LAMPERD LESS LETHAL INC
Form 10QSB
June 05, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-QSB

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from __________ to __________

Commission file number 000-50011

LAMPERD LESS LETHAL INC.
(Exact name of small business issuer as specified in its charter)

Nevada	98-0358040
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1200 Michener Road, Sarnia, Ontario, Canada N7T 7H8
(Address of principal executive offices)
(519) 344-4445
(Issuer's telephone number)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [ ]

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 51,000,000 common shares issued and outstanding as of May 10, 2006

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

I

LAMPERD LESS LETHAL INC.

(Unaudited)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

III

LAMPERD LESS LETHAL INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Canadian Funds)

		As at March 31 2006 (Unaudited)		**As at December 31 2005 (Audited)**
ASSETS				
Current Assets				
Cash and cash equivalents	$	14,438	$	310,610
Accounts receivable		26,668		17,928
Inventories (Note 3)		153,441		181,613
Sundry		119,942		111,299
Total Current Assets		314,489		621,450
Property, Plant and Equipment (Note 4)		262,681		271,381
Intangibles (Note 5)		48,289		33,934
TOTAL ASSETS	$	625,459	$	926,765
LIABILITIES				
Current Liabilities				
Accounts payable	$	91,619	$	76,602
Accrued liabilities		86,644		404,499
Deferred revenue		61,055		-
Total Current Liabilities		239,318		481,101
STOCKHOLDERS EQUITY				
CAPITAL STOCK (Note 9)				
AUTHORIZED				
1,000,000,000 Common shares, $0.001(USD) per share par value				
ISSUED				
51,000,000 common shares (December 31, 2005 50,500,000)		63,000		62,416
Additional paid in capital		1,810,561		1,607,349
		1,873,561		1,669,765
DEFICIT		(1,487,420)		(1,224,101)
TOTAL STOCKHOLDERS EQUITY		386,141		445,664
	$	625,459	$	926,765

See accompanying notes

IV

LAMPERD LESS LETHAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Canadian Funds)

March 31 2006 and December 31 2005

(Unaudited)

	Number of Common Shares		Common Shares		Additional Paid-in Capital		Deficit		Total Stockholders Equity
Balance January 1, 2006 (Audited)	50,500,000	$	62,416	$	1,607,349	$	(1,224,101)	$	445,664
Issuance of Common shares (Note 9)	500,000		584		203,212				203,796
Net Loss for the period							(263,319)		(263,319)
Balance March 31, 2006	51,000,000	$	63,000	$	1,810,561	$	(1,487,420)	$	386,141

See accompanying notes

V

LAMPERD LESS LETHAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Canadian Funds)

(Unaudited)

		For the Three Month Period Ended March 31, 2006		For the Three Month Period Ended March 31, 2005
REVENUE	$	56,369	$	47,209
COST OF GOODS SOLD		71,518		62,945
GROSS		(15,149)		(15,736)
EXPENSES				
Selling, general and administrative		239,240		113,298
Amortization		8,930		3,620
		248,170		116,918
NET LOSS		(263,319)		(132,654)
LOSS PER SHARE (Note 8)		(0.01)		(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 8)		50,661,111		49,000,000

See accompanying notes

VI

LAMPERD LESS LETHAL INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian Funds)

(Unaudited)

		For the Three Month Period Ended March 31 2006		For the Three Month Period Ended March 31, 2005
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Loss for the period	$	(263,319)	$	(132,654)
Amortization		8,930		3,619
		(254,389)		(129,035)
Net change in non-cash operating assets and liabilities (Note 11)		(27,198)		(83,986)
		(281,587)		(213,021)
INVESTING ACTIVITIES				
Additions to property, plant and equipment, net		-		(12,870)
Additions to intangibles		(14,585)		-
		(14,585)		(12,870)
FINANCING ACTIVITIES				
Proceeds from note payable		-		305,131
		-		
CHANGE IN CASH AND CASH EQUIVALENTS		(296,172)		79,240
CASH AND CASH EQUIVALENTS, beginning of period		310,610		-
CASH AND CASH EQUIVALENTS, end of period	$	14,438	$	79,240

Supplemental information see Note 11
See accompanying notes

VII

LAMPERD LESS LETHAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2006 and MARCH 31, 2005

(Canadian Funds)

(Unaudited)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

(a) These condensed unaudited consolidated financial statements of Lamperd Less Lethal Inc. (referred to herein as we , our , Lamperd or the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of the Company, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s annual report Form 10-KSB for the year ended December 31, 2005.

(b) REVERSE ACQUISITION TRANSACTION

As described in Note 12, on April 14, 2005, the Company entered into a reverse acquisition with 1476246 Ontario Limited (1476246), a company incorporated pursuant to the laws of Ontario, Canada on November 22, 2001. These consolidated financial statements are a continuation of the operations of 1476246 and the comparative balance sheet and statement of operations presented in these financial statements are of 1476246.

(c) GOING CONCERN

These condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles that are applicable to a going concern, meaning that the company will be able to realize it assets and discharge it liabilities in the normal course of operations. Given the operating loss sustained in 2005 and in the three month period ended March 31, 2006 and the fact that the Company has not to the date of these condensed consolidated financial statements raised additional financing, the Company s ability to realize its assets and discharge its liabilities depends on continued support from the shareholders raising additional debt or equity. The use of United States generally accepted accounting principles that are applicable to a going concern therefore, may not be appropriate because there is doubt that the Company can operate as a going concern. These condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

(d) DESCRIPTION OF BUSINESS

The Company is a developer and manufacturer of civil defense products that are designed as a less lethal alternative to conventional weapons. In addition, The Company also manufactures shields, service equipment, training gear and accessories primarily designed for use by military and law enforcement organizations. The Company also provides less lethal training to police, military and private sector security personnel. The Company was incorporated under the laws of the State of Nevada under the name "Sinewire Networks Inc." on October 4, 2001. On March 21, 2005, the Company changed its name to "Lamperd Less Lethal Inc." The name change was recorded by the Secretary of State of the State of Nevada on March 21, 2005, and took effect with the National

Association of Securities Dealers Inc. (NASD) Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under the new stock symbol "LLLI".

2. SIGNIFICANT ACCOUNTING POLICIES

For further information regarding the Company s accounting policies, refer to the consolidated financial statements and footnotes related thereto included in the Company s annual report Form 10-KSB for the year ended December 31, 2005.

(a) REVENUE RECOGNITION AND DEFERRED REVENUE

Revenue is recognized and earned when all of the following criteria are met:

Persuasive evidence of an arrangement exists,

Delivery has occurred or services have been rendered,

The price to the buyer is fixed or determinable, and

Collectibility is reasonably assured.

Deferred revenue is recorded when customer deposits are received on future sales not meeting all the above criteria of revenue recognition

3. INVENTORIES

Consists of:

Descriptions	March 31, 2006 (Unaudited)		December 31, 2005 (Audited)	
Raw material	$	67,242	$	72,431
Work in process		37,666		50,647
Finished goods		48,533		58,535
TOTAL	$	153,441	$	181,613

4. PROPERTY, PLANT AND EQUIPMENT

							As at December 31, 2005 (Audited)	
	As at March 31, 2 0 0 6 (U n a u d i t e d)							
Description		Cost		Accumulated. Amortization		Net Carrying Value		Net Carrying Value
Office Equipment	$	22,575	$	6,432	$	16,143	$	17,556
Manufacturing Equipment (i)		212,258		9,898		202,360		204,899
Protective & Demonstration Equipment								

	31,210	9,365	21,845	23,796
Computer Equipment	7,405	1,773	5,632	6,094
Leasehold Improvements				
	24,576	7,875	16,701	19,036
TOTAL	$ 298,024	$ 35,343	$ 262,681	$ 271,381

IX

(i) Included in manufacturing equipment is $98,223 related to equipment which was not put into commercial use as at March 31, 2006. Accordingly, no amortization has been recorded on this equipment in accordance with the Company s accounting policy.

5. INTANGIBLES

	March 31, 2 0 06 (U n a u d i t e d)			December 31, 2005 (Audited)
Description	Cost	Accumulated Amortization	Net Carrying Value	Net Carrying Value
Licenses	$ 22,121	$ 1,627	$ 20,494	$ 20,714
Trademarks	715	10	705	822
Patents	27,271	181	27,090	12,398
TOTAL	$ 50,107	$ 1,818	$ 48,289	$ 33,934

6. SUBSEQUENT EVENT

The Company entered into a Geographic Exclusive Distributorship Agreement with Jeung Woo Industry Co. Ltd. in May 2006, to be become the distributor of LLLI products and services to South Korea, Morocco and Kenya markets for minimum annual sales of $600,000.

7. FINANCIAL INSTRUMENTS

(a) Credit Risk

The Company is engaged in the sale of less lethal products, other protective gear, and accessories typically to a small number of major customers, although the composition of this group of customers changes from year to year. The Company performs ongoing credit evaluation of its customers' financial condition and, generally, requires no collateral.

(b) Currency Risk

The Company is subject to currency risk through its activities in the United States of America. Unfavorable changes in the exchange rate may affect the operating results of the Company.

The Company does not actively use derivative instruments to reduce its exposure to foreign currency risk. However, dependant on the nature, amount and timing of foreign currency receipts and payments, the Company may enter into forward exchange contracts to mitigate the associated risks. There were no forward exchange contracts outstanding at March 31, 2006.

(c) Fair Value of Financial Assets and Liabilities

The carrying amounts of the Company's financial assets and liabilities including cash and cash equivalents, accounts receivable, investment tax credit recoverable, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items.

8. LOSS PER SHARE

Loss per share is calculated on the basis of the weighted average number of common shares outstanding for the three months ended March 31, 2006 totaling 50,661,111 shares (March 31, 2005 49,000,000).

Diluted loss per share is not calculated as the effect would be anti-dilutive.

X

9. CAPITAL STOCK

Authorized:

1,000,000,000 voting common shares, par value US $0.001

Issued and outstanding common shares at March 31, 2006 - 51,000,000 (December 31, 2005 - 50,500,000)

On March 2, 2006, 500,000 common shares of the Company were issued for services rendered in 2005. The value of the total consideration was accrued as a liability and charged to stockholders equity at December 31, 2005 pending the stock issuance. When the shares were issue in 2006, capital stock was increased by $584, equivalent to the par value of the common shares, paid up capital was increased by $203,212 representing the remaining value based on the share value at March 2, 2006 and accrued liabilities were reduced.

On April 13, 2005 the company issued 1,500,000 units to an investor at a price of $1 per unit. Each unit consisted of one treasury common share of Lamperd and two common shares purchase warrants. The resulting 3 million warrants are exercisable at a price per share of US 1.25 for twelve months following April 14, 2005 and US $1.40 thereafter. No warrants were exercised in the quarter ended March 31, 2006.

10. INCOME TAXES

At March 31 2006, the Company had cumulative net operating loss carry-forward of approximately $1,430,000 for the Canadian subsidiary and USD $92,000 in the United States. These amounts will expire in various years through 2016 and 2017 in Canada and 2021 through 2024 in the U.S. The related deferred tax assets have been completely offset by a valuation allowance. The company has no deferred tax liabilities.

11. NET CHANGE IN NON-CASH OPERATING ASSETS AND LIABILITIES

Consists of:

		For the Three Month Period ended March 31, 2006 Unaudited		March 31 2005 Unaudited
	$		$	(12,211)
Increase in accounts receivable		(8,740)		
(Increase) decrease in inventories		28,172		(36,102)
Increase in sundry		(8,643)		(15,676)
Increase (decrease) in accounts payable		15,104		(33,795)
Increase (decrease) in accrued liabilities		(114,146)		13,798
Increase in deferred revenue		61,055		-
TOTAL	$	(27,198)	$	(83,986)

Non cash transaction

During the period ended March 31, 2006, the Company issued 500,000 common shares for $203,212 (Note 9).

XI

12. REVERSE ACQUISITION OF LAMPERD LESS LETHAL INC. (formerly Sinewire Networks Inc.)

On April 14, 2005, the Company (formerly known as Sinewire Networks Inc.) entered into a reverse acquisition transaction (transaction) with privately held 1476246 Ontario Limited (1476246), an Ontario corporation. The transaction was effected pursuant to a Share Exchange Agreement dated March 18, 2005 (the Agreement). Prior to the reverse takeover transaction 1476246 issued 99,996,000 common shares for nominal consideration. In accordance with the Agreement the Company acquired all 100,000,000 issued and outstanding common stock of 1476246 in exchange for the issuance by the Company of 26,000,000 shares of common stock to the shareholders of 1476246. Under the agreement, one share of the Company was issued for every 3.8461538 common stock of 1476246. As a result, 1476246 legally became a wholly owned subsidiary of the Company and the former shareholders of 1476246 hold greater than 50% of the Company s outstanding shares. Under the Agreement and as a result of the forward stock split, 44,516,000 outstanding common shares of the Company were exchanged for 222,580,000 common shares, 199,580,000 common shares of the Company were surrendered immediately for cancellation without consideration.

The transaction is recorded as a reverse acquisition in accordance with FAS 141 using the purchase method since the 1476246 stockholders became the controlling stockholders of the Company. Accordingly, the transaction is accounted for as the issuance of stock by 1476246 for the net monetary assets of the Company accompanied by a recapitalization of 1476246 and no goodwill or any other intangible assets are recorded. Prior period results and comparative are those of 1476246.

13. RELATED PARTY TRANSACTIONS

During 2005 the Company entered into various transactions with related parties as disclosed in note 14.

As explained in Note 15, the Company entered into an asset purchase agreement with Pinetree Law Enforcement Products of Canada Limited (Pinetree) on January 1, 2005 to acquire certain assets of Pinetree in exchange for assumption of liabilities and note payable. At the time of the agreement, a Director and Vice President of the Company was owed $102,400 by Pinetree which was paid in full on April 22, 2005 when the Company retired the note payable. No amounts are owed to the related party at December 31, 2005.

A company controlled by a Director and Vice President of the Company is the primary subcontractor of parts for the Company s weapon launcher systems. The Company paid this corporation $2,424 in the first quarter ended March 31, 2006 for the manufacturing of various components, and purchases for the Company. At March 31, 2006, $2,967 is owed in this connection.

The company rents premises from a corporation controlled by a Director and Vice President of the Company. At March 31, 2006 $8, 988 is owed in this connection.

On April 23, 2005, the Company entered into separate consulting agreements with two Directors and Vice Presidents of the Company to provide services for a total of $3,000 each per month. By waiver, the directors voluntarily reduced the amounts to $2,000 per month each for January and February 2006 and NIL thereafter pending the commencement of future profitability and review by the Board.

XII

14. PURCHASE OF ASSETS OF PINETREE LAW ENFORCEMENT PRODUCTS OF CANADA LIMITED

On January 1, 2005, the predecessor company prior to the reverse take over purchased the business assets of Pinetree Law Enforcement Products of Canada Limited (Pinetree), a company owned by the President and director of the Company. As a result this transaction is a related party transaction. The assets were transferred to the Company at their carrying value in Pinetree and the excess price paid has been charged to deficit in accordance with United States generally accepted accounting principles. The details of the transaction are as follows:

Cost of acquisition		
Assumption of accounts payable to the Receiver General of Canada	$	69,546
Debt in the form of note payable		102,400
Total cost of assets acquired		171,946
Carrying value of assets acquired		
Accounts receivable	$	9,112
Inventories		25,407
Manufacturing equipment		16,300
Office equipment		10,000
Computer equipment		1,000
Protective and demonstration equipment		25,000
Intangibles - licence agreement		22,122
Total allocations to Current, Property, plant and equipment and Other Intangible Assets		108,941
Excess of acquisition price over carrying value was charged to deficit	$	63,005

Subsequent to the above transaction, inventory worth $15,500 was written off in 2005.

XIII

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Introduction

Our financial statements are stated in Canadian dollars (CDN$) and are prepared in conformity with generally accepted accounting principles in the United States of America for interim financial statements.

As used in this quarterly report, the terms "we", "us", "our company", and "Lamperd" mean Lamperd Less Lethal Inc., unless otherwise indicated. All dollar amounts refer to CDN dollars unless otherwise indicated.

THE FOLLOWING DISCUSSION AND ANALYSIS PROVIDES INFORMATION WHICH OUR MANAGEMENT BELIEVES IS RELEVANT TO AN ASSESSMENT AND UNDERSTANDING OF OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION. THIS DISCUSSION SHOULD BE READ TOGETHER WITH OUR FINANCIAL STATEMENTS AND THE NOTES TO FINANCIAL STATEMENTS WHICH ARE INCLUDED IN THIS REPORT, AND WITH OUR COMPANY'S FORM 10-KSB.

Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our Corporate History

We were incorporated under the laws of the State of Nevada under the name Sinewire Networks Inc. on October 4, 2001. On March 21, 2005, we changed our name to Lamperd Less Lethal Inc. The name change was recorded by the Secretary of State of the State of Nevada on March 21, 2005, and took effect with NASD Inc. s Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under our new stock symbol LLLI .

Our Business

Our company is a developer and manufacturer of civil defense products that are designed as a less lethal alternative to conventional weapons. The products include weapon systems and munitions that are designed to incapacitate as opposed to kill opponents, and at the same time, ensure the safety of the personnel using the products. In addition, our company also manufactures shields, service equipment, training gear and accessories. The products are primarily designed for the use by military and law enforcement organizations. Our company also provides less lethal training to police, military and private sector security personnel. Training is provided by our experienced military and police contractors in addition to trained civilian contractors which are retained as required by our company with permission from their respective agencies. The training programs offered by our company incorporate the most current less lethal techniques and equipment, including our own products.

The launchers consist of a hand held model called the Defender I, a longer version called the Defender II, a revolving shotgun launcher called the RSG-20 and the Military Peace Keeper, or MPK version, that combines lethal and less lethal technologies in one launcher. The launchers fire 5 rounds. The five types of munitions developed for use by the launchers, as well as certain conventional weapons, consist of sock rounds, WASP synthetic rounds, distractionary rounds, liquid incapacitant rounds, and training rounds.

Our market is primarily comprised of military forces and law enforcement organizations in Canada and the United States. In Canada, our products are primarily sold to distributors who distribute its products to end users on an exclusive basis. We have been granted a Canadian Business Firearms License, which allows the company to manufacture, repair, store, import, export and sell its proprietary products.

Our products are sold in the United States through a network of distributors. Our munitions have been approved by the Joint Less-lethal Weapons program in the United States. The program was established in order to provide certain personnel with a variety of non-lethal weapons products. In furtherance of the marketing and sales of our products, we have been assigned a NATO Commercial and Government Entity Code which enables us to sell military supplies to NATO member countries.

It is our intention to expand into foreign markets by engaging in a series of geographically exclusive distributorship agreements with well established local companies as opportunities become available.

Our Products

Launchers

We have developed four proprietary projectile launchers. Each of the launchers is compatible with our line of proprietary less lethal munitions including the WASP composite rounds, sock rounds, training rounds, distractionary rounds and liquid incapacitant rounds. The three launchers fire 5 rounds. The ability of an operator to fire more than a single round provides greater security in hostile situations.

1. Defender I: The Defender I is our standard launcher product. The launcher fires munitions from a cylinder that holds five rounds. The launcher is a compact and lightweight product that fires 20 gauge rounds.

2. Defender II: The Defender II is a longer version than the Defender I and also fires munitions from a cylinder that holds 5 rounds. The launcher fires 20 gauge rounds and has a longer barrel which provides for improved accuracy and greater effectiveness at longer ranges.

3. RSG-20: The RSG-20 is a revolving shotgun version developed for the United States market and designed to fire five 20 gauge cartridges.

4.