Total accrued expenses	$ 299,960

4. Earnings Per Share:

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed in a manner consistent with that of basic EPS while giving effect to the potential dilution that could occur if warrants to issue common stock were exercised and the preferred stock was converted. Preferred stock dividends are added back to income since these would not be paid if the preferred stock were converted to common stock.

4. Earnings Per Share, Continued:

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the three months and nine months ended June 30, 2004 and 2003:

	For the three months ended June 30, 2004			For the J
	Income (numerator)	Shares (denominator)	Per-share amount	Income (numerator)
Basic EPS				
Income available to common stockholders	$ 187,763	4,305,784	$ 0.04	$ 1,012,135
Effect of Dilutive Securities				
Convertible preferred stock	7,644	--		52,395
Warrants	--	402,840		--
Diluted EPS				
Income available to common stockholders and assumed conversions	$ 195,407	4,708,624	$ 0.04	$ 1,064,530

	For the three months ended June 30, 2003			For the J
	Income (numerator)	Shares (denominator)	Per-share amount	Income (numerator)
Basic EPS				
Income available to common stockholders	$ 58,816	3,953,000	$ 0.02	$ 268,887
Effect of Dilutive Securities				
Warrants	--	--		--
Diluted EPS				
Income available to common stockholders	$ 58,816	3,953,000	$ 0.02	$ 268,887

Cycle Country Accessories Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended June 30, 2004 and 2003
(Unaudited)

5. Segment Information:

Segment information has been presented on a basis consistent with how business activities are reported internally to management. Management solely evaluates operating profit by segment by direct costs of manufacturing its products without an allocation of indirect costs. In determining the total revenues by segment, freight income and sales discounts are not allocated to each of the segments for internal reporting purposes. The Company has three operating segments that assemble, manufacture, and sell a variety of products: ATV Accessories, Plastic Wheel Covers, and Lawn and Garden. ATV Accessories is engaged in the design, assembly, and sale of ATV accessories such as snowplow blades, lawnmowers, spreaders, sprayers, tillage equipment, winch mounts, utility boxes, and oil filters. Plastic Wheel Covers manufactures and sells injection-molded plastic wheel covers for vehicles such as golf carts and light-duty trailers. Lawn and Garden is engaged in the design, assembly, and sale of lawn and garden accessories through our Weekend Warrior subsidiary. These lawn and garden accessories include lawnmowers, spreaders, sprayers, and tillage equipment. The significant accounting policies of the operating segments are the same as those described in Note 1 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-KSB for the year ended September 30, 2003. Sales of snowplow blades comprised approximately 34% and 38% of ATV Accessories revenues during the three months ended June 30, 2004 and 2003, respectively, and approximately 60% and 58% of ATV Accessories revenues during the nine months ended June 30, 2004 and 2003, respectively. In addition, sales of snowplow blades comprised approximately 30% and 31% of the Company's consolidated total revenues during the three months ended June 30, 2004 and 2003, respectively, and approximately 55% and 50% of the Company's consolidated total revenues during the nine months ended June 30, 2004 and 2003, respectively. Sales of mowers comprised approximately 21% and 15% of ATV accessories revenues during the three months ended June 30, 2004 and 2003, respectively, and approximately 6% and 6% of ATV accessories revenues during the nine months ended June 30, 2004 and 2003, respectively. In addition, sales of mowers comprised approximately 18% and 13% of consolidated total revenues during the three months ended June 30, 2004 and 2003, respectively. Sales of Original Equipment Manufacturer (OEM) products, including John Deere and Land Pride, comprised approximately 21% and 12% of ATV accessories revenues during the three months ended June 30, 2004 and 2003, respectively, and approximately 17% and 12% of ATV accessories revenues during the nine months ended June 30, 2004 and 2003, respectively. In addition, sales of Original Equipment Manufacturer (OEM) products, including John Deere and Land Pride, comprised approximately 18% and 10% of consolidated total revenues during the three months ended June 30, 2004 and 2003, respectively, and approximately 16% and 10% of consolidated total revenues during the nine months ended June 30, 2004 and 2003, respectively. Sales of wheel covers comprised approximately 12% and 17% of the Company's consolidated total revenues during the three months ended June 30, 2004 and 2003, respectively, and approximately 9% and 15% of the Company's consolidated total revenues during the nine months ended June 30, 2004 and 2003, respectively.

The following is a summary of certain financial information related to the three segments during the three months and nine months ended June 30, 2004 and 2003:

	Three months ended June 30,		Nine months ended June 30,	
	2004	2003	2004	2003
Total revenues by segment				
ATV Accessories	$ 3,551,846	$ 2,503,139	$ 13,699,608	$ 8,791,62
Plastic Wheel Covers	484,176	515,132	1,393,047	1,503,04
Lawn and Garden	82,346	105,701	273,488	120,98
Total revenues by segment	4,118,368	3,123,972	15,366,143	10,415,65
Freight income	31,724	42,334	119,563	110,56

Sales allowances	(82,593)	(80,351)	(392,931)	(293,65
Total revenues	$ 4,067,499	$ 3,085,955	$ 15,092,775	$ 10,232,57

Cycle Country Accessories Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended June 30, 2004 and 2003
(Unaudited)

5. Segment Information, Continued:

Operating profit by segment

ATV Accessories	$ 1,085,886	$ 753,079	$ 4,154,538	$ 2,633,496
Plastic Wheel Covers	262,802	315,568	741,675	883,896
Lawn and Garden	34,126	46,853	106,770	55,995
Freight income	31,724	42,334	119,563	110,567
Sales allowances	(82,593)	(80,351)	(392,932)	(293,655)
Factory overhead	(270,946)	(247,512)	(799,661)	(745,319)
Selling, general, and administrative	(706,345)	(679,077)	(2,182,758)	(2,063,622)
Interest income (expense), net	(44,026)	(59,846)	(115,214)	(167,601)
Other income (expense), net	4,257	413	40,910	5,940
Provision for income taxes	(119,479)	(32,645)	(608,361)	(150,810)
Net income	$ 195,406	$ 58,816	$ 1,064,530	$ 268,887

The following is a summary of the Company's revenue in different geographic areas during the three months and nine months ended June 30, 2004 and 2003:

	Three months ended June 30,		Nine months ended June 30,	
	2004	2003	2004	2003
United States of America	$ 3,614,119	$ 2,771,836	$ 13,860,448	$ 9,368,038
Other countries	453,380	314,119	1,232,327	864,532
Total revenue	$ 4,067,499	$ 3,085,955	$ 15,092,775	$ 10,232,570

As of June 30, 2004, all of the Company's long-lived assets are located in the United States of America.

ATV Accessories sales to major customers, which exceeded 10% of net revenues, accounted for approximately 18.6% and 15.8% each of net revenues during the three months ended June 30, 2004, and approximately 16.2% and 15% each of net revenues during the three months ended June 30, 2003. Plastic Wheel Covers and

Lawn and Garden did not have sales to any individual customer greater than 10% of net revenues during the three months ended June 30, 2004 or 2003.

ATV Accessories sales to major customers, which exceeded 10% of net revenues, accounted for approximately 16.9%, 15.8%, and 12.8% each of net revenues during the nine months ended June 30, 2004, and approximately 15.8% and 15.6% each of net revenues during the nine months ended June 30, 2003. Plastic Wheel Covers and Lawn and Garden did not have sales to any individual customer greater than 10% of net revenues during the nine months ended June 30, 2004 or 2003.

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

The following is a discussion and analysis of our results of operations and our liquidity and capital resources and should be read in conjunction with the Condensed Consolidated Financial Statements and the related Notes thereto included elsewhere in this filing. To the extent that our analysis contains statements that are not of a historical nature, these statements are forward-looking statements, which involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" included elsewhere in this filing. Additional risk factors are also identified in our annual report to the Securities and Exchange Commission filed on Form 10-KSB and in other SEC filings.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates the estimates including those related to bad debts and inventories. The Company bases its estimates on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Consolidated Financial Statements:

Allowance for Doubtful Accounts - the Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Reserve for Inventory - the Company records valuation reserves on its inventory for estimated excess and obsolete inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future product demand and market conditions. If future product demand or market conditions are less favorable than those projected by management, additional inventory reserves may be required.

Depreciation of Long-Lived Assets - the Company assigns useful lives for long-lived assets based on periodic studies of actual asset lives and the intended use for those assets. Any change in those assets lives would be reported in the statement of operations as soon as any change in estimate is determined.

Accrued Warranty Costs - the Company records a liability for the expected cost of warranty-related claims as its products are sold. The Company provides a one-year warranty on all of its products except the snowplow blade, which has a limited lifetime warranty. The amount of the warranty liability accrued reflects the Company's estimate of the expected future costs of honoring its obligations under the warranty plan. The estimate is based on historical experiences and known current events. If future estimates of expected costs were to be less favorable, an increase in the amount of the warranty liability accrued may be required.

Distributor Rebate Payable - the Company records a liability for the expected cost of offering an annual rebate program to certain eligible distributors. The rebate liability is calculated and recognized as eligible ATV accessory products are sold based upon factors surrounding the activity and prior experience of the eligible distributors. The Program provides for a 7% rebate on purchases of certain eligible products during the Program period if certain pre-determined cumulative purchase levels are obtained. The Program rebate is provided to the applicable distributors as a credit against future purchases of the Company's products.

Accounting for Income Taxes - the Company is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax exposure for the Company together with assessing temporary differences resulting from differing treatment of items, such as property, plant and equipment depreciation, for tax and accounting purposes. Actual income taxes could vary from these estimates due to future changes in income tax law or results from final tax exam reviews. At June 30, 2004, the Company assessed the need for a valuation allowance on its deferred tax assets. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the historical operating profits and the near certainty regarding sufficient near term taxable income, management believes that there is no need to establish a valuation allowance. Should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, a valuation allowance may be required.

OVERALL RESULTS OF OPERATIONS - Three Months Ended June 30, 2004 and 2003

Revenues for the three months ended June 30, 2004 increased $981,544, or 31.8%, to $4,067,499 from $3,085,955 for the three months ended June 30, 2003. Cost of goods sold increased $750,515, or 33.3%, to $3,006,499 for the three months ended June 30, 2004 from $2,255,984 for the three months ended June 30, 2003. Additionally, gross profit as a percentage of revenue was 26.1% for the third quarter ended June 30, 2004 compared to 26.9% for the third quarter ended June 30, 2003. The increase in revenues during the third quarter ended June 30, 2004 is attributable to an increase in sales of our mainstay product, Snowplow Blades, of approximately $267,000, an increase in sales of mowers of approximately $352,400, and an increase in sales of our OEM products of approximately $439,700, which consists of sales to John Deere, Land Pride and our other OEM customers. These increases in sales were offset by a decrease in sales of our three-point hitch of approximately $60,700. The increase in revenues can be attributed to increased sales among all United States, Canada, and European distributors. Sales to our distributors and OEM customers during the third quarter of fiscal 2004 were very strong, providing us with one of the best third quarters in recent company history. Truckload deliveries to our distributors continued strong in the third quarter with the increased number of mowers ordered and continued shipping of snowplow blades throughout the quarter. The Company's fourth quarter is shaping up to continue producing strong sales results as orders for snowplow blades and OEM products are very strong. In fact, the Company has already returned to full capacity production levels to meet the demand and management expects to run at full capacity production levels through the next two quarters. Gross profit remained steady for the three months ended June 30, 2004 as compared to the three months ended June 30,2003.

Selling, general, and administrative expenses increased $27,268, or 4.0%, to $706,345 for the three months ended June 30, 2004 from $679,077 for the three months ended June 30, 2003. Increases in operating expenses of approximately $85,600 in other professional fees, approximately $16,400 in licenses and fees, and approximately $16,800 in shipping wage expense were offset by decreases in shipping and handling costs of approximately $40,000, legal and accounting expenses of approximately $37,300, and in insurance expense of approximately $16,200. The increase in other professional fees is due to the costs associated with services being provided by an investor relations firm to promote and market the Company to potential brokers and investors during fiscal 2004. The decrease in shipping and handling costs is primarily the result of reduced freight rates being realized through utilization of a nationwide freight logistics and brokerage company.

Interest and miscellaneous income increased approximately $19,700 from the third quarter of fiscal 2003 to the third quarter of fiscal 2004. The increase is mainly due to interest expense decreasing 19.9% to $48,655 for the three months ended June 30, 2004 from $60,722 for the three months ended June 30, 2003 due to the principal balance on the bank notes payable continually being reduced. The bank notes were paid in full at the end of the third quarter of fiscal 2004, thus the remainder of fiscal 2004 should not incur any interest expense.

OVERALL RESULTS OF OPERATIONS - Nine months Ended June 30, 2004 and 2003

Revenues for the nine months ended June 30, 2004 increased $4,860,205, or 47.5%, to $15,092,775 from $10,232,570 for the nine months ended June 30, 2003. Cost of goods sold increased $3,575,232, or 47.1%, to $11,162,822 for the nine months ended June 30, 2004 from $7,587,590 for the nine months ended June 30, 2003. Additionally, gross profit as a percentage of revenue was 26% for the nine months ended June 30, 2004 compared to 25.8% for the nine months ended June 30, 2003. The increase in revenues during the nine months ended June 30, 2004 is mainly attributable to an increase in sales of our mainstay product, Snowplow Blades, of approximately $3,176,700. Also contributing to the increased revenues were increases in our OEM product sales of approximately $1,354,000, which consists of sales to John Deere, Land Pride and our other OEM customers, increased sales of mowers of approximately $253,600, increased sales of our electric blade lift systems of approximately $140,900, and increased sales of our Weekend Warrior lawn and garden products of approximately $152,500. These increases in sales were offset by decreased sales of our plastic wheel covers of approximately $110,000 and an increase in the distributor rebate program expense, which is netted against sales, of approximately $206,200. The increase in revenues can be attributed to increased sales among all United States, Canada, and European distributors. Sales to our distributors and OEM customers during the first nine months of fiscal 2004 were very strong, putting the Company on track to realize one of the best fiscal years in recent company history. Truckload deliveries of mowers, sprayers, spreaders, snowplow blades and related products to our distributors were strong and solid throughout the first nine months of fiscal 2004 as were our shipments of products to our OEM customers. The Company's fourth quarter is shaping up to continue producing strong sales results as orders for snowplow blades and OEM products are very strong. In fact, the Company has already returned to full capacity production levels to meet the demand and management expects to run at full capacity production levels through the next two quarters. The volatility in the steel markets has not dampened demand for our products. Gross profit remained steady at 26% for the nine months ended June 30, 2004 compared to 25.8% for the nine months ended June 30, 2003.

Selling, general, and administrative expenses increased $119,136, or 5.8%, to $2,182,758 for the nine months ended June 30, 2004 from $2,063,622 for the nine months ended June 30, 2003. Increases in operating expenses of approximately $135,000 in other professional fees, approximately $33,200 in licenses and fees, approximately $26,200 in fuel and fuel tax expense, approximately $40,600 in officer bonus expense, approximately $26,300 in repairs and maintenance expenses, and approximately $31,000 in shipping wage expense were offset by decreases in shipping and handling costs of approximately $43,300, approximately $41,900 in legal and accounting expense, approximately $38,900 in advertising expense, approximately $21,400 in rent expense, and in research and development wage expense of approximately $26,900. The increase in other professional fees is due to the costs associated with services being provided by an investor relations firm to promote and market the Company to potential brokers and investors during fiscal 2004. The decrease in advertising expense is due to reduced catalog costs and print media advertising costs in fiscal 2004 as compared to fiscal 2003.

Interest and miscellaneous income increased approximately $87,400 from the third quarter of fiscal 2003 to the third quarter of fiscal 2004. The increase is mainly due to interest expense decreasing approximately $38,900, or 22.7%, for the nine months ended June 30, 2004 from the nine months ended June 30, 2003 due to the principal balance on the bank notes payable continually being reduced. The increase is also attributable to a refund received from amending a prior year corporate income tax return of approximately $32,000. The bank notes were paid in full at the end of the third quarter of fiscal 2004, thus the remainder of fiscal 2004 should not incur any interest expense.

We anticipate that our revenues for the fourth quarter of fiscal 2004 will exceed the actual results of fiscal 2003. We also anticipate that the fourth quarter's net income will improve over the fourth quarter of fiscal 2003, as management's continuous efforts to address seasonality issues, expand into new markets, increase products produced for OEM's, expand the OEM customer base, and strengthen the market-leading positions of our current products continue to provide financial results. Our introduction of new OEM products and projected strong sales of our mainstay winter products in the fourth quarter will add to the outstanding results of the first nine months putting fiscal 2004 on track to be one of the best complete fiscal years in the Company's history. Our Weekend Warrior lawn and garden products and Perf-Form premium oil filter and oil cooler products will also continue to provide the company opportunities for strong sales and profits in quarters that traditionally have been weak due to the seasonality of the ATV accessories market. We are continually addressing the seasonality of the ATV accessories market with our increased sales and marketing efforts to our existing distributors, our focus on new distributors in untapped geographic locations, and continuing to expand our presence in new markets, such as lawn and garden. We foresee selling, general and administrative expenses remaining relatively consistent as a percentage of revenues during the last quarter of fiscal 2004 as we maintain our increased usage of existing manufacturing capacity of our operating facility from sustained increased production of new and existing products while maintaining a consistent level of administrative support.

BUSINESS SEGMENTS

As more fully described in Note 5 to the Condensed Consolidated Financial Statements included elsewhere in this filing, the Company operates three reportable business segments: ATV Accessories, Plastic Wheel Covers, and Lawn and Garden. The gross margins are vastly different in our three reportable business segments due to the fact that we assemble our ATV accessories (i.e. we outsource the ironworks to our main product supplier), we are vertically integrated in our Plastic Wheel Cover segment, and we utilize a single-step distribution method for our Lawn and Garden segment.

ATV ACCESSORIES - Three Months Ended June 30, 2004 and 2003

Revenues for the three months ended June 30, 2004 increased $1,048,707, or 41.9%, to $3,551,846 from $2,503,139 for the three months ended June 30, 2003. The increase is mainly attributable to an increase in sales of our Snowplow Blades, mowers, and OEM products, as discussed above (See OVERALL RESULTS OF OPERATIONS).

Cost of goods sold for the three months ended June 30, 2004 increased $715,900, or 40.9%, to $2,465,960 from $1,750,060 for the three months ended June 30, 2003. Gross profit as a percent of revenues was 30.6% for the three months ended June 30, 2004 compared to 30.1% for the corresponding period in fiscal 2003. The increase in gross profit was due to our more profitable products, such as the snowplow blades, dominating the third quarter sales for the three months ended June 30, 2004 as compared to the three months ended June 30,2003.

PLASTIC WHEEL COVERS - Three Months Ended June 30, 2004 and 2003

Revenues for the three months ended June 30, 2004 decreased $30,956, or 6%, to $484,176 from $515,132 for the three months ended June 30, 2003. The decrease is attributable to changes in current market conditions as golf cart OEM customers and distributors reduced their purchases of wheel covers during the third fiscal quarter of 2004 as compared to the third fiscal quarter of 2003. We believe sales will approximate fourth quarter fiscal 2003 levels for the fourth quarter of fiscal 2004. Management is working to expand the application and use of its wheel covers beyond the golf markets by working with various OEM's in varying markets to fill a specialized need and to re-establish the company as a source for quality plastic injection molded products. The initial results of these efforts should be realized in late fiscal 2004 or fiscal 2005.

Cost of goods sold for the three months ended June 30, 2004 increased by $21,810, or 10.9%, to $221,374 from $199,564 for the three months ended June 30, 2003. Gross profit as a percent of revenue was 54.3% for the three months ended June 30, 2004 compared to 61.3% for the corresponding period in fiscal 2003. The decrease in gross profit during the three months ended June 30, 2004 as compared to the three months ended June 30, 2003 was attributable to increased material costs as raw plastic costs increased 6% from last year to this year and the amount of clear coat compound applied to each wheel was increased to meet higher durability standards set by management. Direct labor costs also increased during the third quarter of fiscal 2004 as compared to the third quarter of fiscal 2003 as the Company brought in an experienced plastics manager late in fiscal 2003 to increase production efficiency, improve product quality, and assist with the expansion of this business segment into new markets.

LAWN AND GARDEN - Three Months Ended June 30, 2004 and 2003

This business segment was created by management to monitor and manage the expansion of our products into the lawn and garden industry during the second quarter of fiscal 2003. This segment contains our Weekend Warrior products which feature pull-behind and 3-point implements designed and built for garden tractors and ATVs. As growth in the lawn and garden industry continues this will allow the company to address the seasonality of our ATV accessory products by providing sales in quarters traditionally slow in our main ATV Accessories business segment. Revenues for the three months ended June 30, 2004 decreased $23,355, or 22%, to $82,346 from $105,701 for the three months ended June 30, 2003. Cost of goods sold for the three months ended June 30, 2004 decreased $10,628, or 18%, to $48,220 from $58,848 for the three months ended June 30, 2003. Gross profit as a percent of revenue was 41.4% for the three months ended June 30, 2004 compared to 44.3% for the three months ended June 30, 2003. The decrease in sales in this quarter is simply due to timing of when the orders were placed this fiscal year against last fiscal year as year to date sales are significantly higher for fiscal 2004 compared to fiscal 2003 (see below).

GEOGRAPHIC REVENUE - Three Months Ended June 30, 2004 and 2003

During the three months ended June 30, 2004, revenue in the United States of America increased $842,283, or 30.4%, to $3,614,119 from $2,771,836 for the three months ended June 30, 2003. Revenue from other countries increased $139,261, or 44.3%, to $453,380 from $314,119 for the three months ended June 30, 2003. The increase during the three months ended June 30, 2004 in U.S. revenue is due to a general increase across all regions previously serviced in the United States of America. The increase during the three months ended June 30, 2004 in revenue from other countries is due to an increase of sales in Europe and Canada.

ATV ACCESSORIES - Nine months Ended June 30, 2004 and 2003

Revenues for the nine months ended June 30, 2004 increased $4,907,979, or 55.8%, to $13,699,608 from $8,791,629 for the nine months ended June 30, 2003. The increase is mainly attributable to increased sales of our core products and OEM sales as discussed above (See OVERALL RESULTS OF OPERATIONS).

Cost of goods sold for the nine months ended June 30, 2004 increased $3,386,938, or 55%, to $9,545,070 from $6,158,132 for the nine months ended June 30, 2003. Gross profit as a percent of revenues was 30.3% for the nine months ended June 30, 2004 compared to 30% for the corresponding period in fiscal 2003. The Company's fourth quarter is shaping up to continue producing strong sales results in this segment as orders for snowplow blades and OEM products are very strong. In fact, the Company has already returned to full capacity production levels to meet the demand and expects to run at full capacity production levels through the next two quarters.

PLASTIC WHEEL COVERS - Nine months Ended June 30, 2004 and 2003

Revenues for the nine months ended June 30, 2003 decreased $109,998, or 7.3%, to $1,393,048 from $1,503,046 for the nine months ended June 30, 2003. The decrease is attributable to changes in current market conditions as golf cart OEM customers and distributors reduced their purchases of wheel covers during the first nine months of fiscal 2004 as compared to the first nine months of fiscal 2003. We believe sales will approximate fourth quarter 2003 levels in the fourth quarter of fiscal 2004. Management is working to expand the application and use of its wheel covers beyond the golf markets by working with various OEM's in varying markets to fill a specialized need and to re-establish the company as a source for quality plastic injection molded products. The initial results of these efforts should be realized in late fiscal 2004 or fiscal 2005.

Cost of goods sold for the nine months ended June 30, 2004 increased $32,223, or 5.2%, to $651,373 from $619,150 for the nine months ended June 30, 2003. Gross profit as a percent of revenue was 53.2% for the nine months ended June 30, 2004 compared to 58.8% for the corresponding period in fiscal 2003. The decrease in gross profit during the nine months ended June 30, 2004 as compared to the three months ended June 30, 2003 was attributable to increased material costs as raw plastic costs increased 6% from last year to this year and the amount of clear coat compound applied to each wheel was increased to meet higher durability standards set by management. Direct labor costs also increased during fiscal 2004 as compared to the fiscal 2003 as the Company expanded personnel on second and third shifts and brought in an experienced plastics manager late in fiscal 2003 to increase production efficiency, improve product quality, and assist with the expansion of this business segment into new markets.

LAWN AND GARDEN - Nine Months Ended June 30, 2004 and 2003

This business segment was created by management to monitor and manage the expansion of our products into the lawn and garden industry during the second quarter of fiscal 2003. This segment contains our Weekend Warrior products which feature pull-behind and 3-point implements designed and built for garden tractors and ATVs. As growth in the lawn and garden industry continues this will allow the company to address the seasonality of our ATV accessory products by providing sales in quarters traditionally slow in our main ATV Accessories business segment. Revenues for the nine months ended June 30, 2004 increased $152,504, or 126%, to $273,488 from $120,983 for the nine months ended June 30, 2003. Cost of goods sold for the nine months ended June 30, 2004 increased $101,730, or 156.5%, to $166,718 from $64,988 for the nine months ended June 30, 2003. Gross profit as a percent of revenue was 39% for the nine months ended June 30, 2004 compared to 46.3% for the nine months ended June 30, 2003. The gross profit for fiscal 2004 is on target with management's budget. The decrease in gross profit percentage from fiscal 2003 to fiscal 2004 is due to product improvements for quality and durability.

GEOGRAPHIC REVENUE - Nine months Ended June 30, 2004 and 2003

During the nine months ended June 30, 2004, revenue in the United States of America increased $4,492,410, or 47.9%, to $13,860,448 from $9,368,038 for the nine months ended June 30, 2003. Revenue from other countries increased $367,795, or 42.5%, to $1,232,327 from $864,532 for the nine months ended June 30, 2003. The increase during the nine months ended June 30, 2004 in U.S.

revenue is due to a general increase across all regions previously serviced in the United States of America, as discussed previously (See OVERALL RESULTS OF OPERATIONS). The increase during the nine months ended June 30, 2004 in revenue from other countries is due to an increase of sales in Europe and Canada.

Liquidity and Capital Resources

Our primary source of liquidity has been cash generated by our operations and borrowings under our bank line of credit.

At June 30, 2004, we had $376,957 in cash and cash equivalents, compared to $215,551 at September 30, 2003. Until required for operations, our policy is to invest any excess cash reserves in bank deposits, money market funds, and certificates of deposit. Net working capital was $3,832,312 at June 30, 2004 compared to $2,192,089 at September 30, 2003. The change in working capital is primarily due to the following:

	Balance June 30, 2004	Balance September 30, 2003	Increase/ (Decrease)
Accounts receivable	$ 1,414,659	$ 1,080,854	$ 333,805
Inventories	3,627,687	3,024,733	602,954
Prepaid expenses	156,661	66,105	90,556
Accounts payable	999,641	1,042,046	(42,405)
Accrued expenses	299,960	409,865	(109,905)
Bank line of credit	--	420,000	(420,000)
Income taxes payable	516,146	--	516,146

On June 25, 2003, the Company and its commercial lender amended the original secured credit agreement dated August 21, 2001. Under the terms of the amended secured credit agreement, the Company entered into a note payable for $1,500,000 ("Note One") and a second note payable for $2,250,000 ("Note Two") with the commercial lender, replacing the single, original note entered into under the original secured credit agreement. The Notes were collateralized by all of the Company's assets, were payable in monthly installments from July 2003 until June 2018 for Note One and until June 2008 for Note Two, which include principal and interest at prime + 0.25% (4.5% at June 30, 2004) for Note One and principal and interest at prime + 0.625% (4.625% at June 30, 2004) for Note Two, with a final payment upon maturity on June 25, 2018 for Note One and June 25, 2008 for Note Two. The variable interest rate could never exceed 9.5% or be lower than 4.5% for Note One and could never exceed 8.5% or be lower than 4.5% for Note Two. The monthly payment was $11,473 and $42,324 for Note One and Note Two, respectively, and was applied to interest first based on the interest rate in effect, with the balance applied to principal. The interest rate was adjusted daily. Additionally, any proceeds from the sale of stock received from the exercise of warrants was applied to any outstanding balance on the Notes or the Line of Credit described below. At June 30, 2004, there were no balances owed for Note One and Note Two, respectively, as the debts were retired in full from the applying of the proceeds from exercised stock warrants and applying the previously restricted cash balance which was released upon the conversion of the convertible preferred stock into common stock of the Company. At June 30, 2003, $1,500,000 and $2,250,000 for Note One and Note Two, respectively, were outstanding on the Notes.

Under the terms of the amended secured credit agreement noted above, the Company has a Line of Credit for the lesser of $1,000,000 or 80% of eligible accounts receivable and 35% of eligible inventory. The original secured credit agreement noted above had a line of credit for the lesser of $500,000 or 80% of eligible accounts receivable and 35% of eligible inventory. In the fourth quarter of fiscal 2002, the Line of Credit under the original secured credit agreement was increased to the lesser of $1,000,000 or 80% of eligible accounts receivable and 35% of eligible inventory. The Line of Credit bears interest at prime plus 0.75% (4.75% at June 30, 2004) and is collateralized by all of the Company's assets. The variable interest rate can never exceed 7% or be lower than 4.75%. The Line of Credit matures on December 31, 2004. At June 30, 2004 and 2003, $-0- and $438,545, respectively, was outstanding on the Line of Credit.

The secured credit agreement contains conditions and covenants that prevent or restrict the Company from engaging in certain transactions without the consent of the commercial lender and require the Company to maintain certain financial ratios, including term debt coverage and maximum leverage. In addition, the Company is required to maintain a minimum working capital and shall not declare or pay any dividends or any other distributions except as may be required by the preferred shares issued in June of 2003 and discussed below. At June 30, 2004, the Company was not required to meet any of the required financial ratios as all Notes were paid in full.

On June 11, 2003, the Company entered into and closed upon a financing agreement whereby the Company's newly authorized preferred shares were issued in exchange for restricted cash. The restricted cash would be made available to the Company for use as general corporate purposes upon the conversion of the Preferred Stock. The preferred shares were convertible into the Company's common shares based on an annually set conversion price computed as the average of the five lowest closing prices of the common stock for the twenty-two trading days prior to each anniversary date. Upon an event of default, the investment may have been reclassified as a debt obligation of the Company. This new series of preferred shares was cumulative and convertible with dividends computed on a simple interest per annum basis using the current prime interest rate plus 0.5% (4.5% at June 30, 2004) and was to be paid prior to any dividends being paid or declared on the Company's common stock. The Company has 2,000,000 shares of $0.0001 par value preferred stock authorized and no shares issued and outstanding at June 30, 2004. As of June 30, 2004, all of the convertible preferred shares were converted into common shares of the Company. The conversion also released the restricted cash to the Company for use as general corporate purposes of which almost all of the balance was applied to the Notes with the commercial lender to retire the Company's Notes payable debts in full.

The Company previously issued 2,000,000 of warrants to purchase the Company's common stock at $4.00 per share, one share per warrant. The warrants will expire August 21, 2004, unless extended by the board of directors. As of June 30, 2004, the Company received $1,500,000 from the exercise of 375,000 warrants. The proceeds were applied to the outstanding balance on the Notes as stipulated in the secured credit agreement with the commercial lender prior to the Notes being paid in full by the conversion of the preferred stock and release of restricted cash discussed above. After June 30, 2004 the proceeds from any exercise of warrants will be available to the Company for general corporate purposes.

Consistent with normal practice, management believes that the Company's operations are not expected to require significant capital expenditures during the remainder of fiscal 2004. Management believes that existing cash balances, cash flow to be generated from operating activities and available borrowing capacity under its line of credit will be sufficient to fund operations, and capital expenditure requirements for at least the next twelve months. At this time management is not aware of any factors that would have a materially adverse impact on cash flow during this period.

Item 3. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

During the 90 day period prior to the date of this report, an evaluation was performed under the supervision and with the participation of our Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. Subsequent to the date of this evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and no corrective actions taken with regard to significant deficiencies or material weaknesses in such controls.

Special Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to stockholders. Generally, the inclusion of the words "believe", "expect", "intend", "estimate", "anticipate", "will", and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections.

All statements addressing operating performance, events, or developments that the Company expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results (in particular, statements under Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations), contain forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. In addition, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risk and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including but not limited: competitive prices pressures at both the wholesale and retail levels, changes in market demand, changing interest rates, adverse weather conditions that reduce sales at distributors, the risk of assembly and manufacturing plant shutdowns due to storms or other factors, the impact of marketing and cost-management programs, and general economic, financial and business conditions.

Part II - Other Information

THERE ARE NO REPORTABLE EVENTS FOR ITEM 1 THROUGH ITEM 5.

Item 6. Exhibits and Reports on Form 8-K
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

(31.1) Certification of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley act of 2002.

(31.2) Certification of Chief Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley act of 2002.

(32.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(32.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

During the third quarter of 2004, the Company filed one report on Form 8-K dated June 29, 2004. The Form 8-K is attached and made a part of this 10-QSB for the quarterly period ended June 30, 2004.

Signatures

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 9, 2004.

CYCLE COUNTRY ACCESSORIES CORP.

By: /s/ RON HICKMAN

Ron Hickman
Principal Executive Officer, President and Director

In accordance with the requirements of the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on August 9, 2004.

By: /s/ RON HICKMAN ------------------------------ Ron Hickman	Principal Executive Officer, President and Director
By: /s/ DAVID DAVIS ------------------------------ David Davis	Principal Financial Officer and Principal Accounting Officer
By: /s/ F.L. MILLER ------------------------------ F.L. Miller	Director
By: /s/ JIM DANBOM ------------------------------ Jim Danbom	Director
By: /s/ L.G. HANCHER JR. ------------------------------ L.G. Hancher Jr.	Director
By: /s/ ROD SIMONSON ------------------------------ Rod Simonson	Director