

LAMPERD LESS LETHAL INC
Form 10KSB
June 01, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from [] to []

Commission file number 000-50011

LAMPERD LESS LETHAL INC.
(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

98-0358040
(I.R.S. Employer Identification No.)

1200 Michener Road,
Sarnia, Ontario Canada
(Address of principal executive offices)
Issuer's telephone number 519-344-4445

N7T 7H8
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Nil

Name of each exchange on which registered
Nil

Securities registered pursuant to Section 12(g) of the Act:

Common Shares, par value \$0.001
(Title of class)

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 No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

- 2 -

Issuer's revenues for its most recent fiscal year ended December 31, 2005 is \$282,385.

Issuer's aggregate market value of the voting common equity held by non-affiliates at April 28, 2006 was:

27,080,000 common shares @ \$0.31⁽¹⁾ = USD\$8,394,800

⁽¹⁾ Average of bid and ask closing prices on April 28, 2006.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of equity stock, as of the latest practicable date.

51,000,000 common shares issued and outstanding as of April 28, 2006.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990).

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

PART I

Item 1. Description of Business.

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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", "will", "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 financial statements are stated in Canadian Dollars (CND\$) unless otherwise stated and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report, the terms "we", "us", "our", and "Lamperd" mean Lamperd Less Lethal Inc., unless otherwise indicated.

Corporate History

We were incorporated in the State of Nevada on October 4, 2001. On March 21, 2005, we changed our name from "Sinewire Networks Inc." to "Lamperd Less Lethal Inc". The name change was recorded by the Secretary of State of Nevada on March 21, 2005, and took effect with the NASD Inc.'s Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under our new stock symbol "LLLI". Other than as set out herein, we have not been involved in any bankruptcy, receivership or similar proceedings, nor have we been a party to any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of our business.

On April 21, 2005, we acquired all of the 100,000,000 issued and outstanding common stock of 1476246 Ontario Limited, an Ontario corporation, having effect from April 14, 2004, pursuant to the terms of a share exchange agreement dated March 24, 2005 between us, the Ontario company, Patrick Ward, Hani Zabaneh and the shareholders of the Ontario company.

As consideration for the shares of the Ontario company, we issued 26,000,000 shares of our common stock to the shareholders of the Ontario company on the basis of one share of our company for every 3.8461538 common shares of the Ontario company. As a result of this transaction, the Ontario company became a wholly-owned subsidiary of our company. For financial statement purposes, the Ontario company (the acquired entity) is regarded as the predecessor entity as of April 14, 2005.

Our original business plan was to become actively engaged as a start-up wireless communications service provider. We planned to implement our business strategy by supplying wireless high-speed Internet services, and other complementary Internet and telecommunications services. We intended to provide a telecommunications delivery service to businesses, Internet Service Providers and telecommunication companies in underserved markets in North America. Management investigated opportunities and challenges in the business of becoming a wireless communications service provider and concluded that this business was not in our best interest.

Our Current Business

Our company is now a developer and manufacturer of civil defence 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 offers less lethal training to police, military and private sector security personnel. Training can be provided by 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.

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 four 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. **Military Peace Keeper:** The MPK version combines lethal and less lethal technologies in one launcher and fires five rounds. The launcher is lightweight and contains a laser system for increased accuracy.

Munitions

We manufacture six types of proprietary munitions used by the launchers. Each of the munitions is made in 20 gauge, 12 gauge, 37mm and 40mm and 50 calibre sizes. In addition, our munitions are compatible with other 20

gauge, 12 gauge, 37mm, 40mm and 50 calibre conventional weapons delivery systems. The munitions are designed to ensure the safety of the operator and incapacitate rather than kill an opponent.

WASP Composite Rounds

The WASP round is our most technologically advanced product. The round consists of a projectile made from a rubber composite material that does not harden in colder climates and possesses energy dissipation attributes, resulting in a safer and more accurate projectile. The composite material allows it to be used in temperatures ranging from minus 50 degrees Celsius to 100 degrees Celsius. The chemical composition of the projectile dissipates energy upon impact, thus inflicting a level of force that is sufficient to temporarily incapacitate but not kill the intended opponent. The projectile is patent pending in Canada and the United States. The projectile was developed in partnership with the University of Western Ontario. The University of Western Ontario granted us an exclusive world-wide license to the technology pursuant to a license agreement dated January 30, 2005. The license agreement is effective for the term the patent rights are protected, subject to certain conditions. In consideration for the grant of license, we've agreed to pay all out-of-pocket expenses incurred by the University of Western Ontario, assume responsibility for future patent prosecution and rights and pay the University a royalty commencing on April 1, 2006 of three percent of revenue directly attributable to the projectile. The royalty is subject to minimum royalty obligations of \$5,000 per year for each of the second and third years following the entry into the license agreement, \$10,000 per year for the fourth to sixth years, and \$20,000 thereafter.

Sock Rounds

The sock round fires a pouch or beanbag projectile filled with lead pellets. Each sock round contains a proprietary tail attached to the end of the round which stabilizes the round for increased accuracy. The composition of the projectile allows for the dissipation of energy upon impact which reduces the chances of injury of the intended target. The projectile is intended to be aimed at the abdomen and hits the intended target with sufficient force to knock the opponent down, but generally not enough to cause permanent injury.

Distractionary Rounds

The distractionary round is an alternative to conventional stun grenades and provides a bright flash combined with a 135 decibel noise, used to disorient and temporarily blind opponents without causing permanent damage.

Liquid Incapacitant Rounds

Incapacitant rounds fire either a liquid or powder form of pepper spray designed to temporarily blind and incapacitate opponents without the need for officer contact. Firing the incapacitant rounds from a launcher provides greater safety to the operator and provides more range than traditional spray delivery methods.

Training Rounds

Training rounds are non-lethal munitions used by military and law enforcement organizations to carry out training exercises amongst themselves in preparation for hostile or combat situations.

Additional Products

We manufacture and distribute products in addition to launchers and munitions, including the Specialized Mobil Armed Robot Technology System or SMART System which combines the Defender launcher technology with an integrated human-robot interface control platform. The SMART System is designed to deliver less lethal, lethal and chemical weapon systems. Communication is facilitated by a 360 degree camera and a proprietary sighting system mounted to the robotic platform. The product can also be customized in accordance with the requirements of the end-user.

Employees

As at April 28, 2006, we have 4 full-time employees and 2 part-time employees.

Research and Development

For the fiscal year ended December 31, 2005 we expended approximately \$50,703.00 on research and development activities.

Competition

The primary competitive factors in the demand for less lethal products by military forces and law enforcement organizations include a weapon's cost, effectiveness and ease of use. There are several established competitors offering less lethal products that directly compete with our company's products, some of which are substantially more established than our company. In addition, there are several small companies that are expected to launch similar products into the marketplace in the near future.

Taser International, Inc. and Armor Holdings, Inc. are two established companies offering similar products to our company. Armor Holdings offers impact weapons and pepper spray based products. The company also sells less lethal munitions for weapons such as the 12 gauge and 40mm as well as a full line of distraction devices and chemical weapons. Such products are sold throughout the world. Taser International offers a line of devices that use compressed nitrogen to shoot small electrified probes up to a maximum distance of 25 feet. Our management, however, is not aware of any competitor doing business in our target market that offers an entire product line comparable to our products.

In addition to several large publicly traded companies, there are also several smaller privately held companies that our company competes with for market share, including ALS Technologies and MK Ballistic Systems.

ALS Technologies manufactures less lethal munitions that fit weapons from 12 gauge shotguns to 40mm grenade launchers. ALS Technologies produces a line of munitions for use in their own proprietary air launchers. The company sells through a network of seven distributors and have approximately 25 sales representatives in North America. MK Ballistic Systems sells less lethal munitions that are used in certain weapons, such as the 12 gauge and 37mm weapons and offers a line of distraction devices.

Regulation

In Canada, our launcher products are considered a firearm and are regulated under federal law. The federal government has granted 1476246 Ontario a Canadian Business Firearm License which permits our company to manufacture, repair, store, import, export and sell our proprietary products. In addition, in Canada we must also be registered under, and be in compliance with, the Controlled Goods Program which sets requirement for possession/storage and transport of our products. Our operating subsidiary is registered with the Controlled Goods Program in accordance with the Defence Production Act.

In the US, the manufacture, sale and purchase of firearms are subject to extensive federal governmental regulation. The basic federal laws are the National Firearms Act and the Federal Firearms Act, which were originally enacted in the 1930s and which have been amended from time to time, and the Gun Control Act of 1968. Federal laws generally place certain restrictions on the interstate sale of firearms unless certain licenses are obtained. The Defender Series of products are considered to be a firearm by the United States Bureau of Alcohol, Tobacco, Firearms and Explosives. Therefore, all firearms-related regulations apply to the sale and distribution of our devices within the United States.

In addition, we are subject to ITAR, the International Trade and Arms Regulations.

We believe that existing federal regulations regarding firearms and ammunition will not have a material adverse effect on sales of our products. However, there can be no assurance that federal, state, local or foreign regulation of

firearms and/or ammunition will not become more restrictive in the future and that any such development would not have a material adverse effect on our business whether directly or by placing additional burdens on those who distribute and sell our products.

Foreign Regulation

Foreign regulations which may affect the sale of our products are numerous and unclear. We prefer to work with foreign distributors who are familiar with the applicable import regulations of their jurisdiction and who are in a position to acquire the necessary approvals to sell our company's products in the specified jurisdictions.

Raw Materials And Principal Suppliers

The principal components of our products are readily available from a variety of sources. The prices for these components are subject to market forces largely beyond our control. The prices for these components have varied in the past and may vary significantly in the future. The WASP synthetic round is made from a proprietary rubber compound. The aluminium for our launchers is readily available from a number of local sources.

Compliance With Environmental Laws

To our knowledge, neither the production nor the sale of our products constitute activities or generate materials, in a material manner, that require compliance with federal, state or local environmental laws in any jurisdiction of our operation.

Intellectual Property

We currently protect our intellectual property with a variety of trademarks and trade secrets. In Canada and the United States, Lamperd has applied for a patent of the underlying technology used in its WASP composite round, which patent is currently pending. The patent application was filed by the University of Western Ontario under United States Provisional Patent Application No. 60/507,491.

The following names are trademarks of 1476246 Ontario: Lamperd Less Lethal, Defender I, Defender II, Enforcer Suit I, Enforcer Suit II and Pinetree Law Enforcement.

Our company owns and operates the duly registered internet domain name: www.lamperdlesslethal.com. The information contained in our company's website is not part of this annual report.

RISK FACTORS

Much of the information included in this current report includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Such estimates, projections or other "forward looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward looking statements".

Risks Related To Our Business

We operate in a highly-competitive industry and our failure to compete effectively may adversely affect our ability to generate revenue.

Management is aware of similar products which compete directly with our products and some of the companies developing these products have significantly greater financial, technical and marketing resources, larger distribution networks, and generate greater revenue and have greater name recognition than us. These companies may develop products superior to those of our company. Such competition will potentially affect our chances of achieving profitability, and ultimately adversely affect our ability to continue as a going concern. Some of our competitors conduct more extensive promotional activities and offer lower prices to customers than we do, which could allow them to gain greater market share or prevent us from increasing our market share. In the future, we may need to decrease our prices if our competitors continue to lower their prices. Our competitors may be able to respond more quickly to new or changing opportunities, technologies and customer requirements. To be successful, we must carry out our business plan, establish and strengthen our brand awareness through marketing, effectively differentiate our product line from those of our competitors and build our distribution network. To achieve this we may have to substantially increase marketing and research and development in order to compete effectively. Such competition will potentially affect our chances of achieving profitability, and ultimately adversely affect our ability to continue as a going concern.

Rapid technological changes in our industry could render our products non-competitive or obsolete and consequently affect our ability to generate revenues.

Currently, we derive substantially all of our revenues from the sale of civil defence products and related products using less lethal alternatives to conventional weapons, including launchers and munitions. Such products are characterised and affected by rapid technological change, evolving industry standards and regulations and changing client preferences. Our success will depend, in significant part, upon our ability to make timely and cost-effective enhancements and additions to our technology and to introduce new products and services that meet customer demands. We expect new products and services to be developed and introduced by other companies that compete with our products and services. The proliferation of new and established companies offering less lethal alternative products may reduce demand for our particular products. There can be no assurance that we will be successful in responding to these or other technological changes, to evolving industry standards or regulations or to new products and services offered by our current and future competitors. In addition, we may not have access to sufficient capital for our research and development needs in order to develop new products and services.

We could lose our competitive advantages if we are not able to protect our proprietary technology and intellectual property rights against infringement, and any related litigation could be time-consuming and costly.

Our success and ability to compete depends in part on our proprietary technology incorporated in our products. If any of our competitors copy or otherwise gain access to our proprietary technology or develop similar technologies independently, we would not be able to compete as effectively. We consider our technologies invaluable to our ability to continue to develop and maintain the goodwill and recognition associated with our brand. The measures we take to protect our technologies, and other intellectual property rights, which presently are based upon registered trade marks in addition to trade secrets, may not be adequate to prevent their unauthorized use. Although we rely, in part, on contractual provisions to protect our trade secrets and proprietary know-how, there is no assurance that these agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets will not otherwise become known or be independently developed by competitors. Further, the laws of foreign countries may provide inadequate protection of intellectual property rights. We may need to bring legal claims to enforce or protect our intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and a diversion of corporate resources. In addition, notwithstanding any rights we have secured to our intellectual property, other persons may bring claims against us claiming that we have infringed on their intellectual property rights, including claims that our intellectual property rights are not valid. Adverse determinations in litigation in which we may become involved could subject us to significant liabilities to third parties, require us to grant licenses to or seek licenses from third parties and prevent us from manufacturing and selling our products. Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill associated with our trademarks or require us

to make changes to our technologies. Furthermore, we cannot assure you that any pending patent application made by us will result in an issued patent, or that, if a patent is issued, it will provide meaningful protection against competitors or competitor technologies.

We may not be able to hire and retain qualified personnel to support our growth and if we are unable to retain or hire such personnel in the future, our ability to improve our products and implement our business objectives could be adversely effected.

To continue our growth, we will need to recruit additional senior management personnel, including persons with financial and sales experience. In addition, we must hire, train and retain a significant number of other skilled personnel, including persons with experience in less lethal munitions engineering and manufacturing. We have encountered competition for these personnel. We may not be able to find or retain qualified personnel, which will have a material adverse impact on our business.

Our growth could be impaired if we are not able to develop and maintain the relationships we need to implement our international strategy.

Our growth will depend, in large part, on the success of our international distribution strategy. We have limited experience in marketing and selling our products outside of Canada and the United States. We will depend on partnerships and/or joint ventures in international markets to help us build our international operations and distribution networks. We will depend upon international partners to provide marketing and relationship building expertise, and a base of existing customers. If we are unable to develop and maintain these relationships, or to develop additional relationships in other countries, our ability to penetrate, and successfully compete in foreign markets will be adversely affected.

We intend to expand our business internationally, and therefore, we are subject to additional financial and regulatory risks.

Our current and future international operations are and will be subject to various risks, including: foreign import controls (which may be arbitrarily imposed and enforced and which could interrupt our supplies or prohibit customers from purchasing our products); exchange rate fluctuations; the necessity of obtaining government approvals for both new and continuing operations; and legal systems of decrees, laws, taxes, regulations, interpretations and court decisions that we are not familiar with. One component of our strategy is to expand our operations into selected international markets. Foreign countries in which we are actively marketing include the United States and we intend to commence marketing efforts in the United Kingdom in the near future. We, however, may be unable to execute our business model in this market or new markets. Further, foreign providers of competing products and services may have a substantial advantage over us in attracting consumers and businesses in their country due to earlier established businesses in that country, greater knowledge with respect to the cultural differences of consumers and businesses residing in that country and/or their focus on a single market. As a result, we expect to experience higher costs as a percentage of any revenues that we may generate in the future in connection with the development and maintenance of international sales. In pursuing our international expansion strategy, we face several additional risks, including:

- foreign laws and regulations, which may vary country by country, that may impact how we conduct our business;
 - higher costs of doing business in foreign countries;
 - potential adverse tax consequences if taxing authorities in different jurisdictions worldwide disagree with our interpretation of various tax laws or our determinations as to the income and expenses attributable to specific jurisdictions, which could result in our paying additional taxes, interest and penalties;

 - technological differences that vary by marketplace, which we may not be able to support;
 - longer payment cycles and foreign currency fluctuations; and
-

- economic downturns.

We propose to operate in areas where local government policies regarding foreign entities and the regulation of less lethal products are often uncertain. We cannot, therefore, be certain that we are in compliance with, or will be protected by, all relevant local laws and taxes at any given point in time. A subsequent determination that we failed to comply with relevant local laws and taxes could have a material adverse effect on our business, financial condition, results of operations and liquidity. One or more of these factors could adversely affect our future international operations and, consequently, could have a material adverse effect on our business, financial condition, results of operation and liquidity.

Many of our customers have fluctuating budgets, which may cause substantial fluctuations in our results of operations.

The potential customers for our products may include federal, state, municipal, foreign and military, law enforcement and other governmental agencies. Government tax revenues and budgetary constraints, which fluctuate from time to time, can affect budgetary allocations from these customers. Many domestic and foreign government agencies have in the past experienced budget deficits that have led to decreased spending in defence, law enforcement and other military and security areas. Any future revenues that our company may generate may be subject to substantial periodic fluctuations because of these and other factors affecting military, law enforcement and other governmental spending. A reduction of funding for federal, state, municipal, foreign and other governmental agencies could have a material adverse effect on any future revenues that we may generate.

Our WASP synthetic round is costly to compound, and our company may not be able to find other subcontractors who are willing to supply our company with this service.

The WASP synthetic round is made from a proprietary rubber compound and is costly to compound. It may be difficult to find other contractors willing to compound our material. If we are unable to find contractors willing to compound and deliver our material, our revenues will be reduced.

Risks Related To Our Industry

The products we sell are inherently risky and could give rise to product liability and other claims.

The products that we manufacture are typically used in applications and situations that involve a high level of risk of personal injury. Failure to use our products for their intended purposes, failure to use or care for them properly, or their malfunction, or, in some limited circumstances, even correct use of our products, could result in serious bodily injury or death. Given this potential risk of injury, proper maintenance of our products is critical. Our products consist of less lethal products such as launchers, munitions, pepper sprays and distraction devices. The manufacture and sale of less-lethal products may be the subject of product liability claims arising from the design, manufacture or sale of such goods. If these claims are decided against our company and we are found liable, we may be required to pay substantial damages and our insurance costs, if any, may increase significantly as a result. Also, a significant or extended lawsuit could also divert significant amounts of management's time and energy. We cannot assure you that our insurance coverage, if any, would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, that we will be able to obtain it at a reasonable cost. Any material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive government regulation, and our failure or inability to comply with these regulations could materially restrict our operations and subject us to substantial penalties.

We are subject to many requirements with respect to the sale in foreign and/or domestic countries of certain of our products. In addition, we are obligated to comply with a variety of federal, state and local regulations, both domestically and abroad, governing certain aspects of our operations and workplace. The inability of our company to comply with such regulations may limit our operations and subject us to substantial penalties and fines.

Risks Related To Our Common Stock

A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If the stock price declines, there can be no assurance that we can raise additional capital or generate funds from operations sufficient to meet our obligations. We believe the following factors could cause the market price of our common stock to continue to fluctuate widely and could cause our common stock to trade at a price below the price at which you purchase your shares:

- actual or anticipated variations in our quarterly operating results;
- announcements of new services, products, acquisitions or strategic relationships by us or our competitors;
- trends or conditions in the less lethal products industry;
- changes in accounting treatments or principles;
- changes in earnings estimates by securities analysts and in analyst recommendations;
- changes in market valuations of other less lethal product companies; and
- general political, economic, regulatory and market conditions.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, could materially adversely affect the market price of our common stock.

If we issue additional shares in the future, it will result in the dilution of our existing shareholders.

Our certificate of incorporation authorizes the issuance of 1,000,000,000 shares of common stock. Our board of directors has the authority to issue additional shares up to the authorized capital stated in the certificate of incorporation. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares will result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change of control of our corporation.

If a market for our common stock does not develop, shareholders may be unable to sell their shares.

There is currently a limited market for our common stock, which trades through the Over-the-Counter Bulletin Board quotation system. Trading of stock through the Over-the-Counter Bulletin Board is frequently thin and highly volatile. There is no assurance that a sufficient market will develop in the stock, in which case it could be difficult for shareholders to sell their stock.

Trading of our stock may be restricted by the Securities and Exchange Commission's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.

The Securities and Exchange Commission has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

The National Association of Securities Dealers Inc., or NASD, has adopted sales practice requirements, which may limit a stockholder's ability to buy and sell our shares.

In addition to the penny stock rules described above, the NASD has adopted rules requiring that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit our shareholders' ability to buy and sell our stock and which may have an adverse effect on the market for our shares.

Most of our assets and a majority of our directors and officers are outside the United States, with the result that it may be difficult for investors to enforce within the United States any judgments obtained against us or any of our directors or officers.

Although we are organized under the laws of the State of Nevada, our principal executive office is located in Sarnia, Ontario, Canada. Outside the United States, it may be difficult for investors to enforce judgments against us obtained in the United States in any such actions, including actions predicated upon civil liability provisions of federal securities laws. In addition, some of our officers and directors reside outside the United States, and a majority of the assets of these persons and our assets are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against us or such persons judgments predicated upon the liability provisions of the United States securities laws. There is substantial doubt as to the enforceability against us or any of our directors and officers located outside the United States in original actions or in actions of enforcement of judgments of United States courts or liabilities predicated on the civil liability provisions of United States federal securities laws.

Item 2. Description of Property.

Our principal executive offices are located at 1200 Michener Road, Sarnia, Ontario, Canada. The 10,000 square foot space is leased for \$6,400 per month for a three year term that commenced on January 1, 2005. We believe that our principal office will be adequate for our needs for the next 2-3 years. In addition to our principal office, we periodically lease a 15 acre property which our company utilizes as a training facility to hold our diverse training programs. The property is leased as required for a fluctuating daily fee.

Item 3. Legal Proceedings.

We know of no material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder are an adverse party or has a material interest adverse to us.

Item 4. Submissions of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of our security holders either through solicitation of proxies or otherwise in the fourth quarter of the fiscal year ended December 31, 2005.

PART II**Item 5. Market for Common Equity and Related Stockholder Matters.**

On June 5, 2003, our common stock received approval for quotation on the National Association of Securities Dealers Inc.'s Over-the-Counter Bulletin Board under the name "Sinewire Networks Inc." and under the symbol "SNTW". On March 21, 2005, we changed our name from "Sinewire Networks Inc." to "Lamperd Less Lethal Inc". The name change took effect with the NASD Inc.'s Over-the-Counter Bulletin Board at the opening for trading on March 31, 2005 under our new stock symbol "LLLI". The following table reflects the high and low bid information for our common stock for each fiscal quarter during the fiscal years ended December 31, 2004 and 2005. The bid information was obtained from Stockwatch and reflects inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

Quarter Ended⁽¹⁾	High	Low
March 31, 2004	0.01	0.01
June 30, 2004	0.01	0.01
September 30, 2004	0.01	0.01
December 31, 2004	0.01	0.01
March 31, 2005	1.30	0.985
June 30, 2005	4.56	1.25
September 30, 2005	1.99	0.47
December 31, 2005	1.07	0.36

⁽¹⁾ Our common stock received approval for quotation on June 5, 2003. The first trade occurred March 31, 2005.

On April 28, 2006, the closing price for the common stock as reported by the quotation service operated by the OTC Bulletin Board was \$0.30.

As of April 28, 2006, there were 31 holders of record of our common stock. As of such date, 50,500,000 common shares were issued and outstanding.

Our common shares are issued in registered form. The Nevada Agency and Trust Company, 50 Liberty Street, Suite 880, Reno, Nevada 89501 (Telephone: 775.322.0626; Facsimile 775.322.5623) is the registrar and transfer agent for our common shares. We have no other classes of securities.

Dividend Policy

We have not paid any cash dividends on our common stock and have no present intention of paying any dividends on the shares of our common stock. Our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our board of directors.

Recent Sales of Unregistered Securities

On March 18, 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.

On April 13, 2005, we sold 1,500,000 units at a price of US \$1.00 per unit for an aggregate purchase price of US\$1,500,000 to one non-U.S. investor relying on the exemption from the registration requirements of the Securities Act of 1933 provided by Regulation S promulgated there under. Each unit was exercisable into one common share and two common share purchase warrants. Each common share purchase warrant was immediately exercisable and entitles the holder to purchase one common share for a period of 24 months commencing from April 14, 2005. The warrants are exercisable at a price per share of US \$1.25 for twelve months following April 14, 2005, and at US\$1.40 thereafter.

On March 2, 2006, we issued an aggregate of 500,000 shares to two individuals in an offshore transaction for which we relied on the exemption from the registration requirements of the Securities Act of 1933 provided by Regulation S promulgated there under.

Equity Compensation Plan Information

We currently do not have any stock option or equity plans.

Item 6. Management s Discussion and Analysis or Plan of Operation.

Overview

You should read the following discussion of our financial condition and results of operations together with the consolidated audited financial statements and the notes to consolidated audited financial statements included elsewhere in this filing prepared in accordance with accounting principles generally accepted in the United States.

Our financial statements are stated in Canadian Dollars unless otherwise stated and are prepared in accordance with United States Generally Accepted Accounting Principles. All financial information contained herein is in Canadian Dollars unless otherwise stated.

This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements.

General Explanation of Comparative Periods

The acquisition of 1476246 Ontario Limited was accounted for using the purchase method of accounting as applicable to reverse acquisitions because the former stockholders of 1476246 Ontario Limited controlled a majority of our shares of common stock immediately upon conclusion of the transaction and the continuing business is that of 1476246 Ontario Limited. Under reverse acquisition accounting, the post-acquisition entity is accounted for as a recapitalization of 1476246 Ontario Limited. After completion of the acquisition we changed our name to Lamperd Less Lethal Inc. to effect our newly acquired business.

The previous audited financial statements of Sinewire Networks Inc. for the fiscal periods ended December 31, 2004 and 2003 were included in our annual report on Form 10-KSB, filed with the Securities and Exchange Commission on April 7, 2005. Prior to the share exchange with 1476246 Ontario Limited, Sinewire Networks Inc. (the inactive public company) was not operating, had minimal assets and liabilities and had minimal revenue from its inception through the date of its reorganization on April 14, 2005.

Plan of Operation

Results of Operations

Year Ended December 31, 2005 compared with year ended December 31, 2004

We posted losses of \$1,099,668 for the year ended December 31, 2005 compared to losses of \$1,004 for the year ended December 31, 2004, and losses of \$1,100,672 since inception to December 31, 2005. The principal component of the loss was for general and administrative expenses.

Operating expenses for the year ended December 31, 2005 were \$1,118,838 compared to \$1,004 for the year ended December 31, 2004.

Financial Condition, Liquidity and Capital Resources

Cash used in operating activities was \$1,125,601. Cash of \$269,025 was also used in the purchase of property, plant and equipment. There was a net cash flow of \$1,767,908 from financing activities which was mostly derived from proceeds from a private placement.

From inception on October 4, 2001 to April 13, 2005, the Company was engaged as a start-up wireless internet service provider. Since April 14, 2005, the Company has been engaged in the business of developing and manufacturing of civil defence products that are designed as a less lethal alternative to conventional weapons. Our principal capital resources have been acquired through the issuance of common stock.

Year Ended December 31, 2005 compared with year ended December 31, 2004

At December 31, 2005, we had a working capital surplus of \$140,349 compared to working capital deficit of \$964 at December 31, 2004.

At December 31, 2005, we had assets of \$926,765 compared to our assets at December 31, 2004 of \$nil.

At December 31, 2005, our total liabilities were \$481,101 compared to our liabilities of \$964 as at December 31, 2004.

At December 31, 2005 we have cash and cash equivalents on hand of \$310,610 compared to cash on hand of \$nil as at December 31, 2004.

While we expect to meet our financial obligations as they come due, the continuation of our business is dependent upon obtaining further financing, a successful program of acquisition and development, and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to obtain further funds required for our continued operations. As noted herein, we are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations.

We have no long-term debt as at December 31, 2005.

Product Research and Development

We anticipate that we will expend \$72,000 on research and development over the twelve months ending December 31, 2006.

Purchase of Significant Equipment

Over the twelve months ending December 31, 2006, we intend to purchase one investment casting machine with an installed cost of approximately \$500,000, two filling machines for ammunition production at a cost of approximately \$80,000 each and one die cutting machine at a cost of approximately \$20,000.

Employees

As at March 31, 2006, we have 5 full-time employees and 2 part-time employees. Of those employees, none are covered by collective bargaining agreements.

Going Concern

Due to our being a development stage company and not having generated significant revenues, in the consolidated financial statements for the year ended December 31, 2005, our independent auditor included in their Report to Shareholders dated May 31, 2006 an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our consolidated financial statements contain additional note disclosures describing the circumstances that lead to this disclosure.

The continuation of our business is dependent upon us raising additional financial support. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Related Party Transaction

During 2005 the Company entered into various transactions with related parties. For a complete description see the financial statements.

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.

- 17 -

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 \$149,413 in 2005 for the manufacturing of various components, and purchases for the Company.

The company rents premises from a corporation controlled by a Director and Vice President of the Company.

Recently Issued Accounting Standards

In September 2005, the Financial Accounting Standards Board (FASB) ratified the following consensus reached in EITF Issue 05-8 (Income Tax Consequences of Issuing Convertible Debt with a Beneficial Conversion Feature):

- a. The issuance of convertible debt with a beneficial conversion feature results in a basis difference in applying FASB Statement of Financial Accounting Standards SFAS No. 109, Accounting for Income Taxes. Recognition of such a feature effectively creates a debt instrument and a separate equity instrument for book purposes; where as the convertible debt is treated entirely as a debt instrument for income tax purposes.
- b. The resulting basis difference should be deemed a temporary difference because it will result in a taxable amount when the recorded amount of the liability is recovered or settled.
- c. Recognition of deferred taxes for the temporary difference should be reported as an adjustment to additional paid-in capital.

The foregoing consensus is effective in the first interim or annual reporting period commencing after December 15, 2005, with early application permitted. The effect of applying the consensus should be accounted for retroactively to all debt instruments containing a beneficial conversion feature that are subject to EITF Issue 00-27, *Application of Issue No. 98-5 to Certain Convertible Debt Instruments* (and thus applicable to debt instruments converted or extinguished in prior periods but which are still presented in the financial statements). The Company has not completed an evaluation of the impact of the pronouncement.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* (SFAS No. 154) which supersedes ALB Opinion No. 20, *Accounting Changes* and SFAS No. 3 *Reporting Accounting Changes in Interim Financial Statements* . The statement requires the retroactive application to prior periods financial statements of changes in accounting principles, unless it is impractical to determine either the period of specific effects or the cumulative effect of the change.

SFAS 154 does not change the guidance for reporting the correction of an error in previously issued financial statements or the change in accounting estimate. SAFS No 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not believe SFAS No. 154 will have a significant impact on its consolidated financial position or results of operations.

In December 2004, the FASB issued Statement No. 123®, *Share-Based Payments*, which will require compensation costs related to share-based payment transactions to be recognized in the financial statements. As permitted by the predecessor Statement No. 123, the Company does not recognize compensation expense with respect to stock options issued because the option price was no greater than the market price at the time the option was issued. Statement 123 ® will be effective in the fiscal quarter beginning January 1, 2006. The Company has not completed an evaluation of the impact of adopting Statements 123 ®.

In December 2004, the FASB issued SFAS No. 153 *Exchanges of Non-monetary Assets-amendment Of APB Opinion No 29* . Statement 153 eliminates the exception to fair value for exchange of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance, defined as transactions that are not expected to result in significant changes in the cash flows of the reporting entity. This statement is effective for exchanges of non-monetary assets occurring after June 15, 2005. The Company has adopted this Statement in fiscal 2005.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financials.

We incurred losses in our first year of business in 2005 of \$1,099,668. Because of this loss we will require additional working capital to develop our business operations.

We intend to raise additional working capital through private placements, public offerings and/or bank financing. As at our year end, we were in discussions with several investors, however no definitive agreements have been reached.

There are no assurances that we will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to us. If adequate working capital is not available we may not increase our operations.

These conditions raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Item 7. Financial Statements.

Our financial statements are stated in Canadian dollars unless otherwise stated and are prepared in accordance with United States Generally Accepted Accounting Principles.

The following consolidated financial statements are filed as part of this annual report:

Independent Auditor's Report, dated May 31, 2006

Consolidated Balance Sheets as at December 31, 2005 and December 2004

Consolidated Statements of Operations for the years ended December 31, 2005 and December 31, 2004

Consolidated Statements of Changes in Stockholders' Equity (Deficiency) for the years ended December 31, 2005, December 31, 2004

Consolidated Statements of Cash Flows for the years ended December 31, 2005 and December 31, 2004

Notes to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED AUDITORS

To the Stockholders of

Lamperd Less Lethal Inc.

We have audited the accompanying consolidated balance sheets of Lamperd Less Lethal Inc. as of December 31, 2005 and December 31, 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2005 and December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting