Leatt Corp
Form 10-Q
May 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10–Q

(Mark One)

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

For the quarterly period ended: **March 31, 2015**

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _____________

Commission File No. **000-54693**

LEATT CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**20-2819367**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

50 Kiepersol Drive, Atlas Gardens, Contermanskloof Road,
Durbanville, Western Cape, South Africa, 7441
(Address of principal executive offices)

+(27) 21-557-7257
(Registrant s telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X]   No [_]

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

Large accelerated filer [_]	Accelerated filer [_]
Non-accelerated filer [_] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [_]   No [X]

The number of shares outstanding of each of the issuer s classes of common stock, as of May 11, 2015 is as follows:

Class of Securities	Shares Outstanding
Common Stock, $0.001 par value	**5,200,623**

LEATT CORPORATION

Quarterly Report on Form 10-Q
Three Months Ended March 31, 2015

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LEATT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 and 2014

LEATT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2015 Unaudited	December 31, 2014 Audited
Current Assets		
Cash and cash equivalents	$ 893,165	$ 724,707
Short-term investments	58,156	58,153
Accounts receivable	1,643,957	4,239,298
Inventory	4,119,980	3,403,854
Payments in advance	394,353	345,406
Income tax refunds receivable	299	25,299
Deferred tax asset	108,000	108,000
Prepaid expenses and other current assets	718,845	994,003
Total current assets	7,936,755	9,898,720
Property and equipment, net	925,202	995,537
Other Assets		
Other receivables	180,000	210,000
Deposits	17,798	17,980
Intangible assets	78,081	81,323
Total other assets	275,879	309,303
Total Assets	$ 9,137,836	$ 11,203,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,318,373	$ 2,980,885
Income taxes payable	196,000	331,000
Short term loan, net of finance charges	349,003	626,129
Total current liabilities	1,863,376	3,938,014
Deferred tax liabilities	88,268	88,468
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $.001 par value, 1,120,000 shares authorized, 120,000 shares issued and outstanding	3,000	3,000
Common stock, $.001 par value, 28,000,000 shares authorized, 5,200,623 shares issued and outstanding	130,008	130,008
Additional paid - in capital	7,315,614	7,314,136
Accumulated other comprehensive loss	(424,900)	(378,431)
Retained earnings	162,470	108,365
Total stockholders' equity	7,186,192	7,177,078
Total Liabilities and Stockholders' Equity	$ 9,137,836	$ 11,203,560

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31	
	2015 Unaudited	2014 Unaudited
Revenues	$ 4,021,455	$ 3,523,475
Cost of Revenues	1,844,195	1,627,774
Gross Profit	2,177,260	1,895,701
Product Royalty Income	51,533	20,815
Operating Expenses		
Salaries and wages	606,178	527,046
Commissions and consulting expenses	185,908	166,017
Professional fees	214,773	334,056
Advertising and marketing	261,442	285,394
Office rent and expenses	60,508	60,118
Research and development costs	292,717	281,292
Bad debt expense	-	22,072
General and administrative expenses	425,216	504,954
Depreciation	92,803	77,519
Total operating expenses	2,139,545	2,258,468
Income (Loss) from Operations	89,248	(341,952)
Other Income		
Interest and other income, net	442	1,066
Total other income	442	1,066
Income (Loss) Before Income Taxes	89,690	(340,886)
Income Taxes	35,585	-
Net Income (Loss) Available to Common Shareholders	$ 54,105	$ (340,886)
Net Income (Loss) per Common Share		
Basic	$ 0.01	$ (0.07)
Diluted	$ 0.01	$ (0.07)
Weighted Average Number of Common Shares Outstanding		
Basic	5,200,623	5,200,623
Diluted	5,467,160	5,200,623
Comprehensive Income (Loss)		
Net Income (loss)	$ 54,105	$ (340,886)

Other comprehensive income (loss), net of $0 and $0 deferred income taxes in 2015 and 2014		
Foreign currency translation	(46,469)	5,171
Total Comprehensive Income (Loss)	$ 7,636	$ (335,715)

See accompanying notes to consolidated financial statements

[3]

LEATT CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2015

	Preferred Stock A		Common Stock		Additional	Accumulated Other Comprensive	Retained	
	Shares	Amount	Shares	Amount	Paid - In Capital	Loss	Earnings	Total
Balance, January 1, 2015	120,000	$ 3,000	5,200,623	$ 130,008	$ 7,314,136	$ (378,431)	$ 108,365	$ 7,177,078
Compensation cost recognized in connection with stock options	-	-	-	-	1,478	-	-	1,478
Net income	-	-	-	-	-	-	54,105	54,105
Foreign currency translation adjustment	-	-	-	-	-	(46,469)	-	(46,469)
Balance, March 31, 2015	120,000	$ 3,000	5,200,623	$ 130,008	$ 7,315,614	$ (424,900)	$ 162,470	$ 7,186,192

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

		2015		2014
Cash flows from operating activities				
Net income (loss)	$	54,105	$	(340,886)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation		92,803		77,519
Deferred income taxes		(200)		(42)
Stock-based compensation		1,478		2,427
Bad debts		-		22,072
Inventory reserve		26,034		89,522
Gain on sale of property and equipment		-		(167)
(Increase) decrease in:				
Accounts receivable		2,595,341		922,346
Inventory		(742,160)		(452,585)
Payments in advance		(48,947)		(100,908)
Prepaid expenses and other current assets		275,158		249,455
Income tax refunds receivable		25,000		-
Other receivables		30,000		30,000
Deposits		182		46
Increase (decrease) in:				
Accounts payable and accrued expenses		(1,662,512)		(274,304)
Income taxes payable		(135,000)		-
Net cash provided by operating activities		511,282		224,495
Cash flows from investing activities				
Capital expenditures		(42,608)		(88,691)
Proceeds from sale of property and equipment		-		167
Increase in short-term investments, net		(3)		(6)
Net cash used in investing activities		(42,611)		(88,530)
Cash flows from financing activities				
Repayments of short-term loan, net		(277,126)		(282,267)
Net cash used in financing activities		(277,126)		(282,267)
Effect of exchange rates on cash and cash equivalents		(23,087)		10,864
Net increase (decrease) in cash and cash equivalents		168,458		(135,438)
Cash and cash equivalents - beginning		724,707		835,012
Cash and cash equivalents - ending	$	893,165	$	699,574
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$	3,167	$	4,002
Cash paid for income taxes	$	170,585	$	-

Other noncash investing and financing activities		
Common stock issued for services	$ 1,478	$ 2,427

See accompanying notes to consolidated financial statements

LEATT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Basis of presentation

The consolidated balance sheet as of December 31, 2014 was audited and appears in the Form 10-K filed by the Company with the Securities and Exchange Commission on March 26, 2015. The consolidated balance sheet as of March 31, 2015 and the consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2015 and 2014, changes in stockholders equity for the three months ended March 31, 2015, cash flows for the three months ended March 31, 2015 and 2014, and the related information contained in these notes have been prepared by management without audit. In the opinion of management, all adjustments (which include only normal recurring items) necessary to present fairly the financial position, results of operations and cash flows in conformity with generally accepted accounting principles as of March 31, 2015 and for all periods presented have been made. Interim operating results are not necessarily indicative of operating results for a full year.

Certain information and note disclosures normally included in the Company s annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. While management of the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2014 as filed with the Securities and Exchange Commission in the Company s Form 10-K.

Note 2 - Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, the Company must make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, the Company utilizes historical experience as well as current market information. The reserve for obsolescence for the three months ended March 31, 2015 and 2014 was $187,627 and $221,177, respectively.

Note 3 - Intangible Assets

The Company s intangible assets consist of acquired patents with an indefinite useful life and are thus not amortized. Intangible assets are carried at cost less impairment. Amortization expense for the three months ended March 31, 2015 was zero. There was no impairment of intangible assets at March 31, 2015.

Note 4 - Short-term Loan

The Company carries two product liability insurance policies; one with a U.S. insurance carrier and a second with a South African insurance carrier. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. The US short-term loan is payable in monthly installments of $68,273 over an 11 month period at an APR of 2.647% and the South African short-term loan is payable in monthly installments of $1,936 over a 10 month period at a flat interest rate of 3.50%.

The Company carries directors and officers liability insurance. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. The short-term loan is payable in eleven payments of $4,997 at a 2.647% annual interest rate.

Note 5- Income Taxes

The Company uses the asset and liability approach to account for income taxes. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the income tax basis of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The provision for income taxes included taxes currently payable, if any, plus the net change during the period in deferred tax assets and liabilities recorded by the Company.

The Company applies the provisions of FASB ASC Topic 740-10, Accounting for Uncertainty in Income Taxes (Standard), which provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if the position is more likely than not of being sustained upon an examination by tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, the standard provides guidance on derecognition, classification, interest and penalties; accounting in interim periods, disclosure and transition, and any amounts when incurred would be recorded under these provisions.

The Company s practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of March 31, 2015, the Company has no unrecognized tax benefits. The Company s 2011 income tax return is under examination by the Internal Revenue Service.

Note 6 - Net Income Per Share of Common Stock

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common stock shares and dilutive potential common shares outstanding during the period. For the three months March 31, 2015, the Company had 410,200 potential common shares, consisting of 120,000 preferred shares and options to purchase 290,200 shares, outstanding that were dilutive and included in diluted net income per share.

Note 7 - Litigation

In the ordinary course of business, the Company is involved in various legal proceedings involving product liability and personal injury and intellectual property litigation. The Company is insured against loss for certain of these matters. The Company will record contingent liabilities resulting from asserted and unasserted claims against it when it is probable that the liability has been incurred and the amount of the loss is reasonably estimable. The Company will disclose contingent liabilities when there is a reasonable possibility that the ultimate loss will exceed the recorded liability. While the outcome of currently pending litigation is not yet determinable, the ultimate exposure with respect to these matters cannot be ascertained. However, based on the information currently available to the Company, the Company does not expect that any liabilities or costs that might be incurred to resolve these matters will have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Note 8 Subsequent Events

The company has evaluated all subsequent events through the date the financial statements were released.

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

Special Note Regarding Forward Looking Statements

This report contains forward-looking statements that are contained principally in the sections entitled Our Business, Risk Factors, and Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, the factors described in the section captioned Risk Factors in our latest annual report on Form 10-K filed with the SEC. In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimates, expects, intends, may, plans, potential, predicts, projects, should, would and similar e identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding growth in the motor sports market;
- our expectation regarding increasing demand for protective equipment used in the motor sports market;
- our belief that we will be able to effectively compete with our competitors and increase our market share;
- our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes; and
- our future business development, results of operations and financial condition.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this quarterly report. You should read this quarterly report and the documents that we reference and filed as exhibits to the quarterly report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Use of Certain Defined Terms

Except as otherwise indicated by the context, references in this quarterly report to:

- Leatt, we, us, our, the Registrant or the Company are to the combined business of Leatt Corporation, corporation, its South African branch, Leatt SA, and its direct, wholly-owned subsidiaries, Two Eleven, Leatt New Zealand and Three Eleven;
- Leatt SA are to the Company s branch office known as Leatt Corporation (Incorporated in the State of Nevada) incorporated under the laws of South Africa with registration number: 2007/032780/10;
- Leatt USA are to Leatt USA, LLC, a Nevada Limited Liability Company;
- Leatt New Zealand are to Leatt New Zealand Limited, a New Zealand Company;
- NZD are to the legal currency of New Zealand. For all NZD amounts reported, the dollar amount has been calculated on the basis that $1=NZD1.3281 for its March 31, 2015 unaudited balance sheet.
- PRC , and China are to the People s Republic of China;
- Two Eleven refers to Two Eleven Distribution, LLC, a California limited liability company;
- Three Eleven are to Three Eleven Distribution (Pty) Limited, a South African Company;
- Securities Act are to the Securities Act of 1933, as amended, and to Exchange Act are to Securities Exchange Act of 1934, as amended;
- South Africa are to the Republic of South Africa;

- U.S. dollar, $ and US$ are to the legal currency of the United States.
- Xceed Holdings refers to Xceed Holdings cc., a close corporation incorporated under the laws of South Africa, and wholly- owned by The Leatt Family Trust, of which Dr. Christopher J. Leatt, the Company s chairman, is a Trustee and Beneficiary; and
- ZAR refers to the South African Rand, the legal currency of South Africa. For all ZAR dollar amounts reported, the dollar amount has been calculated on the basis that $1 = ZAR12.0833 for its March 31, 2015 unaudited balance sheet**.**

Overview of our Business

Leatt designs, develops, markets and distributes personal protective equipment for participants in all forms of motor sports and leisure activities, including riders of motorcycles, bicycles, snowmobiles and ATVs, as well as racing car drivers. The Company sells its products to customers worldwide through a global network of distributors and retailers. Leatt also acts as the original equipment manufacturer for neck braces sold by other international brands.

The Company s flagship products are based on the Leatt-Brace® system, a patented injection molded neck protection system owned by Xceed Holdings, designed to prevent potentially devastating injuries to the cervical spine and neck. The Company has the exclusive global manufacturing, distribution, sale and use rights to the Leatt-Brace®, pursuant to a license agreement between the Company and Xceed Holdings, a company owned and controlled by the Company s Chairman and founder, Dr. Christopher Leatt. The Company also has the right to use apparatus embodying, employing and containing the Leatt-Brace® technology and has designed, developed, marketed and distributed other personal protective equipment using this technology, as well as its own developed technology, including the Company s new body protection products which it markets under the Leatt Protection Range brand.

The Company s research and development efforts are conducted at its research facilities, located at its executive headquarters in Cape Town, South Africa. The Company employs 5 full-time employees who are dedicated exclusively to research, development, and testing. The Company also utilizes consultants, academic institutions and engineering companies as independent contractors or consultants, from time to time, to assist it with its research and development efforts. Leatt products have been tested and reviewed internally and by external bodies. All Leatt products are compliant with applicable European Union directives, or CE certified, where appropriate. Certain products, such as the MRX Head and Neck Restraint system, have been certified by SFI Foundation (USA) and the Moto GPX was tested by BMW Motorrad (Germany) and reviewed by KTM (Austria). The Company is also in discussions with governing and racing bodies, such as the Fédération Internationale de l'Automobile (FIA), the Fédération Internationale de Motocyclisme (FIM) and the National Association for Stock Car Auto Racing (NASCAR), to have the Leatt-Brace® accredited by these bodies.

Our products are manufactured in China under outsource manufacturing arrangements with third-party manufacturers located there. The Company utilizes outside consultants and its own employees to ensure the quality of its products through regular on-site product inspections. Products purchased through international sales are usually shipped directly from our manufacturers warehouses or points of dispatch to customers or their import agents.

Leatt earns revenues through the sale of its products through approximately 60 distributors worldwide, who in turn sell its products to retailers. Leatt distributors are required to follow certain standard business terms and guidelines for the sale and distribution of Leatt products. Two Eleven and Leatt SA directly distribute Leatt products to retailers in the United States and South Africa, respectively.

Principal Factors Affecting Our Financial Performance

We believe that the following factors will continue to affect our financial performance:

- ***Global Economic Fragility*** The ongoing turmoil in the global economy, especially in the U.S. and Europe, may have an impact on our business and our financial condition, and we may face challenges if economic conditions do not improve. These economic conditions impact levels of consumer spending, which have deteriorated and may remain depressed for the foreseeable future. If demand for our products fluctuates as a result of these economic conditions or otherwise, our revenue and gross margin could be harmed.
- ***Fuel Prices*** Significant fluctuations in fuel prices could have both a positive and negative effect on our business and operations. A significant portion of our revenue is derived from international sales and significant fluctuations in world fuel prices could significantly increase the price of shipping or transporting our products which we may not be able to pass on to our customers. On the other hand, fluctuations in fuel

prices lead to higher commuter costs which may encourage the increased use of motorcycles and bicycles as alternative modes of transportation and lead to an increase in the market for our protection products.

- ***Product Liability Litigation*** We face an inherent business risk of exposure to product liability claims arising from the claimed failure of our products to help prevent the types of personal injury or death against which they are designed to help protect. Therefore we have acquired very costly product liability insurance worldwide. We have not experienced any material uninsured losses due to product liability claims, but it is possible that we could experience material losses in the future. After a two-week trial in the United States District Court for the Northern District of Ohio (Eastern) ending on April 17, 2014, a federal jury returned a defense verdict for the Company in the first Leatt-Brace® product liability lawsuit to be tried in the United States. The plaintiffs in that case had alleged that defective product design and failure to warn had caused a then fifteen year-old motocross rider, to suffer multiple mid-thoracic spine fractures, causing immediate and permanent paraplegia, when he crashed at a relatively low speed on February 13, 2011. When the accident occurred, he was wearing a helmet and other safety gear from several different companies, including the Company's acclaimed Leatt-Brace®. The Company produced evidence at trial showing that his thoracic paraplegia was an unavoidable consequence of his fall, not the result of wearing a Leatt-Brace®, and that the neck brace likely saved his life (or saved him from quadriplegia) by preventing cervical spine injury. Company had maintained from the onset that this and a small handful of other lawsuits are without merit and that it will vigorously defend itself in each case. In this case, the plaintiffs subsequently appealed the court s decision and the parties reached an amicable settlement. Although we carry product liability insurance, a successful claim brought against us could significantly harm our business and financial condition and have an adverse impact on our ability to renew our product liability insurance or secure new coverage.

- ***Protection of Intellectual Property*** We believe that the continued success of our business is dependent on our intellectual property portfolio consisting of globally registered trademarks, design patents and utility patents related to the Leatt-Brace®. We believe that a loss of these rights would harm or cause a material disruption to our business and, our corporate strategy is to aggressively take legal action against any violators of our intellectual property rights, regardless of where they may be. From time to time, we have had to enforce our intellectual property rights through litigation and we may be required to do so in the future. Such litigation may result in substantial costs and could divert resources and management attention from the operations of our business.

Results of Operations

The following summary of our results of operations should be read in conjunction with our financial statements and the notes thereto for the three-month periods ended March 31, 2015 and 2014 included herein. The following tables set forth key components of our results of operations for the periods indicated, both in dollars and as a percentage of sales revenue and key components of our revenue for the periods indicated in dollars and percentages.

Three Months Ended March 31, 2015 compared to the Three Months Ended March 31, 2014

The following table summarizes the results of our operations during the three-month periods ended March 31, 2015 and 2014 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

Item	Three Months Ended March 31, 2015	2014	$ Increase (Decrease)	Percentage Increase (Decrease)
REVENUES	$ 4,021,455	$ 3,523,475	$ 497,980	14%
COST OF REVENUES	1,844,195	1,627,774	$ 216,421	13%
GROSS PROFIT	2,177,260	1,895,701	$ 281,559	15%
PRODUCT ROYALTY INCOME	51,533	20,815	$ 30,718	148%
OPERATING EXPENSES				
Salaries and Wages	606,178	527,046	$ 79,132	15%
Commissions and Consulting	185,908	166,017	$ 19,891	12%
Professional Fees	214,773	334,056	$ (119,283)	-36%
Advertising and Marketing	261,442	285,394	$ (23,952)	-8%
Office Rent and Expenses	60,508	60,118	$ 390	1%
Research and Development Costs	292,717	281,292	$ 11,425	4%
Bad Debt Expense	-	22,072	$ (22,072)	-100%
General and Administrative	425,216	504,954	$ (79,738)	-16%
Depreciation	92,803	77,519	$ 15,284	20%
Total Operating Expenses	2,139,545	2,258,468	$ (118,923)	-5%
INCOME (LOSS) FROM OPERATIONS	89,248	(341,952)	$ 431,200	126%
Other Income	442	1,066	$ (624)	-59%
INCOME (LOSS) BEFORE INCOME TAXES	89,690	(340,886)	$ 430,576	126%
Income Taxes	35,585	-	$ 35,585	100%
NET INCOME (LOSS)	$ 54,105	$ (340,886)	$ 394,991	116%

Revenues We earn revenues from the sale of our protective gear comprising of neck braces, body armor and other products, parts and accessories both in the United States and internationally. Revenues for the three months ended March 31, 2015 were $4.0 million, a 14% increase, compared to revenues of $3.5 million for the quarter ended March 31, 2014. Revenues associated with international customers were $2.48 million and $1.97 million, or 62% and 56% of revenues, respectively, for the three months ended March 31, 2015 and 2014. This increase in revenues is attributable to a $0.62 million increase in body armor sales that was partially offset by a $0.16 million decrease in neck brace sales.

The following table sets forth our revenues by product line for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31, 2015	% of Revenues	2014	% of Revenues
Neck braces	$ 1,789,608	45%	$ 1,944,992	55%
Body armor	2,014,973	50%	1,390,851	40%
Other products, parts and accessories	216,874	5%	187,632	5%
	$ 4,021,455	100%	$ 3,523,475	100%

Sales of our flagship neck brace accounted for $1.79 million and $1.94 million, or 45% and 55% of our revenues for the quarters ended March 31, 2015 and 2014, respectively. The 8% decrease in neck brace revenues is primarily attributable to the sales mix of neck brace products sold during the quarter ended March 31, 2015. Although the sales volume of neck braces was marginally higher in the quarter ended March 31, 2014, sales of our entry level 4.5 neck brace surged with initial market introduction.

Our body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee braces and knee and elbow guards. Body armor sales accounted for $2.01 million and $1.39 million, or 50% and 40% of our revenues for the quarters ended March 31, 2015 and 2014, respectively. The 45%

increase in body armor revenues was primarily the result of successful market acceptance of our new C Frame Knee Brace which was first shipped during the third quarter of 2014.

Our other products, parts and accessories are comprised of aftermarket support items required primarily to replace worn or damaged parts through our global distribution network, as well as clothing, outerwear and accessories that include hats, jackets, bags, hydration kits and cooling garments. Other products, parts and accessories sales accounted for $0.22 million and $0.19 million, or 5% and 5% of our revenues for the quarters ended March 31, 2015 and 2014, respectively. The increase in revenues from the sale of other products, parts and accessories is primarily due to a 45% increase in the volume of hydration units sold internationally during the period.

Cost of Revenues and Gross Profit Cost of revenues for the quarters ended March 31, 2015 and 2014 were $1.84 million and $1.63 million, respectively. Gross Profit for the quarters ended March 31, 2015 and 2014 were $2.18 million and $1.90 million, respectively, or 54% and 54% of revenues respectively. While our body armor products continue to generate a lower gross margin than our neck brace products, body armor margins have improved during the 2015 period due to the introduction of the C Frame Knee Brace.

Product Royalty Income Product royalty income is earned on sales to distributors that have royalty agreements in place, as well as on sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the quarters ended March 31, 2015 and 2014 were $51,533 and $20,815, respectively. The 148% increase in product royalty income is due to an increase in the sale of licensed products by licensees in the 2015 period.

Salaries and Wages Salaries and wages for the quarters ended March 31, 2015 and 2014 were $606,178 and $527,046, respectively. This 15% increase in salaries and wages during the 2015 period was primarily due to the employment of additional sales management personnel in the United States and brand management personnel in Europe. Additionally salaries and wages were increased in connection with a restructuring of our international marketing operations to our headquarters in South Africa.

Commissions and Consulting Expense During the quarters ended March 31, 2015 and 2014, commissions and consulting expenses were $185,908 and $166,017, respectively. This 12% increase in commissions and consulting expenses is primarily the result of higher commissions paid to independent sales representatives in the United States as a result of the increased sales revenues discussed above.

Professional Fees Professional fees consist of costs incurred for audit, tax and regulatory filings, as well as patent protection and product liability litigation expenses incurred as the Company continues to expand. Professional fees for the quarters ended March 31, 2015 and 2014 were $214,773 and $334,056, respectively. This 36% decrease in professional fees is primarily due to decreased spending on product liability litigation during the 2015 period.

Advertising and Marketing The Company places paid advertising in various motorsport magazines and online media, and sponsors a number of events, teams and individuals to increase product and brand visibility. Advertising and marketing expenses for the quarters ended March 31, 2015 and 2014 were $261,442 and $285,394, respectively. The 8% decrease in advertising and marketing expenditures during the 2015 period is primarily due to the Company s continued implementation of digital marketing campaigns that reach a targeted audience and are more cost effective than the print campaigns previously utilized by the Company.

Office Rent and Expenses Office rent and expenses for the quarters ended March 31, 2015 and 2014 remained flat at $60,508 and $60,118, respectively.

Research and Development Costs These costs consists of the salaries of personnel who are directly involved in the research and development of innovative products, as well as the direct costs associated with developing these products. Research and development costs for the quarters ended March 31, 2015 and 2014, increased to $292,717, from $281,292, during the same 2014 quarter. The 4% increase in research and development costs is a result of costs incurred to widen the Company s product range, as well as the employment of additional design and development resources.

General and Administrative Expenses General and administrative expenses consists of insurance, travel, merchant fees, telephone, office and computer supplies. General and administrative expenses for the quarters ended March 31, 2015 and 2014 were $425,216 and $504,954, respectively. The 16% decrease in general and administrative expenses is primarily as a result of decreased product liability insurance premiums.

Bad Debt Expense Bad Debt Expense for the quarters ended March 31, 2015 and 2014 were $0 and $22,072, respectively. This 100% decrease in Bad Debt Expense is primarily the result of the write off of a portion of unrecoverable debt owed to Two Eleven during the 2014 comparative period.

Depreciation Expense Depreciation Expense for the quarters ended March 31, 2015 and 2014 were $92,803 and $77,519, respectively. This 20% increase in depreciation is primarily as a result of the addition of molds and tooling required for the production of the Company s widening product range.

Total Operating Expenses Total operating expenses decreased by $118,923, to $2,139,545 in the three months ended March 31, 2015, or 5%, compared to $2.26 million in the 2014 period. This decrease is primarily due to decreased professional fees and general and administrative expenses that were partially set off by increased salaries and wages discussed above.

Net income (loss) The net income after income taxes for the quarter ended March 31, 2015 was $54,105 as opposed to a net loss after income taxes of $340,886 for the quarter ended March 31, 2014. This increase in net income is primarily due to increased revenues and decreased operating expenses discussed above.

Liquidity and Capital Resources

At March 31, 2015, we had cash and cash equivalents of $0.9 million and $0.05 million of short-term investments. The following table sets forth a summary of our cash flows for the periods indicated:

	March 31,	
	2015	**2014**
Net cash provided by operating activities	$ 511,282	$ 224,495
Net cash used in investing activities	$ (42,611)	$ (88,530)
Net cash used in financing activities	$ (277,126)	$ (282,267)
Effect of exchange rate changes on cash and cash equivalents	$ (23,087)	$ 10,864
Net increase (decrease) in cash and cash equivalents	$ 168,458	$ (135,438)
Cash and cash equivalents at the beginning of period	$ 724,707	$ 835,012
Cash and cash equivalents at the end of period	$ 893,165	$ 699,574

Cash increased by $168,458, or 23%, for the three months ended March 31, 2015. The primary sources of cash for the three months ended March 31, 2015 were a net income of $54,105, decreased accounts receivables of $2,595,341, and decreased prepaid expenses and other current assets of $275,158. The primary uses of cash for the three months ended March 31, 2015 were decreased accounts payable and accrued expenses of $1,662,512 and the repayment of a short-term loan amounting to $277,126. As of March 31, 2015, we did not have any credit facilities or significant amounts owed to third party lenders.

The Company is currently meeting its working capital needs through cash on hand as well as internally generated cash from operations. Management believes that its current cash and cash equivalent balances, along with the net cash generated by operations are sufficient to meet its anticipated operating cash requirements for at least the next twelve months. There are currently no plans for any major capital expenditures in the next twelve months. Our long-term financing requirements depend on our growth strategy, which relates primarily to our desire to increase revenue both domestically as well as internationally.

Obligations under Material Contracts

Pursuant to our Licensing Agreement with Xceed Holdings, a company owned and controlled by Dr. Christopher Leatt, our founder, chairman and head of research and development, we pay Xceed Holdings, 4% of all neck brace sales revenue billed and received by the Company on a quarterly basis, based on sales of the previous quarter. In addition, pursuant to a separate license agreement between the Company and Mr. J. P. De Villiers, our former director, the Company is obligated to pay a royalty fee of 1% of all our billed and received neck brace sales revenue, in quarterly installments, based on sales of the previous quarter, to a trust that is beneficially owned and controlled by Mr. De Villiers.

Pursuant to a Premium Finance Agreement, dated October 17, 2014, between the Company and AFCO Acceptance Corporation AFCO, the Company is obligated to pay AFCO an aggregate sum of $ 741,165 in eleven payments of $68,273, at an annual interest rate of 2.647%, commencing on November 1, 2014 and ending on September 1, 2015. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. As of March 31, 2015, the Company had not defaulted on its payment obligations under this agreement.

Pursuant to a Premium Finance Agreement, dated June 9, 2014, between the Company and AFCO, the company is obligated to pay AFCO an aggregate sum of $59,244 in eleven payments of $4,997 at a 2.647% annual interest rate, commencing on June 1, 2014 and ending on April 1, 2015. Any late payment during the term of the agreement will be assessed a late penalty of 5% of the payment amount due, and in the event of default AFCO has the right to accelerate the payment due under the agreement. As of March 31, 2015, the Company had not defaulted on its payment obligations under this agreement.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations are based upon our 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. We have identified the following as the items that require the most significant judgment and often involve complex estimation: revenue recognition, estimating allowances for doubtful accounts receivable, inventory valuation, impairment of long-lived assets and accounting for income taxes.

Revenue and Cost Recognition - All manufacturing of Leatt-Brace products is performed by third party subcontractors in China. The Company's products are sold worldwide to a global network of distributors and dealers, and directly to consumers when there are no dealers or distributors in their geographic area (collectively the "customers"). Revenues from product sales are recognized when earned, net of applicable provisions for discounts and returns and allowances in the event of product defect. Revenue is considered to be realized or realizable and earned when all of the following criteria are met: title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed and determinable and collectability is reasonably assured. Our distributor payment terms range from pre-payment in full to 60 days after shipment and subsequent sales of our products by distributors have no effect on the amount and timing of payments due to us. Furthermore, products purchased by distributors may not be returned to us in the event that any such distributor relationship is terminated.

Since the Company (through its wholly owned subsidiary) serves as the distributor of Leatt products in the United States, the Company records its revenue and related cost of revenue for its product sales in the United States upon shipment of the merchandise to the dealer or to the ultimate consumer when there is no dealer in the geographic area and the sales order was received directly from, and paid by, the ultimate consumer. Since the Company (through its South African branch) serves as the distributor of Leatt products in South Africa, the Company records its revenue and related cost of revenue for its product sales in South Africa upon shipment of the merchandise from the branch to the dealer. International sales (other than in South Africa) are generally drop-shipped directly from the third party manufacturer to the international distributors.

Revenue and related cost of revenue is recognized at the time of shipment from the manufacturer's port when the shipping terms are Free On Board ("FOB") shipping point. Cost and Freight ("CFR") or Cost and Insurance to named place ("CIP") as legal title and risk of loss to the product pass to the distributor. Sales to all customers (distributors, dealers and consumers) are generally final; however, in limited instances, product may be returned due to product quality issues. Historically, returns due to product quality issues have not been material and there have been no distributor terminations that resulted in product returns. Cost of revenues also includes royalty fees associated with sales of Leatt-Brace products. Product royalty income is recorded as the underlying product sales occur, in accordance with the related licensing arrangements.

***Allowance for Doubtful Accounts Receivable* -** Accounts receivable consist of amounts due to the Company from normal business activities. Credit is granted to substantially all distributors on an unsecured basis. We continuously monitor collections and payments from customers and maintain an allowance for doubtful accounts receivable based upon historical experience and any specific customer collection issues that have been identified. In determining the amount of the allowance, we are required to make certain estimates and assumptions. Accounts receivable balances that are still outstanding after we have used reasonable collection efforts are written off as uncollectible. While such credit losses have historically been minimal, within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of any of our significant customers could have a material adverse effect on the collectability of our accounts receivable and our future operating results.

Inventory Valuation Inventory is stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventory consists primarily of finished goods. Shipping and handling costs are included in the cost of inventory. In assessing the inventory value, we make estimates and judgments regarding reserves required for product obsolescence, aging of inventory and other issues potentially affecting the saleable condition of products. In performing such evaluations, we utilize historical experience as well as current market information. The reserve for obsolescence for the quarters ended March 31, 2015 and 2014 was $187,627 and $221,177, respectively.

Impairment of Long-Lived Assets Our long-lived assets include property and equipment. We evaluate our long-lived assets for recoverability whenever events or changes in circumstances indicate that an asset may be impaired. In evaluating an asset for recoverability, we estimate the future cash flow expected to result from the use of the asset and eventual disposition. If the expected future undiscounted cash flow is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. We have determined there was no impairment charge during the quarters ended March 31, 2015 and 2014.

Income Taxes - As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax provision (benefit) in each of the jurisdictions in which we operate. This process involves estimating our current income tax provision (benefit) together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We regularly evaluate our ability to recover the reported amount of our deferred income taxes considering several factors, including our estimate of the likelihood of the Company generating sufficient taxable income in future years during the period over which the temporary differences reverse.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers,* (ASU 2014-09). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual periods beginning on or after December 15, 2016; however, the FASB has proposed a deferral of the effective date. The Company is currently assessing the impact that adopting this new accounting guidance will have on the consolidated financial statements and footnote disclosures.

In February 2015, the FASB issued ASU 2015-02 *Consolidation (Topic 810) Amendments to the Consolidation Analysis*. This ASU is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations and securitization structures. These amendments affect the consolidation evaluation for reporting organizations. In addition, the amendments simplify and improve current U.S. GAAP by reducing the number of consolidation models. The ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The recognition and measurement of debt issuance costs are not affected by this amendment. This ASU is effective for annual periods and interim periods beginning after December 15, 2015, and early adoption is permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

Inflation

Inflationary factors such as increases in the cost of our sales and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

Off-Balance Sheet Arrangements

As of March 31, 2015, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to its stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

As of March 31, 2015, the Company s management, under the direction of its Chief Executive Officer and the Chief Financial Officer, Mr. Sean Macdonald, carried out an evaluation of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, the Company s Chief Executive Officer and Chief Financial Officer determined that the Company s disclosure controls and procedures were deemed to be effective.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting during the period ended March 31, 2015, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings in the ordinary course of our business. Other than as set forth below, we are currently not aware of any legal proceedings the ultimate outcome of which, in our judgment based on information currently available, would have a material adverse affect on our business, financial condition or operating results.

- In September 20, 2012, a lawsuit was filed against the Company and other Defendants in Clark County District Court of Nevada for wrongful death of a motorcycle rider for alleged negligence, product defect, strict product liability, breach of expressed and implied warranties, survival and punitive damages. The plaintiff is seeking special, compensatory, survival and punitive damages, together with prejudgment interest, costs and disbursement of suit, reasonable attorneys fees and other relief. This trial has been scheduled to commence January 11, 2016.
- On December 28, 2012, a lawsuit was filed against the Company in Los Angeles Superior Court for wrongful death of a motorcycle rider. The plaintiffs are seeking damages for wrongful death and other relief. The case was timely removed to federal court. The Company believes that the lawsuit is without merit and will vigorously defend itself.
- In February 2013, a lawsuit was filed against the Company on behalf of a motorcycle rider in Clark County District Court of Nevada for alleged product defect, failure to warn and negligence. The plaintiff is seeking damages, together with interest and costs of bringing the action. Trial is currently scheduled to commence August 3, 2015. The Company believes that the lawsuit is without merit and will vigorously defend itself.
- On November 24, 2014, a lawsuit was filed against the Company and other defendants in the Circuit Court of Eighth Judicial Circuit in and for Alachua County, Florida for strict liability and negligence. The litigation is at an early stage and the Company is in the process of investigating the claim. The Company believes that the lawsuit is without merit and is vigorously defending itself.
- On February 25, 2015, a lawsuit was filed against the Company on behalf of a motorcycle rider in the Northern District Court of Indiana, Lafayette Division for strict liability, breach of warranty, negligence, punitive damages and deceptive and misleading advertising and marketing. The litigation is at an early stage and the Company is in the process of investigating the claim. The company believes that the lawsuit is without

merit and intends to vigorously defend itself.

ITEM 1A. RISK FACTORS.

There are no material changes from the risk factors previously disclosed in Item 1A Risk Factors of our annual report on Form 10-K for the period ended December 31, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

We have no information to disclose that was required to be in a report on Form 8-K during the period covered by this report, but was not reported. There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

ITEM 6. EXHIBITS.

The following exhibits are filed as part of this report or incorporated by reference:

Exhibit No.	**Description**
31.1	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Principal Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T

* Filed with this Form 10-Q for Leatt Corporation. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or for purposes of Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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.

Date: May 13, 2015 **LEATT CORPORATION**

By: /s/ Sean Macdonald
Sean Macdonald
Chief Executive Officer and Chief Financial Officer
(*Principal Executive, Financial and Accounting Officer*)

EXHIBIT INDEX

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