Leatt Corp
Form 10-Q
November 08, 2013

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: September 30, 2013

[_] 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 [_] 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 November 6, 2013 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 September 30, 2013
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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LEATT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

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LEATT CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2013 Unaudited	December 31 2012 Audited
Current Assets		
Cash and cash equivalents	$ 369,947	$ 667,671
Short-term investments	311,574	311,263
Accounts receivable	1,572,004	3,532,811
Inventory	3,537,828	3,770,932
Payments in advance	152,824	168,710
Deferred tax asset	300,785	47,000
Prepaid expenses and other current assets	135,773	874,113
Total current assets	6,380,735	9,372,500
Property and equipment, net	985,811	1,127,707
Other Assets		
Deposits	22,134	44,495
Intangible assets	93,764	111,358
Total other assets	115,898	155,853
Total Assets	$ 7,482,444	$ 10,656,060
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,834,682	$ 2,000,554
Income taxes payable	113,501	115,000
Short term loan, net of finance charges	16,302	837,721
Total current liabilities	1,964,485	2,953,275
Deferred tax liabilities	36,915	38,000
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	7,302,352	7,302,352
Accumulated other comprehensive income (loss)	(59,570)	164,235
Retained earnings (accumulated deficit)	(1,894,746)	65,190
Total stockholders' equity	5,481,044	7,664,785
Total Liabilities and Stockholders' Equity	$ 7,482,444	$ 10,656,060

See accompanying notes to consolidated financial statements

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LEATT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended September 30		Nine Months Ended September 30	
	2013 Unaudited	2012 Unaudited	2013 Unaudited	2012 Unaudited
Revenues	$ 2,243,598	$ 2,689,157	$ 9,108,243	$ 10,481,585
Cost of Revenues	1,071,522	1,317,056	4,555,276	4,715,416
Gross Profit	1,172,076	1,372,101	4,552,967	5,766,169
Product Royalty Income	105,328	82,729	285,014	156,162
Operating Expenses				
Salaries and wages	508,641	547,144	1,640,282	1,613,684
Commissions and consulting expenses	142,866	122,987	426,035	371,057
Professional fees	197,672	310,696	1,013,783	864,448
Advertising and marketing	339,578	429,421	1,069,903	968,501
Office rent and expenses	62,528	66,015	195,342	206,348
Research and development costs	274,218	255,982	839,823	777,437
Bad debt expense (recovery)	-	(19,242)	-	(143,080)
General and administrative expenses	518,537	528,407	1,619,221	1,574,650
Depreciation	60,585	102,496	252,040	318,390
Total operating expenses	2,104,625	2,343,906	7,056,429	6,551,435
Loss from Operations	(827,221)	(889,076)	(2,218,448)	(629,104)
Other Income				
Interest and other income, net	4,505	28,492	5,647	77,860
Total other income	4,505	28,492	5,647	77,860
Loss Before Income Taxes	(822,716)	(860,584)	(2,212,801)	(551,244)
Income Taxes	(253,785)	(105,000)	(252,865)	960
Net Loss Available to Common Shareholders	$ (568,931)	$ (755,584)	$ (1,959,936)	$ (552,204)
Net Loss per Common Share				
Basic	$ (0.11)	$ (0.15)	$ (0.38)	$ (0.11)
Diluted	$ (0.11)	$ (0.15)	$ (0.38)	$ (0.11)
Weighted Average Number of Common Shares Outstanding				
Basic	5,200,623	5,200,623	5,200,623	5,200,623

Diluted		5,200,623		5,200,623		5,200,623		5,200,623
Comprehensive Loss								
Net Loss	$	(568,931)	$	(755,584)	$	(1,959,936)	$	(552,204)
Other comprehensive loss, net of $-0- deferred income taxes								
Foreign currency translation		(7,271)		5,293		(223,805)		(3,369)
Total Comprehensive Loss	$	(576,202)	$	(750,291)	$	(2,183,741)	$	(555,573)

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

	Preferred Stock A		Common Stock		Additional	Accumulated Other	Retained Earnings	
	Shares	Amount	Shares	Amount	Paid - In Capital	Comprehensive Income (Loss)	(Accumulated Deficit)	Total
Balance, January 1, 2013	120,000	$ 3,000	5,200,623	$ 130,008	$ 7,302,352	$ 164,235	$ 65,190	$ 7,664,785
Net loss	-	-	-	-	-	-	(1,959,936)	(1,959,936)
Foreign currency translation adjustment	-	-	-	-	-	(223,805)	-	(223,805)
Balance, September 30, 2013	120,000	$ 3,000	5,200,623	$ 130,008	$ 7,302,352	$ (59,570)	$ (1,894,746)	$ 5,481,044

See accompanying notes to consolidated financial statements

LEATT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities		
Net loss	$ (1,959,936)	$ (552,204)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	252,040	318,390
Deferred income taxes	(254,870)	(161)
Stock-based compensation	-	10,325
Gain on sale of property and equipment	(2,844)	(7,851)
(Increase) decrease in:		
Accounts receivable	1,960,807	1,158,051
Inventory	233,104	(766,550)
Payments in advance	15,886	48,894
Prepaid expenses and other current assets	738,340	782,293
Income tax refunds receivable	-	(1,991)
Deposits	22,361	(11,138)
Increase (decrease) in:		
Accounts payable and accrued expenses	(165,872)	209,960
Income taxes payable	(1,499)	(148,000)
Customer deposits	-	(265)
Net cash provided by operating activities	837,517	1,039,753
Cash flows from investing activities		
Capital expenditures	(236,131)	(94,201)
Proceeds from sale of property and equipment	2,844	7,851
Increase in short-term investments, net	(311)	(622)
Net cash used in investing activities	(233,598)	(86,972)
Cash flows from financing activities		
Repayments of short-term loan, net	(821,419)	(617,010)
Net cash used in financing activities	(821,419)	(617,010)
Effect of exchange rates on cash and cash equivalents	(80,224)	(80,223)
Net (decrease) increase in cash and cash equivalents	(297,724)	255,548
Cash and cash equivalents - beginning of period	667,671	1,084,806
Cash and cash equivalents - end of period	$ 369,947	$ 1,340,354
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 11,995	$ 122
Cash paid for income taxes	$ 2,419	$ 960
Other noncash investing and financing activities		
Common stock issued for services	$ -	$ 10,325

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, 2012 was audited and appears in the Form 10-K filed by the Company with the Securities and Exchange Commission on March 28, 2013. The consolidated balance sheet as of September 30, 2013 and the consolidated statements of operations and comprehensive loss for the three months and nine months ended September 30, 2013 and 2012, changes in stockholders equity for the nine months ended September 30, 2013, cash flows for the nine months ended September 30, 2013 and 2012, 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 September 30, 2013 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, 2012 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. There was no reserve for obsolescence for the nine months ended September 30, 2013.

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 nine months ended September 30, 2013 was zero. There was no impairment of intangible assets at September 30, 2013.

Note 4 - Short-term Loan

The Company carries product liability insurance policies with a U.S. and South African-based insurance carrier. The Company finances payment of its short-term insurance premiums over the period of coverage, which is generally twelve months. The short-term loan was payable in monthly installments of $94,316 over eleven months with interest at an annual interest rate of 2.647% ..

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 September 30, 2013, the Company has no unrecognized tax benefits and the Company currently has no federal or state tax examinations in progress.

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 nine months ended September 30, 2013, the Company had 328,000 potential common shares, consisting of 120,000 preferred shares and 208,000 stock options, outstanding that were anti-dilutive and therefore not 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.

Pursuant to a Premium Financing Agreement, dated October 11, 2013, between the Company and AFCO Acceptance Corporation ("AFCO"), the Company is obligated to pay AFCO an aggregate sum of $1,001,151 in eleven payments of $91,014, at a 2.647% annual interest rate, commencing on November 1, 2013 and ending on September 1, 2014.

On October 6, 2013, the Company entered into a confidential settlement agreement to resolve alleged patent infringement claims and counter claims, under which it will receive a series of payments over time that in the aggregate will not have a significant impact on the Company's financial position.

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

This Quarterly report on Form 10-Q contains forward-looking statements. The forward-looking statements 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 above.

In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimate, expects, intends, may, plans, potential, predicts, projects, should, would and similar expressions in 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 registration statement to:

- Leatt, we, us, our, the Registrant or the Company are to the combined business of Leatt Corporation, a 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, is 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;
- 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.

Overview

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 6 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 Moto R, 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 FIA, the FIM and 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. Although we carry product liability insurance, a successful claim brought against us could significantly harm our business and financial condition.

- ***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.

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 and nine month periods ended September 30, 2013 and 2012 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 September 30, 2013 compared to the Three Months Ended September 30, 2012

The following table summarizes the results of our operations during the quarters ended September 30, 2013 and 2012 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

Item	Three Months Ended September 30, 2013	2012	$ Increase (Decrease)	Percentage Increase (Decrease)
REVENUES	$ 2,243,598	$ 2,689,157	$ (445,559)	-17%
COST OF REVENUES	1,071,522	1,317,056	$ (245,534)	-19%
GROSS PROFIT	1,172,076	1,372,101	$ (200,025)	-15%
PRODUCT ROYALTY INCOME	105,328	82,729	$ 22,599	27%
OPERATING EXPENSES				
Salaries and Wages	508,641	547,144	$ (38,503)	-7%
Commissions and Consulting	142,866	122,987	$ 19,879	16%
Professional Fees	197,672	310,696	$ (113,024)	-36%
Advertising and Marketing	339,578	429,421	$ (89,843)	-21%
Office Rent and Expenses	62,528	66,015	$ (3,487)	-5%
Research and Development Costs	274,218	255,982	$ 18,236	7%
General and Administrative	518,537	528,407	$ (9,870)	-2%
Bad debt expense (recovery)	-	(19,242)	$ 19,242	100%
Depreciation	60,585	102,496	$ (41,911)	-41%
Total Operating Expenses	2,104,625	2,343,906	$ (239,281)	-10%
LOSS FROM OPERATIONS	(827,221)	(889,076)	$ 61,855	7%
Other Income (Expenses)	4,505	28,492	$ (23,987)	-84%
LOSS FROM OPERATIONS	(822,716)	(860,584)	$ 37,868	4%
Income Taxes	(253,785)	(105,000)	$ 148,785	142%
NET LOSS	$ (568,931)	$ (755,584)	$ 186,653	25%

Revenues We earn revenues from the sale of our Protective gear comprising of braces, body armor and other products, parts and accessories both in the United States and internationally. For the three months ended September 30, 2013 and 2012, revenues associated with international customers were $1.18 million and $1.26 million, or 53% and 47% of revenues, respectively. Revenues for the three months ended September 30, 2013 were $2.24 million, a 17% decrease, compared to revenues of $2.69 million for the quarter ended September 30, 2012. This decrease in revenues is attributable to a $0.60 million decrease in brace sales, which was partially offset by a $0.11 million increase in body armor sales during the period ended September 30, 2013.

The following table sets forth our revenues by product line for the three months ended September 30, 2013 and 2012:

	Three Months Ended September 30,			
	2013	% of Revenues	2012	% of Revenues
Braces	$ 1,321,626	59%	$ 1,920,786	71%
Body Armor	$ 719,929	32%	$ 614,206	23%
Other Products, Parts and Accessories	$ 202,043	9%	$ 154,164	6%
	$ 2,243,598	100%	$ 2,689,156	100%

Sales of our flagship Brace accounted for $1.32 million and $1.92 million, or 59% and 71% of our revenues for the quarters ended September 30, 2013 and 2012, respectively. The decrease in Brace revenues in the United States is primarily attributable to the continued impact of high dealer inventory in connection with the Company s close out sales to dealers on certain brace models during the 2012 period, to make space for newer models in future periods. In addition, the Company changed its bicycle distribution partner in the United States during the 2013 period, resulting in an interruption in sales there as the Company restructures its bicycle distribution channel. This interruption accounted for 41% of the decrease in Brace revenues in the United States during the 2013 period.

The decrease in Brace sales to the Company s international customers was primarily due to a lower volume of Brace deliveries to our Australasian distributors. During the quarter ended September 30, 2012, the Company delivered substantial stocking orders to these distributors. The Company expects to deliver these distributor s 2013 stocking orders during the quarter ended December 31, 2013. This accounted for approximately 52% of the Company s decrease in Brace revenues for the quarter ended September 30, 2013.

Our Body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee and elbow guards. Body armor sales accounted for $0.7 million and $0.6 million or 32% and 23% of our revenues for the quarters ended September 30, 2013 and 2012, respectively. The 17% increase in Body armor revenues was primarily due to a 21% increase in the volume of Body armor products sold during the 2013 period over such products sold during the 2012 period.

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 $0.2 million and $0.15 million or 9% and 6% of our revenues for the quarters ended September 30, 2013 and 2012, respectively. The increase in our Other Products, Parts and Accessories is primarily due to increased sales of our hydration kits during the 2013 period**.**

Cost of Revenues and Gross Profit Cost of revenues for the quarters ended September 30, 2013 and 2012 were $1.1 million and $1.3 million, respectively. Gross Profit for the quarters ended September 30, 2013 and 2012 were $1.2 million and $1.4 million, respectively, or 52% and 51% of revenues respectively. The increase in gross profit margin was primarily due to decreased shipping and freight costs despite the inclusion of more Body armor products and less Braces in our sales mix during the 2013 period, as compared to the 2012 period. Our Body armor products continue to generate a lower gross margin than do Brace products, and they represented 32% of the total Company sales in the third quarter of 2013, as compared to 23% in the third quarter of 2012.

Product Royalty Income Product royalty income is earned on sales to distributors that have royalty agreements in place, as well as sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the quarters ended September 30, 2013 and 2012 were $105,328 and $82,729, respectively. The 27% increase in product royalty income is due to increased revenues from sales of licensed products by licensees.

Salaries and Wages Salaries and wages for the quarters ended September 30, 2013 and 2012 were $508,641 and $547,144, respectively. This 7% decrease in salaries and wages was primarily due to a restructuring of the Company s marketing department during the 2012 period.

Commissions and Consulting Expense During the quarters ended September 30, 2013 and 2012, commissions and consulting expenses were $142,866 and $122,987, respectively. This 16% increase in commissions and consulting expenses is primarily due to increased spending on investor relations activities which are included in consulting expenses.

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 September 30, 2013 and 2012 were $197,672 and $310,696, respectively. This 36% decrease in professional fees is primarily due to the decreased spending on product liability litigation as trial preparations were substantially completed in the prior quarter.

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 September 30, 2013 and 2012 were $339,578 and $429,421, respectively. The 21% decrease in advertising and marketing expenditures during the 2013 period is primarily due to decreased spending on print advertising campaigns as the Company prepares for campaigns directed at selling its 2014 product line during the fourth quarter of 2013.

Office Rent and Expenses Office rent and expenses for the quarters ended September 30, 2013 and 2012 were $62,528 and $66,015, respectively. The 5% decrease in office rent and expenses is primarily the result of the consolidation of additional warehouse space occupied by Two Eleven, our US subsidiary.

Research and Development Costs These costs consists of the salaries of staff members that 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 September 30, 2013 and 2012, increased to $274,218, from $255,982, respectively. The 7% increase in research and development costs is a result of the employment of additional product development staff to continue to develop the Company s widening product range.

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 September 30, 2013 and 2012 were $518,537 and $528,407, respectively. The 2% decrease in general and administrative expenses is primarily as a result of increased product liability insurance premium costs that were partially offset by decreased spending on travel and related expenses.

Bad Debt Expense (Recovery) Bad Debt Expense (Recovery) for the quarters ended September 30, 2013 and 2012 were $0 and ($19,242) respectively. This 100% decrease in Bad Debt Expense (Recovery) is due to the fact that there were no bad debts recovered for the quarter ended September 30, 2013.

Depreciation Expense Depreciation Expense for the quarters ended September 30, 2013 and 2012 were $60,585 and $102,496, respectively. This 41% decrease in depreciation is primarily as a result of certain assets being fully depreciated during the period as they had reached the end of their economic useful lives.

Total Operating Expenses Total operating expenses decreased by $239,281 to $2,104,625 in the three months ended September 30, 2013, or 10%, compared to $2,343,906 in the 2012 period. This decrease is primarily due to decreased professional fees relating to product liability litigation, as well as decreased advertising and marketing expenses.

Net loss The net loss after income taxes for the quarter ended September 30, 2013 was $568,931 as opposed to net loss after income taxes of $755,584 for the quarter ended September 30, 2012. Despite the decreased Revenues discussed above, the loss from operations improved due to the marginal improvement in Gross Profit as a percentage of Revenues and the decrease in operating costs discussed. Additionally, income taxes decreased due to an income tax benefit arising from the carryback of the anticipated 2013 net operating loss to the extent allowable to 2011 and 2012.

Nine Months Ended September 30, 2013 compared to the Nine Months Ended September 30, 2012

The following table summarizes the results of our operations during the nine-month periods ended September 30, 2013 and 2012 and provides information regarding the dollar and percentage increase or (decrease) in such periods:

Item	Nine Months Ended September 30, 2013	2012	$ Increase (Decrease)	Percentage Increase (Decrease)
REVENUES	$ 9,108,243	$ 10,481,585	$ (1,373,342)	-13%
COST OF REVENUES	4,555,276	4,715,416	$ (160,140)	-3%
GROSS PROFIT	4,552,967	5,766,169	$ (1,213,202)	-21%
PRODUCT ROYALTY INCOME	285,014	156,162	$ 128,852	83%
OPERATING EXPENSES				
Salaries and Wages	1,640,282	1,613,684	$ 26,598	2%
Commissions and Consulting	426,035	371,057	$ 54,978	15%
Professional Fees	1,013,783	864,448	$ 149,335	17%
Advertising and Marketing	1,069,903	968,501	$ 101,402	10%
Office Rent and Expenses	195,342	206,348	$ (11,006)	-5%
Research and Development Costs	839,823	777,437	$ 62,386	8%
General and Administrative	1,619,221	1,574,650	$ 44,571	3%
Bad debt expense (recovery)	-	(143,080)	$ 143,080	-100%
Depreciation	252,040	318,390	$ (66,350)	-21%
Total Operating Expenses	7,056,429	6,551,435	$ 504,994	8%
LOSS FROM OPERATIONS	(2,218,448)	(629,104)	$ (1,589,344)	-253%
Other Income (Expenses)	5,647	77,860	$ (72,213)	-93%
LOSS FROM OPERATIONS	(2,212,801)	(551,244)	$ (1,661,557)	-301%
Income Taxes	(252,865)	960	$ 253,825	26440%
NET LOSS	$ (1,959,936)	$ (552,204)	$ (1,407,732)	-255%

Revenues We earn revenues from the sale of our Protective gear comprising of braces, body armor and other products, parts and accessories both in the United States and internationally. For the nine months ended September 30, 2013 and 2012, revenues associated with international customers were $5.13 million and $5.98 million, or 56% and 57% of revenues, respectively. Revenues for the nine months ended September 30, 2013 were $9.11 million, a 13% decrease, compared to revenues of $10.48 million for the nine-month period ended September 30, 2012. This decrease in revenues is attributable to a $2.95 million decrease in Brace sales, which was partially offset by a $1.58 million increase in body armor sales during the nine month period ended September 30, 2013.

The following table sets forth our revenues by product line for the nine months ended September 30, 2013 and 2012:

	Nine Months Ended September 30, 2013	% of Revenues	2012	% of Revenues
Braces	4,873,332	54%	7,821,388	75%
Body Armor	3,635,921	40%	2,056,219	20%
Other Products, Parts and Accessories	598,990	6%	603,978	5%
	9,108,243	100%	10,481,585	100%

Sales of our flagship Brace accounted for $4.9 million and $7.8 million, or 54% and 75% of our revenues for the nine-month periods ended September 30, 2013 and 2012, respectively. The decrease in Brace revenues in the United States is primarily a result of our close out sales to dealers on certain brace models during the 2012 period to make space for newer models, resulting in increased dealer inventory. This situation was compounded by a colder than normal spring season during the 2013 period, which resulted in decreased sales at the dealer level. Additionally, the Company changed its bicycle distribution partner in the United States during the 2013 period, due to ongoing performance issues, resulting in an interruption in sales there during the period. This interruption accounted for 32% of the decrease in Brace revenues in the United States during the 2013 period. We are cautiously optimistic that revenues will improve with the introduction of our redesigned Brace product line in the United States in the fourth quarter of 2013 and with the restructuring of our bicycle distribution network.

The decrease in Brace sales to the Company s international customers was primarily due to a lower volume of Brace orders from our European distributors that usually account for approximately 30% of worldwide revenues. Abnormally adverse weather conditions experienced in Europe in the first quarter of 2013 contributed to this decline in sales as potential customers engaged in less outdoor sports. A lower volume of Brace deliverables from our Australasian distributors during the third quarter of 2013 also contributed to decreased Brace sales, as compared to the 2012 period when the Company had delivered substantial stocking orders to these distributors. The Company expects to fill 2013 stocking orders, including our redesigned Brace product line, for our international distributors during the 2013 fourth quarter.

Our Body armor products are comprised of chest protectors, full upper body protectors, upper body protection vests, back protectors, knee and elbow guards. Body Armor sales accounted for $3.6 million and $2.1 million or 40% and 20% of our revenues for the nine-month periods ended September 30, 2013 and 2012, respectively. The 77% increase in Body Armor revenues was primarily due to a 93% increase in the volume of Body armor products sold during the 2013 period over such products sold during the 2012 period. We believe that this increase in sales volume is attributable to continued worldwide market acceptance of the Company's widened Body Armor product range.

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 $0.59 million and $0.60 million or 6% and 5% of our revenues for the quarters ended September 30, 2013 and 2012, respectively. The marginal decrease in our Other Products, Parts and Accessories is primarily due to a decrease in sales of our aftermarket support items during the 2013 period**.**

Cost of Revenues and Gross Profit Cost of revenues for the nine-month periods ended September 30, 2013 and 2012 were $4.6 million and $4.7 million, respectively. Gross Profit for the nine-month periods ended September 30, 2013 and 2012 were $4.6 million and $5.8 million, respectively, or 50% and 55% of revenues respectively. The decrease in gross profit margin was primarily due to the inclusion of more body armor products and less braces in our sales mix during the 2013 period, as compared to the 2012 period. Additionally, freight and carriage costs incurred as a result of delivering orders directly to our customer s premises as an incentive to increase customer order volumes contributed to this decrease. Our Body armor products continue to generate a lower gross margin than do Brace products, and they represent 40% of the total Company sales in the nine months ended September 30, 2013, as compared to 20% in the nine months ended September 30, 2012. Our management continues to evaluate all possible measures in order to decrease the cost of the Company s revenues.

Product Royalty Income Product royalty income is earned on sales to distributors that have royalty agreements in place as well as sales of licensed products by third parties that have licensing agreements in place. Product royalty income for the nine months ended September 30, 2013 and 2012 were $285,014 and $156,162, respectively. The 83% increase in product royalty income is due to increased revenues from sales of licensed products by licensees.

Salaries and Wages Salaries and wages for the nine-month periods ended September 30, 2013 and 2012 were $1,640,282 and $1,613,684, respectively. This 2% increase in salaries and wages is primarily due to the employment of additional European sales and US sales and operations staff. This was partially offset by decreased salaries and wages as a result of a restructuring of the Company s marketing department during the 2012 period.

Commissions and Consulting Expense During the nine-month periods ended September 30, 2013 and 2012, commissions and consulting expenses were $426,035 and $371,057, respectively. This 15% increase in commissions and consulting expenses is primarily due to increased spending on investor relations activities which are included in consulting expenses.

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 nine-month periods ended September 30, 2013 and 2012 were $1,013,783 and $864,448, respectively. This 17% increase in professional fees is primarily due to the effect of increased spending on product liability litigation.

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 exposure. Advertising and marketing expenses for the nine-month periods ended September 30, 2013 and 2012 were $1,069,903 and $968,501, respectively. The 10% increase in advertising and marketing expenditures during the 2013 period is primarily due to advertising campaigns, as well as new product sponsorship programs developed to promote the Company s growing range of body armor and Brace products and stimulate sales.

Office Rent and Expenses Office rent and expenses for the nine-month periods ended September 30, 2013 and 2012 were $195,342 and $206,348, respectively. The 5% decrease in office rent and expenses is primarily the result of the consolidation of additional warehouse space occupied by Two Eleven, our US subsidiary.

Research and Development Costs These costs consists of the salaries of staff members that 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 nine-month periods ended September 30, 2013 and 2012, increased to $839,823 from $777,437, respectively. The 8% increase in research and development costs is a result of the employment of additional product development staff to further develop the Company s growing product range.

Bad Debt Expense (Recovery) Bad Debt Expense (Recovery) for the nine-month periods ended September 30, 2013 and 2012 were $0 and ($143,080) respectively. This 100% decrease in Bad Debt Expense (Recovery) is due to the fact that there were no bad debts recovered for the nine months ended September 30, 2013.

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 nine-month periods ended September 30, 2013 and 2012 were $1,619,221 and $1,574,650, respectively. The 3% increase in general and administrative expenses is primarily as a result of increased product liability insurance premium costs.

Depreciation Expense Depreciation Expense for the nine-month periods ended September 30, 2013 and 2012 were $252,040 and $318,390, respectively. This 21% decrease in depreciation is primarily as a result of certain assets being fully depreciated during the period as they had reached the end of their economic useful lives.

Total Operating Expenses Total operating expenses increased by $504,994 to $7,056,429 in the nine months ended September 30, 2013, or 8%, compared to $6,551,435 in the 2012 period. This increase is primarily due to increased professional fees relating to product liability litigation, as well as increased advertising and marketing expenses incurred to stimulate revenues. Additionally, the company recovered a bad debt in the prior year.

Net loss The net loss after income taxes for the nine-month period ended September 30, 2013 was $1,959,936 as compared to net loss after income taxes of $552,204 for same 2012 period. This increase in net loss is primarily due to the decreased revenues and gross profit, as well as increased operating costs discussed above, and the income tax benefit arising from the carryback of the anticipated 2013 net operating loss to the extent allowable to 2011 and 2012.

Liquidity and Capital Resources

At September 30, 2013, we had cash and cash equivalents of $0.4 million and $0.3 million of short term investments. The following table sets forth a summary of our cash flows for the periods indicated:

	September 30,			
		2013		**2012**
Net cash provided by operating activities	$	837,517	$	1,039,753
Net cash used in investing activities	$	(233,598)	$	(86,972)
Net cash used in financing activities	$	(821,419)	$	(617,010)
Effect of exchange rate changes on cash and cash equivalents	$	(80,224)	$	(80,223)
Net (decrease) increase in cash and cash equivalents	$	(297,724)	$	255,548
Cash and cash equivalents at the beginning of period	$	667,671	$	1,084,806
Cash and cash equivalents at the end of period	$	369,947	$	1,340,354

Cash decreased by $297,724, or 45%, for the nine months ended September 30, 2013. The primary sources of cash for the nine months ended September 30, 2013 were decreased accounts receivables, inventories and prepaid expenses relating to product liability insurance premiums which in total accounted for $2,932,251 of cash generated by operating activities. The primary uses of cash for the nine months ended September 30, 2013 was a net loss of

1,959,936 and repayments of a short term loan amounting to $821,419. As of September 30, 2013, 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, we pay Xceed Holdings 4% of all 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. De Villiers, the Company is obligated to pay a royalty fee of 1% of all our billed and received 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 10, 2012, between the Company and AFCO Acceptance Corporation AFCO, we were obligated to pay to AFCO an aggregate sum of $1,023,881 in eleven payments of $94,316, at a 2.647% annual interest rate, commencing on November 1, 2012 and ending on September 1, 2013. As of September 30, 2013, the Company had repaid AFCO the entire balance due under the Premium Finance Agreement, and had entered into a new premium financing agreement, dated October 11, 2013, with them. Pursuant to the new agreement, the company is obligated to pay AFCO an aggregate sum of $1,001,151 in eleven payments of $91,014, at a 2.647% annual interest rate, commencing on November 1, 2013 and ending on September 1, 2014. 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.

Critical Accounting Policies and Estimates

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.

There have been no material changes in our critical accounting policies or critical accounting estimates since December 31, 2012. We have not adopted any accounting policies since December 31, 2012 that have or will have a material impact on our consolidated financial statements. For further discussion of our accounting policies see the Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, as of and for the year ended December 31, 2012 included in our annual report on Form 10-K filed for the period, as well as the notes in this Form 10-Q.

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. There was no reserve for obsolescence for the periods ended September 30, 2013 and 2012.

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 periods ended September 30, 2013 and 2012.

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 February 2013, the Financial Accounting Standards Board (FASB) issued an accounting standard which requires entities to present information about significant items reclassified out of accumulated other comprehensive income (loss) by component either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. The standard was effective for the Company in the third quarter of fiscal year 2012. As this standard impacts presentation only, the adoption did not have any impact on the Company s consolidated financial statements.

In July 2013, the FASB issued an accounting standard which provides for changes to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. These changes require an entity to present an unrecognized tax benefit as a liability in the financial statements if (i) a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or (ii) the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset to settle any additional income taxes that would result from the disallowance of a tax position. Otherwise, an unrecognized tax benefit is required to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. Previously, there was diversity in practice as no explicit guidance existed. The standard is effective for the Company on January 1, 2014. Management has determined that the adoption of this standard will not have a significant impact on the Company's consolidated financial statements.

Other accounting pronouncements did not or are not believed by management to have a material impact on the Company s present or future consolidated financial statements.

Inflation

Inflation and changing prices have not had a material effect on our business and we do not expect that inflation or changing prices will materially affect our business in the foreseeable future. However, our management will closely monitor the price change in our industry and continually maintain effective cost control in operations.

Off-Balance Sheet Arrangements

As of September 30, 2013, 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 September 30, 2013, 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 September 30, 2013, 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.

Leatt is the exclusive licensee of certain patents, manufacturing, sale, use and distribution rights held by Xceed Holdings CC, including patents covering the Leatt-Brace®. On October 21, 2011, the Company sent a letter to Atlas subsidiary notifying them that certain models of Atlas neck braces infringe on the Company s patents, and demanding that Atlas should cease and desist the manufacture, use, offer for sale and sale of such products. Instead of complying with the Company s request, on December 1, 2011, Atlas filed a suit for declaratory judgment against the Company in the U.S. District Court for the Central District of California, claiming that Atlas has not directly or indirectly infringed on certain of the Company s U.S. patents, and that the Company has no right or authority to threaten, complain of, challenge, maintain suit, or interfere in any manner with Atlas manufacture, importation, distribution and sale in the U.S. of its neck brace. Atlas also sued to recover attorney s fees and costs in connection with the suit. On January 18, 2012, the Company filed an answer with the Court responding to Atlas declaratory judgment complaint and filed counterclaims (with Xceed) against Atlas for patent infringement. On October 6 2013, Atlas and the Company reached a confidential settlement agreement which resulted in the dismissal of the action on October 24, 2013.

On October 1, 2010, a motorcycle rider filed a complaint against the Company in the U.S. District Court for the Western District of Kentucky for alleged strict liability and breach of product warranties, in connection with injury allegedly suffered by him during an accident while wearing one of the Company s products. The plaintiff is seeking compensatory damages. A trial date has been set for March 24, 2014 and discovery is still ongoing. The Company believes that the lawsuit is without merit and plans to vigorously defend itself.

On December 30, 2011, a motorcycle rider brought suit against the Company in the United States District Court for the Northern District of Ohio (Eastern Division) for alleged breach of warranty and product liability claims in connection with injury allegedly suffered by him during an October 2011 accident while wearing one of the Company s products. The plaintiff is seeking damages in excess of $75,000 for compensatory and punitive damages together with interest and costs of bringing the action. Although discovery is completed, the case is not yet set for trial. The Company believes that the lawsuit is without merit and is vigorously defending itself.

In February 2012, a complaint was filed against the Company on behalf of a motorcycle rider in the United States District Court for the Northern District of Ohio (Eastern Division) for alleged product liability claims in connection with injury allegedly suffered by the rider during an accident while wearing one of the Company s products. The plaintiff is seeking damages in excess of $75,000, for compensatory and punitive damages together with interest and costs of bringing the action. Discovery has been completed and a trial date is set for April 8, 2014. The Company believes that the lawsuit is without merit and is vigorously defending itself.

On July 24, 2012, a motorcycle rider brought suit against the Company in Los Angeles (CA) Superior Court for alleged negligence, strict product liability, breach of expressed and implied warranties in connection with injury allegedly suffered by him during a September 2010 accident while wearing one of the Company s products. The plaintiff is seeking damages, together with interest and costs of bringing the action. Trial is currently scheduled to commence May 5, 2014. The Company believes that the lawsuit is without merit and is vigorously defending itself.

On 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. The litigation is still at an early stage and so a trial date has not yet been set. The Company believes that the lawsuit is without merit and is vigorously defending itself.

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. Trial is currently scheduled to commence May 27, 2014. The Company believes that the lawsuit is without merit and is vigorously defending 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. The litigation is at an early stage and so no trial date has been set. The Company believes that the lawsuit is without merit and is vigorously defending itself.

On October 10, 2013, a lawsuit was filed against the Company and other defendants in the Portage County Court of Common Pleas, Ravenna, Ohio for alleged tort, product liability, personal injury, misrepresentation, consumer practices violation and punitive damages. The plaintiffs are seeking damages, together with interest and costs of bringing the action. The litigation is at an early stage and the Company is in the process of investigating the claim.

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 on March 28, 2013.

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: November 8, 2013 **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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