

Leatt Corp  
Form 10-Q  
August 10, 2018

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**  
(Mark One)

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

For the quarterly period ended: **June 30, 2018**

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**

*(State or other jurisdiction of incorporation or organization)*

**20-2819367**

*(I.R.S. Employer Identification No.)*

**12 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)*

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*(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  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

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submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of each of the issuer's classes of common stock, as of August 2, 2018 is as follows:

<u>Class of Securities</u>	<u>Shares Outstanding</u>
<b><u>Common Stock, \$0.001 par value</u></b>	<b><u>5,366,382</u></b>

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**LEATT CORPORATION**

*Quarterly Report on Form 10-Q  
Three Months and Six Months Ended June 30, 2018*

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PART I  
FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS.**

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**LEATT CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,512,283	\$ 1,518,157
Short-term investments	58,228	58,221
Accounts receivable	1,783,581	2,420,656
Inventory	3,272,914	5,034,310
Payments in advance	701,723	565,124
Income tax refunds receivable	97,766	130,171
Prepaid expenses and other current assets	975,338	847,442
Total current assets	8,401,833	10,574,081
Property and equipment, net	1,937,586	2,113,855
<b>Other Assets</b>		
Deposits	25,451	26,081
Intangible assets	68,694	76,364
Total other assets	94,145	102,445
<b>Total Assets</b>	<b>\$ 10,433,564</b>	<b>\$ 12,790,381</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,211,559	\$ 4,433,665
Short term loan, net of finance charges	258,033	518,130
Total current liabilities	2,469,592	4,951,795
Deferred tax liabilities, net	38,100	38,100
Commitments and contingencies		
<b>Stockholders' Equity</b>		
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, 5,366,382 shares issued and outstanding	130,053	130,053
Additional paid - in capital	7,837,699	7,687,367
Accumulated other comprehensive loss	(601,596)	(485,286)
Retained earnings	556,716	465,352
Total stockholders' equity	7,925,872	7,800,486
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 10,433,564</b>	<b>\$ 12,790,381</b>

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

	Three Months Ended		Six Months Ended	
	2018 Unaudited	June 30 2017 Unaudited	2018 Unaudited	June 30 2017 Unaudited
Revenues	\$ 4,795,863	\$ 3,510,297	\$ 10,298,405	\$ 9,328,066
Cost of Revenues	2,440,660	1,745,138	5,186,757	4,652,808
Gross Profit	2,355,203	1,765,159	5,111,648	4,675,258
Product Royalty Income	7,802	39,961	20,111	50,917
<b>Operating Expenses</b>				
Salaries and wages	617,552	555,514	1,395,315	1,314,757
Commissions and consulting expenses	133,575	126,273	258,914	279,321
Professional fees	128,987	119,981	297,458	430,772
Advertising and marketing	458,450	407,781	962,612	809,335
Office rent and expenses	71,321	66,627	141,759	132,678
Research and development costs	378,912	322,155	702,192	645,398
Bad debt expense	10,705	5,291	20,472	650
General and administrative expenses	454,156	434,077	889,716	835,490
Depreciation	165,011	102,490	327,775	191,455
Total operating expenses	2,418,669	2,140,189	4,996,213	4,639,856
Income (Loss) from Operations	(55,664)	(335,069)	135,546	86,319
<b>Other Expenses</b>				
Interest and other expenses, net	(2,475)	(2,567)	(5,927)	(5,555)
Total other expenses	(2,475)	(2,567)	(5,927)	(5,555)
Income (Loss) Before Income Taxes	(58,139)	(337,636)	129,619	80,764
Income Taxes	(8,684)	(116,573)	38,255	29,867
Net Income (Loss) Available to Common Shareholders	\$ (49,455)	\$ (221,063)	\$ 91,364	\$ 50,897
<b>Net Income (Loss) per Common Share</b>				
Basic	\$ (0.01)	\$ (0.04)	\$ 0.02	\$ 0.01
Diluted	\$ (0.01)	\$ (0.04)	\$ 0.02	\$ 0.01
<b>Weighted Average Number of Common Shares Outstanding</b>				

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Basic	5,366,382	5,364,743	5,366,382	5,363,872
Diluted	5,514,452	5,496,278	5,514,452	5,496,278

Comprehensive Income (Loss)

Net Income (Loss)	\$ (49,455)	\$ (221,063)	\$ 91,364	\$ 50,897
Other comprehensive income (loss), net of \$0 and \$0 deferred income taxes in 2018 and 2017				
Foreign currency translation	(174,542)	3,667	(116,310)	56,388
Total Comprehensive Income (Loss)	\$ (223,997)	\$ (217,396)	\$ (24,946)	\$ 107,285

**LEATT CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2018**

	Preferred Stock A		Common Stock		Additional	Accumulated Other Comprehensive	Retained	Total
	Shares	Amount	Shares	Amount	Paid - In Capital	(Loss)	Earnings	
Balance, January 1, 2018	120,000	\$ 3,000	5,366,382	\$ 130,053	\$ 7,687,367	\$(485,286)	\$ 465,352	\$ 7,800,486
Compensation cost recognized in connection with stock options	-	-	-	-	150,332	-	-	150,332
Net income	-	-	-	-	-	-	91,364	91,364
Foreign currency translation adjustment	-	-	-	-	-	(116,310)	-	(116,310)
Balance, June 30, 2018	120,000	\$ 3,000	5,366,382	\$ 130,053	\$ 7,837,699	\$(601,596)	\$ 556,716	\$ 7,925,872



**LEATT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>Cash flows from operating activities</b>		
Net income	\$ 91,364	\$ 50,897
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	327,775	191,455
Deferred income taxes	-	(62,000)
Stock-based compensation	150,332	177,113
Bad debts	13,991	(2,024)
Inventory reserve	14,660	126,660
Loss on sale of property and equipment	-	49
(Increase) decrease in:		
Accounts receivable	623,084	582,146
Inventory	1,746,736	1,231,456
Payments in advance	(136,599)	(73,957)
Prepaid expenses and other current assets	(127,896)	(172,633)
Income tax refunds receivable	32,405	4,660
Deposits	630	(556)
Decrease in:		
Accounts payable and accrued expenses	(2,222,106)	(945,555)
Net cash provided by operating activities	514,376	1,107,711
<b>Cash flows from investing activities</b>		
Capital expenditures	(210,680)	(603,180)
Increase in short-term investment, net	(7)	(11)
Net cash used in investing activities	(210,687)	(603,191)
<b>Cash flows from financing activities</b>		
Repayments of short-term loan, net	(260,097)	(275,890)
Net cash used in financing activities	(260,097)	(275,890)
Effect of exchange rates on cash and cash equivalents		