

INSIGNIA SOLUTIONS PLC
Form 10-Q
May 14, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2009

Or

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

For the transition period from _____ to _____

Commission File Number: 0-27012

Insignia Solutions plc

(Exact name of small business issuer as specified in its charter)

England and Wales
(State or other jurisdiction of incorporation
or organization)

Not applicable
(I.R.S. Employer Identification No.)

7575 E. Redfield Road
Suite 201
Scottsdale, AZ
(Address of principal executive offices)

85260
(Zip Code)

(480) 922-8155
(Issuer's telephone number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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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

Smaller reporting company

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 129,392,457 as of May 4, 2009.

INSIGNIA SOLUTIONS PLC dba DOLLARDAYS INTERNATIONAL, INC.

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PART I – FINANCIAL INFORMATION

Forward-Looking Information

Unless otherwise indicated, the terms “Insignia,” the “Company,” “we,” “us,” and “our” refer to Insignia Solutions plc and subsidiaries. In this Quarterly Report on Form 10-Q, we may make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We do not undertake to update, revise or correct any of the forward-looking information. The following discussion should also be read in conjunction with the audited consolidated financial statements and the notes thereto.

The statements contained in this Quarterly Report on Form 10-Q that are not historical fact are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), 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. The forward-looking statements contained herein are based on current expectations that involve a number of risks and uncertainties. These statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “intend,” “plan,” “could,” “is likely,” or “anticipates,” or the negative thereof or other thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The Company wishes to caution the reader that these forward-looking statements that are not historical facts and are only predictions. No assurances can be given that the future results indicated, whether expressed or implied, will be achieved. While sometimes presented with numerical specificity, these projections and other forward-looking statements are based upon a variety of assumptions relating to the business of the Company, which, although considered reasonable by the Company, may not be realized. Because of the number and range of assumptions underlying the Company’s projections and forward-looking statements, many of which are subject to significant uncertainties and contingencies that are beyond the reasonable control of the Company, some of the assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to the date of this report. These forward-looking statements are based on current expectations and the Company assumes no obligation to update this information. Therefore, the actual experience of the Company and the results achieved during the period covered by any particular projections or forward-looking statements may differ substantially from those projected. Consequently, the inclusion of projections and other forward-looking statements should not be regarded as a representation by the Company or any other person that these estimates and projections will be realized, and actual results may vary materially. There can be no assurance that any of these expectations will be realized or that any of the forward-looking statements contained herein will prove to be accurate.

Item 1. Financial Statements.

Insignia Solutions plc dba DollarDays International, Inc.
Consolidated Balance Sheets
(unaudited)

	March 31, 2009	December 31, 2008
Assets		
Cash and cash equivalents	\$ 117,723	\$ 20,836
Certificates of deposit	1,711,064	2,118,933
Accounts receivable, net	41,419	75,457
Prepaid expenses and other current assets	83,975	78,723
Total current assets	1,954,181	2,293,949
Property and equipment, net	174,532	160,641
Deposits and other assets	23,899	33,899
Total assets	\$ 2,152,612	\$ 2,488,489
Liabilities and Shareholders' Equity		
Accounts payable	\$ 1,210,945	\$ 1,176,170
Accrued expenses	381,795	771,407
Deferred revenue	28,910	15,617
Liability for unauthorized, unissued shares	155,933	134,252
Other liabilities	155,902	4,652
Total current liabilities	1,933,485	2,102,098
Shareholders' equity:		
Ordinary shares, 1 pence par value, 110,000,000 shares authorized, 129,392,457 shares to be issued and outstanding at March 31, 2009 and 126,682,430 to be issued and outstanding at December 31, 2008 (see Note 1)	2,541,182	2,503,878
Additional paid in capital	3,880,195	3,982,711
Accumulated deficit	(6,202,250)	(6,100,198)
Total shareholders' equity	219,127	386,391
Total liabilities and shareholders' equity	\$ 2,152,612	\$ 2,488,489

See accompanying notes to unaudited consolidated financial statements.

Insignia Solutions plc dba DollarDays International, Inc.
Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,	
	2009	2008
Net revenues	\$ 2,574,545	\$ 2,371,169
Cost of goods sold	1,700,279	1,673,503
Gross profit	874,266	697,666
Operating expenses:		
Sales and marketing	563,664	492,270
General and administrative	496,633	398,391
Total operating expenses	1,060,297	890,661
Operating loss	(186,031)	(192,995)
Other income (expense):		
Interest expense	-	(260,762)
Mark to market gains on liability for unauthorized shares	3,036	-
Advertising revenue and other	80,943	37,304
Total other income (expense)	83,979	(223,458)
Net loss	\$ (102,052)	\$ (416,453)
Net loss per share:		
Basic and diluted	\$ -	\$ (0.03)
Weighted average common shares outstanding		
Basic and diluted	127,849,617	16,209,663

See accompanying notes to unaudited consolidated financial statements.

Insignia Solutions plc dba DollarDays International, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (102,052)	\$ (416,453)
Adjustments to reconcile net loss to net cash used in operating activities:		
Mark to market gains /losses on liability for unauthorized shares	(3,036)	-
Depreciation and amortization	12,822	8,741
Amortization of debt discount	-	12,479
Bad debt expense	813	-
Stock-based compensation	24,717	8,884
Changes in assets and liabilities:		
Accounts receivable	33,225	1,733
Prepaid and other current assets	(5,252)	(26,655)
Deposits and other assets	10,000	-
Accounts payable	34,775	(31,506)
Accrued expenses	(389,612)	(54,238)
Accrued interest	-	215,783
Deferred revenue	13,293	5,813
Other liabilities	1,250	1,047
Net cash used in operating activities	(369,057)	(274,372)
Cash flows from investing activities:		
Maturities of certificates of deposits	407,869	-
Purchases of equipment	(26,713)	(17,589)
Net cash provided by (used in) investing activities	381,156	(17,589)
Cash flows from financing activities:		
Proceeds from line of credit	150,000	-
Advances on line of credit	-	16,940
Proceeds from issuance of long-term debt	-	267,500
Shares repurchased from converted debtholders	(65,212)	-
Net cash provided by financing activities	84,788	284,440
Change in cash and cash equivalents	96,887	(7,521)
Cash and cash equivalents, beginning of period	20,836	18,265
Cash and cash equivalents, end of period	\$ 117,723	\$ 10,744
Supplemental cash flow disclosures:		
Reclassification for liability associated with unauthorized, unissued shares to be issued	\$ (24,717)	\$ -
Cash paid for interest	\$ -	\$ 32,500

See accompanying notes to unaudited consolidated financial statements.

INSIGNIA SOLUTIONS PLC dba DOLLARDAYS INTERNATIONAL, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1: Background and Basis of Presentation

Background

Until June 23, 2008, Insignia Solutions plc, a corporation organized under the laws of England and Wales (“Insignia”) operated as a shell company. On June 23, 2008, DollarDays International LLC (“DollarDays”) entered into a series of transactions to effect a reverse merger with Insignia (the “Merger”).

Under the agreement and plan of merger, Insignia shareholders maintained approximately 37.1% ownership of the combined company, DDI Inc. shareholders obtained 56.7%, and a new investor (“Amorim”) obtained 6.2% of the combined company stock. The Merger is accounted for as a reverse merger whereby DDI Inc. is the accounting acquirer resulting in a recapitalization of DDI Inc. equity. Accordingly, the Company has retroactively restated all equity and per share amounts for periods prior to the Merger to reflect the equivalent amounts based on the exchange ratio set forth in the Merger.

DDI Inc., through its website, www.DollarDays.com is an Internet based wholesaler of general merchandise to small independent resellers. Orders are placed by customers through the website where, upon successful payment, the merchandise is shipped directly from the vendors’ warehouses.

The financial statements set forth herein include the accounts and results of DDI Inc and include the results of Insignia and its subsidiaries beginning with the date of acquisition (collectively the “Company”). Because DDI Inc. is the accounting acquirer, all historical financial information for periods prior to June 23, 2008 are those of DDI Inc. and do not reflect the activities of Insignia. All intercompany amounts are eliminated in consolidation.

As of the date of this Report on Form 10-Q, Insignia has issued 44,695,981 American Depository Shares (“ADS”) to DollarDays Stockholders and 5,596,984 ADSs to Amorim, representing approximately 49.7% of the issued and outstanding ordinary shares of Insignia. Insignia has proposed to shareholders, for their approval, a resolution to increase the authorized capital of the Company at its next Annual General Meeting so that Insignia can fulfill its obligations to issue the remaining consideration under the terms of the Merger. Assuming the remaining Merger consideration is issued, the DollarDays Stockholders will own approximately 63% of the issued and outstanding ordinary shares of Insignia.

The Company has not issued all of the consideration required to be issued in connection with the Merger. However, the accompanying financial statements reflect as shares outstanding all amounts that are to be issued under the terms of the Merger and the Company is presenting a liability for the shares in excess of the authorized shares. The Company believes this presentation provides the most meaningful information to investors with respect to the Company’s financial position, capitalization and per share financial information.

As the total number of ordinary shares to be issued, 129,392,457 exceeds the currently authorized number of ordinary shares, the Company recognized a liability of \$155,933 at March 31, 2009 for the fair value of unauthorized, unissued shares. The fair value of the liability for unauthorized, unissued shares has been recorded at market value as of March 31, 2009 and a corresponding gain of \$3,036 has been recognized due to the changes in the fair value of the liability during the three months ended March 31, 2009.

Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting of only normal recurring accruals, necessary for a fair statement of financial position, results of operations, and cash flows. The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2008. The accounting policies are described in the “Notes to the Consolidated Financial Statements” in the 2008 Annual Report on Form 10-K and updated, as necessary, in this Form 10-Q. The year end consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Certain reclassifications have been made to prior period reported amounts to conform to current year presentation.

Note 2: Going Concern

The accompanying unaudited consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a recent history of operating losses and negative operating cash flows. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

The Company intends to generate operating cash flows through the growth of its existing business, the improvement of operating margins and by growth through acquisitions. Although there can be no assurance, management believes that such measures will provide it with enough liquidity to operate its current business and continue as a going concern in the short term.

Note 3: Certificates of Deposit

The Company invests excess funds in Certificates of Deposits ("CDs") issued by domestic banks and, at times, may exceed federally insured limits. The balance of this account consists of CDs with original maturities greater than three months. \$407,869 of CDs matured during the three months ended March 31, 2009.

Note 4: Line of Credit

The Company has a \$150,000 revolving line of credit with a financial institution and during the three months ended March 31, 2009, the Company borrowed \$150,000 under the terms thereof. At March 31, 2009, the balance outstanding on the line of credit was \$150,000. Interest payments are due monthly at an annual rate of 6%. The line of credit has no stated maturity date.

Note 5: Stock Options

The Company has historically granted stock options to certain vendors and employees as well as in connection with certain financing transactions.

The following table summarizes the Company's stock option activity:

	Number of Units	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)
Outstanding at December 31, 2008	6,109,715	\$ 0.23	
Grants			
Forfeitures	(294,448)	0.23	
Exercises	-	-	
Outstanding at March 31, 2009	5,815,267	\$ 0.23	2.8