

INSIGNIA SOLUTIONS PLC
Form 10-Q
March 19, 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: September 30, 2008

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 ☒ 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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 101,227,045 as of March 17, 2009.

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INSIGNIA SOLUTIONS PLC

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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 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 Financial Statements.

1.

Insignia Solutions plc
Consolidated Balance Sheets
(unaudited)

	September 30, 2008	December 31, 2007
Assets		
Cash and cash equivalents	\$ 2,394,524	\$ 18,265
Accounts receivable, net	62,270	50,227
Prepaid expenses and other current assets	115,005	22,475
Total current assets	2,571,799	90,967
Property and equipment, net	173,102	127,287
Deposits and other assets	42,352	45,199
Total assets	\$ 2,787,253	\$ 263,453
Liabilities and Shareholders' Equity (Deficit)		
Accounts payable	\$ 1,131,019	\$ 1,230,674
Accrued expenses	438,779	96,432
Accrued interest	-	732,926
Deferred revenue	44,126	33,259
Convertible debt and other notes payable (including \$0 and \$5,569,525 due to related parties), net of discount	-	6,263,972
Liability for unauthorized, unissued shares	521,485	-
Other liabilities	3,838	698
Total current liabilities	2,139,247	8,357,961
Shareholders' equity (deficit):		
Ordinary shares, 1 pence par value, 110,000,000 shares authorized, 126,682,430 shares to be issued and outstanding at September 30 and 16,209,663 issued and outstanding at December 31 (see Note 1)	2,503,878	320,384
Additional paid in capital	4,232,272	(2,211,698)
Accumulated deficit	(6,088,144)	(6,203,194)
Total shareholders' equity (deficit)	648,006	(8,094,508)
Total liabilities and shareholders' equity (deficit)	\$ 2,787,253	\$ 263,453

See accompanying notes to unaudited consolidated financial statements.

Insignia Solutions plc
Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
	2008	2007	2008	2007
Net revenues	\$ 3,623,771	\$ 2,789,314	\$ 8,858,418	\$ 7,927,923
Cost of goods sold	2,513,754	1,999,457	6,222,344	5,600,730
Gross profit	1,110,017	789,857	2,636,074	2,327,193
Operating expenses:				
Sales and marketing	713,281	447,674	1,755,182	1,364,890
General and administrative	733,842	465,884	1,705,395	1,658,290
Total operating expenses	1,447,123	913,558	3,460,577	3,023,180
Operating loss	(337,106)	(123,701)	(824,503)	(695,987)
Other income (expense):				
Interest expense	(2,641)	(302,917)	(176,874)	(737,453)
Gain on debt conversion	-	-	1,113,849	-
Mark to market gains (losses) on liability for unauthorized shares	-		(179,896)	
Advertising revenue and other	85,941	30,657	182,474	69,557
Total other income (expense)	83,299	(272,260)	939,553	(667,896)
Net income (loss)	\$ (253,807)	\$ (395,961)	\$ 115,050	\$ (1,363,883)
Net income (loss) per share:				
Basic	\$ -	\$ (0.02)	\$ -	\$ (0.08)
Diluted	\$ -	\$ (0.02)	\$ -	\$ (0.08)
Weighted average common shares outstanding				
Basic	126,682,430	16,209,663	56,125,006	16,209,663
Diluted	132,383,397	16,209,663	58,442,324	16,209,663

See accompanying notes to unaudited consolidated financial statements.

Insignia Solutions plc
Consolidated Statement of Shareholders' Equity (Deficit)
(unaudited)

	Ordinary Shares	Ordinary Shares Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance at December 31, 2007	16,209,663	\$ 320,384	\$ (2,211,698)	\$ (6,203,194)	\$ (8,094,508)
Net income	-	-	-	115,050	115,050
Shares issued in connection with debt conversion	51,855,761	1,024,929	4,117,268	-	5,142,197
Recapitalization from reverse merger - shares retained by Insignia's shareholders	50,934,080	1,006,712	1,763,078	-	2,769,790
Shares issued for cash, net of offering costs of \$80,000	6,146,341	121,482	348,518	-	470,000
Shares issued as satisfaction of shareholder advance	1,536,585	30,371	419,629	-	450,000
Amortization of stock based compensation awards	-	-	137,066	-	137,066
Reclassification for liability associated with unauthorized, unissued shares	-	-	(341,589)	-	(341,589)
Balance at September 30, 2008	126,682,430	\$ 2,503,878	\$ 4,232,272	\$ (6,088,144)	\$ 648,006

See accompanying notes to unaudited consolidated financial statements.

Insignia Solutions plc
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 115,050	\$ (1,363,883)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Interest paid-in-kind	-	140,973
Gain on debt conversion	(1,113,849)	-
Mark to market gains /losses on liability for unauthorized shares	179,896	-
Depreciation and amortization	30,859	39,269
Amortization of debt discount	12,480	19,132
Bad debt expense	5,578	42,901
Stock-based compensation	137,066	45,576
Stock options issued for interest expense	-	102,694
Changes in assets and liabilities:		
Accounts receivable	(17,621)	(58,812)
Inventory	-	124,630
Prepaid and other current assets	(47,125)	7,830
Deposits and other assets	19,496	7,250
Accounts payable	(173,695)	(399,921)
Accrued expenses	(9,569)	(83,804)
Accrued interest	44,168	348,987
Deferred revenue	10,867	43,276
Other liabilities	3,140	9,895
Net cash used in operating activities	(803,259)	(974,007)
Cash flows from investing activities:		
Cash acquired in connection with reverse merger, net of acquisition costs	3,133,692	-
Purchases of equipment	(76,674)	(20,545)
Net cash provided by investing activities	3,057,018	(20,545)
Cash flows from financing activities:		
Proceeds from equity issuance, net of offering costs	470,000	-
Advances on line of credit	-	56,580
Proceeds from issuance of debt	517,500	997,528
Repayments of long-term debt	(865,000)	(250,000)
Net cash provided by financing activities	122,500	804,108
Change in cash and cash equivalents	2,376,259	(190,444)
Cash and cash equivalents, beginning of period	18,265	202,668
Cash and cash equivalents, end of period	\$ 2,394,524	\$ 12,224

Supplemental cash flow disclosures:

Noncash financing and investing activities -

conversion of convertible debt and other notes payable to equity	\$	6,256,046	\$	-
Conversion of advance to equity	\$	450,000	\$	-
Net noncash liabilities assumed in reverse merger	\$	(363,903)	\$	-
Cash paid for interest	\$	120,250	\$	125,667

See accompanying notes to unaudited consolidated financial statements.

Note 1: Background and Basis of Presentation

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”). These transactions consisted of the following:

- DollarDays formed a wholly owned Delaware corporation DollarDays International, Inc. (“DDI Inc.”) and contributed all its assets and liabilities in exchange for 100% of the stock of DDI Inc.
- DDI Inc. merged with Joede, Inc., a Delaware corporation and a wholly-owned subsidiary of Insignia, whereby DDI Inc. was the surviving corporation and a wholly-owned subsidiary of Insignia and Insignia agreed to issue 73,333,333 American Depositary Receipts (“ADRs”), which are common stock equivalents of Insignia in exchange for all of the outstanding common stock of DDI Inc.
- The combined entity was to issue an aggregate of 7,682,926 ADRs to a new investor in exchange for cash of \$550,000 and the conversion of note payable of \$450,000.

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 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. See Note 3 for a complete description of these transactions.

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 indicated in Note 3, 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.

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.

Note 3: Business Combinations

On June 23, 2008, Insignia and its wholly-owned subsidiary, Joede, Inc., a Delaware corporation (“Joede”), entered into an agreement and plan of merger (the “Merger Agreement”) with DDI Inc and all of the stockholders of DollarDays (the “DollarDays Stockholders”), whereby Joede was merged with and into DollarDays, with DollarDays being the surviving entity.

Pursuant to the Merger, Insignia acquired all of the issued and outstanding capital stock of DDI Inc. (the “DollarDays Capital Stock”). In exchange for all of the DollarDays Capital Stock, Insignia was required to: (1) issue 73,333,333 American Depositary Shares (“ADSs”), as evidenced by American Depositary Receipts (“ADRs”), of Insignia to DollarDays’ Stockholders, with each ADS representing one ordinary share of Insignia, (2) issue a warrant for 8,551,450 ADSs at a price of \$0.01 per ADS to Peter Engel, the chief executive officer of DDI Inc. , (3) issue a warrant for 3,603,876 ADSs at a price of \$0.13 per ADS to a financial advisor to DDI Inc. , and (4) issue options to purchase 7,360,533 ADSs, in replacement of outstanding DDI Inc. options. In addition, Insignia agreed to issue 7,682,926 ADSs at a price of \$0.13 to an investor in DollarDays (“Amorim”) in repayment of a note of \$450,000 and for cash of \$550,000. Also, the Company intends to issue warrants to purchase 570,962 shares at an exercise price of \$0.12 per share to an investment bank for merger related services.

As a result of Insignia not having enough authorized capital to issue all of the consideration due pursuant to the Merger Agreement, as a closing condition to the Merger Agreement, Insignia was required to (1) issue 46,978,375 ADSs to DollarDays’ Stockholders at the time of the closing of the Merger, (2) issue 4,921,791 ADSs to Amorin and (3) take all necessary actions, including obtaining stockholder approval as may be necessary, to authorize and deliver the remaining consideration due under the terms of the Merger Agreement.

As of the date of this Report on Form 10-Q, Insignia has issued 44,695,981 ADSs to DollarDays Stockholders and 5,596,984 ADSs to Amorim, representing approximately 49.7% of the issued and outstanding ordinary shares of Insignia. Insignia intends to propose to stockholders, 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 Agreement. On November 12, 2008, our Board of Directors approved an increase of the authorized capital from 110,000,000 ordinary shares to 300,000,000 ordinary shares, which it intends to submit for stockholder approval. Assuming the increased authorized share capital is approved and the remaining Merger consideration is issued, the DollarDays Stockholders will own approximately 63% of the issued and outstanding ordinary shares of Insignia.

As the total number of ordinary shares to be issued, 126,682,430, exceeds the currently authorized number of ordinary shares, the Company recognized a liability of \$521,485 at September 30, 2008 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 September 30, 2008 and a corresponding loss of \$179,896 has been recognized due to the changes in the fair value of the liability during the nine months ended September 30, 2008.

In connection with accounting for the Merger as a reverse merger whereby DDI Inc is the accounting acquirer resulting in a recapitalization of DDI Inc. equity, the Company has retroactively recast all equity and per share amounts for periods prior to the Merger to reflect DDI Inc. shares of 16,209,663 and Insignia shares of 50,943,080. The Insignia shares were recast at a value of \$2,769,790.

Note 4: Net Income (Loss) Per Share

Basic income (loss) per share is computed based on the weighted average number of common shares outstanding and excludes any potential dilution. Diluted per share reflect potential dilution from the exercise or conversion of securities into common stock. The effects of certain stock options and warrants are excluded from the determination of the weighted average common shares outstanding for diluted income per share in each of the periods presented as the effects were antidilutive or the exercise price for the outstanding options exceeded the average market price for the Company’s common stock. The following table includes the stock options and warrants that are dilutive for each of the periods presented and are therefore included in the Company’s diluted earnings per share calculation.

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2007	
Net income (loss)	\$	(253,807)	\$	(395,961)
			\$	115,050
			\$	(1,363,883)
Basic weighted average common shares outstanding		126,682,430		16,209,663
				56,125,006
				16,209,663
Add incremental shares for:				
Stock options		-		-
Warrants		5,700,967		-
				2,317,318
Diluted weighted average common shares outstanding		132,383,397		16,209,663
				58,442,324
				16,209,663
Net income per share:				
Basic	\$	-	\$	(0.02)
			\$	-
			\$	(0.08)
Diluted	\$	-	\$	(0.02)
			\$	-
			\$	(0.08)

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, 2007	7,360,533	\$ 0.22	
Grants	2,778,376	0.90	
Forfeitures	(4,019,818)	0.67	
Exercises	-	-	
Outstanding at September 30, 2008	6,119,091	\$ 0.23	3.1
Exerciseable at September 30, 2008	6,119,091	\$ 0.23	3.1

The 7,360,533 options outstanding at December 31, 2007 represents the replacement options granted to existing option holders of DDI Inc. as set forth in the Merger Agreement.

The grants set forth in the table above represent the existing pre-Merger outstanding options of Insignia that are reflected as grants beginning with the date of the Merger. As these represent existing outstanding awards for which the requisite service period has already been rendered, no compensation expense has been recorded during the nine months ended September 30, 2008.

The options have no intrinsic value as of September 30, 2008.

The following table sets forth exercise prices of outstanding options at September 30, 2008:

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Exercise Price	Number of Options
\$0.09 - \$0.20	3,914,244
\$0.21 - \$0.40	1,647,951
\$0.41 - \$0.70	517,146
\$0.71 - \$1.00	10,000
> \$1.00	29,750

Note 6: Warrants

The following table summarizes the Company's warrant activity:

	Number of Units	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)
Outstanding at December 31, 2007	-	\$ -	-
Grants	17,074,499	0.15	
Forfeitures	-	-	
Exercises	-	-	
Outstanding at September 30, 2008	17,074,499	\$ 0.15	4.0
Exerciseable at September 30, 2008	17,074,499	\$ 0.15	4.0

Grants for the nine months ended September 30, 2008 include the following:

- Warrants to purchase 4,348,211 shares that represent existing pre-Merger outstanding warrants that are reflected as grants as of the date of Merger. As these represent existing outstanding awards for which the requisite service period has already been rendered, no compensation expense has been recorded during the nine months ended September 30, 2008.
- Warrants to purchase 8,551,450 shares at an exercise price of \$0.01 per share that were granted to the Company's Chairman in connection with Merger related services. All warrants were fully vested at the date of grant. The Company recorded stock based compensation expense of \$115,445 during the nine months ended September 30, 2008 associated with this award based on the following assumptions used in the Black Scholes model:
 - o Stock price: \$0.02
 - o Volatility: 58%
 - o Expected life: 5 years
 - o Risk free rate: 3.5%
- Warrants to purchase 3,603,876 shares at an exercise price of \$0.13 per share that were granted to an investment bank for Merger related services. As these amounts were consideration associated with the recapitalization, they were recorded as part of the recapitalization accounting and no expense was recognized during the three or nine months ended September 30, 2008.

- Warrants to purchase 570,962 shares at an exercise price of \$0.12 per share that were granted to an investment bank for Merger related services. As these amounts were consideration associated with the recapitalization, they were recorded as part of the recapitalization accounting and no expense was recognized during the three or nine months ended September 30, 2008.

All warrants granted during the nine months ended September 30, 2008 are immediately vested. All pre-Merger outstanding warrants expire between February 2010 and December 2010, and the warrants granted for Merger related services expire on June 23, 2013.

The warrants had an intrinsic value of \$171,029 at September 30, 2008.

Note 7: Debt Conversion

During the nine months ended September 30, 2008 certain noteholders of the Company converted their principal and accrued interest to ordinary shares of the Company. The conversion of debt to equity resulted in a conversion of \$6,256,046 debt to 51,855,761 of ordinary shares of the Company. The Company also recognized a gain of \$1,113,849 related to the conversion of debt to equity from non-related parties.

Note 8: Subsequent Events

On February 25, 2009, the Company's Board of Directors approved the grant of an aggregate of 14,756,360 shares of restricted stock vesting as follows:

- Twenty percent at the date of grant
- Twenty percent on the first anniversary of the date of grant conditional upon the achievement of a closing price not less than \$0.06 and daily volume of 50,000 shares for 25 days of the 30 day period immediately prior to the anniversary date
- Thirty percent on the second anniversary of the date of grant conditional upon the achievement of a closing price not less than \$0.10 and daily volume of 50,000 shares for 25 days of the 30 day period immediately prior to the anniversary date
- Thirty percent on the third anniversary of the date of grant conditional upon the achievement of a closing price not less than \$0.15 and daily volume of 50,000 shares for 25 days of the 30 day period immediately prior to the anniversary date

As the Company did not have available authorized shares available for the grant of restricted stock, the Company will issue the shares at a future date when shares are available.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis provides information that management believes is relevant for an assessment and understanding of our results of operations and financial condition. The following selected financial information is derived from our historical financial statements and should be read in conjunction with such financial statements and notes thereto set forth elsewhere herein and the "Forward-Looking Statements" explanation included herein. This information should also be read in conjunction with our audited historical consolidated financial statements which are included in our Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission on December 23, 2008..

Overview

We provide general merchandise for resale to smaller, independent businesses through our Internet website at www.DollarDays.com, and have been recognized as a leader in the Internet wholesale market of discount brand name merchandise by a leading business periodical and trade associations. Our objective is to provide a one-stop discount shopping destination for general merchandise for distributors, retailers and non-profits nationwide seeking case-sized lots at bulk pricing. We launched our first website through which customers could purchase products in October 2001. The site offers customers an opportunity to shop for bargains conveniently, while offering our suppliers an alternative sales channel. We believe our website offers a unique benefit to smaller businesses in that they are able to purchase goods from wholesalers and importers in single discounted case lots, with no minimum purchase requirements. We believe the prevailing reason our business has been able to obtain bulk pricing for single case lots is our sales channel and ability to reach smaller distributors, retailers and non-profits that most general merchandise suppliers cannot economically reach. We provide all the logistics and customer support to serve this sales channel and are responsible for growing our customer base.

We continually add new, limited inventory products to our website in order to create an atmosphere that encourages customers to visit frequently and purchase products before the inventory sells out. Through our Internet catalog, we offer approximately 25,000 products, including up to 10,000 closeout items at further discounted prices. Closeout merchandise is typically available in inconsistent quantities and prices.

We accept orders, either online or via telephone sales staff, collect payment in the form of credit or debit card, PayPal or similar means, and coordinate with manufacturers, importers and close-out specialists regarding delivery particulars. PayPal refers to the online payment platform located at www.paypal.com and its localized counterparts. Our proprietary software and service procedures allow us to sell merchandise to a single customer, and bill as a single order, items purchased and delivered from multiple suppliers. We do not take possession of inventory, but we are responsible for processing customer claims and returns.

Our website has a registered base of approximately 1,250,000 small businesses and receives approximately 2 million monthly page views. We receive an average of approximately 3,000 orders per month. Our target audience, typically smaller businesses, accounts for approximately 20% of overall US retail market.

Our historical success has resulted largely from the size of our community of active users. We had approximately 29,000 active users at the end of 2007, compared to approximately 26,000 users at the end of 2006. We define an active user as any user who bought or sold an item during the most recent 12-month period. We believe our sales and marketing efforts make inefficient markets more efficient because:

- Our website includes more than 25,000 items on any given day and makes available to our users a wide variety of goods; and
- We bring buyers and sellers together for lower costs than traditional intermediaries.

We have had increased success throughout the years attracting repeat customers. In 2006, approximately 27% of our sales volume was purchased by individuals who purchased through our website four times or more. In 2007 and 2008, the sales volume of individuals who purchased through our website four times or more increased to 31% and 40%, respectively.

Reverse Merger with Insignia Solutions plc

On June 23, 2008, we entered into a series of transactions to effect a reverse merger with Insignia (the “Merger”). These transactions consisted of the following:

- We formed a wholly owned Delaware corporation DollarDays International, Inc. (“DDI Inc.”) and contributed all our assets and liabilities in exchange for 100% of the stock of DDI Inc.
- DDI Inc. merged with Joede, Inc., a Delaware corporation and a wholly-owned subsidiary of Insignia, whereby DDI Inc. was the surviving corporation and a wholly-owned subsidiary of Insignia and Insignia agreed to issue 73,333,333 American Depositary Receipts (“ADRs”), which are common stock equivalents of Insignia in exchange for all of the outstanding common stock of DDI Inc.
- The combined entity was to issue an aggregate of 7,682,926 ADRs to Amorim in exchange for cash of \$550,000 and the conversion of note payable of \$450,000.

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 Amorin 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 Agreement.

As a result of Insignia not having enough authorized capital to issue all of the consideration due pursuant to the Merger Agreement, as a closing condition to the Merger Agreement, Insignia was required to (1) issue 46,978,375 ADSs to DollarDays’ Stockholders at the time of the closing of the Merger, (2) issue 4,921,791 ADSs to Amorin and (3) take all necessary actions, including obtaining stockholder approval as may be necessary, to authorize and deliver the remaining consideration due under the terms of the Merger Agreement.

As of the date of this Report on Form 10-Q, Insignia has issued 44,695,981 ADSs to DollarDays Stockholders and 5,596,984 ADSs to Amorim, representing approximately 49.7% of the issued and outstanding ordinary shares of Insignia. Insignia intends to propose to stockholders, for their approval, 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 Agreement. On November 12, 2008, our Board of Directors approved an increase of the authorized capital from 110,000,000 ordinary shares to 300,000,000 ordinary shares, which it intends to submit for stockholder approval. Assuming the increased authorized share capital is approved and the remaining Merger consideration is issued, the DollarDays Stockholders will own approximately 63% of the issued and outstanding ordinary shares of Insignia.

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.

Results of Operations

Net Revenues

Net revenues	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	3,623,771	2,789,314	834,457	29.9%
Nine months ended September 30,	8,858,418	7,927,923	930,495	11.7%

Net revenues increased during the three and nine months ended September 30, 2008 as compared to the three and nine months ended September 30, 2007, as a result of increased marketing efforts, more favorable vendor pricing and

improved economic conditions. The Company increased marketing in several different areas including pay-per-click, search optimization and shipping incentives. Factors that influence future revenue growth include general economic conditions, our ability to attract vendors that offer compelling products and the impact of our marketing activities.

Cost of Goods Sold

Cost of goods sold	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	2,513,754	1,999,457	514,297	25.7%
Nine months ended September 30,	6,222,344	5,600,730	621,614	11.1%

Cost of goods sold increased during the three and nine months ended September 30, 2008 as compared to the three and nine months ended September 30, 2007 due primarily to increased revenues generated by the Company.

Factors which may influence the cost of goods sold include our general sales volumes, negotiated terms with vendors and general economic conditions.

Sales and Marketing

Sales and marketing	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	713,281	447,674	265,607	59.3%
Nine months ended September 30,	1,755,182	1,364,890	390,292	28.6%

Sales and marketing expenses include fees for attracting users to our site, including search engine optimization, telemarketing and other marketing efforts as well as promotional activities to increase sales by end users. Sales and marketing expenses increased in the three and nine months ended September 30, 2008 as compared to the three and nine months ended September 30, 2007 due to increased efforts to generate revenues through increased pay-per-click advertising, increased search optimization fees and greater shipping promotions.

Factors influencing sales and marketing expenses include strategic decisions with respect to the cost-effectiveness of each of our marketing activities.

General and Administrative

General and administrative	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	733,842	465,884	267,958	57.5%
Nine months ended September 30,	1,705,395	1,658,290	47,105	2.8%

General and administrative expenses increased in the three and nine months ended September 30, 2008 as compared to the three months and nine months ended September 30, 2007 based on the following:

- Transaction costs incurred related to the merger between Insignia Solutions and DollarDays. These costs include legal fees, consulting fees, severance costs and other professional fees and totaled approximately \$313,000 and \$606,000 for the three and nine months ended September 30, 2008.
- An increase in stock based compensation expense

Factors that influence the amount of general and administrative expenses include the amount and extent by which we compensate our consultants, executives and directors with stock-based or other compensation, the rate of growth of our business and the extent to which we outsource or bring certain activities in-house.

Interest Expense

Interest expense	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	(2,641)	(302,917)	300,276	-99.1%
Nine months ended September 30,	(176,874)	(737,453)	560,579	-76.0%

Interest expense represents interest incurred on our convertible notes and other notes payable. In June 2008, our debtholders agreed to convert all but \$600,000 of our outstanding debt into shares of common stock in connection with Merger. As part of this transaction, the participating debtholders agreed to waive interest incurred after February 29, 2008.

Advertising Revenue and Other

Advertising revenue and other	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	85,941	30,657	55,283	180.3%
Nine months ended September 30,	182,474	69,557	112,916	162.3%

Advertising revenue and other increased during the three and nine months ended September 30, 2008 as compared to the three and nine months ended September 30, 2007 as the Company increased its promotion and sale of banner and other website advertising on its site.

Net Income (Loss)

Net income (loss)	2008	2007	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	(253,807)	(395,961)	142,154	35.9%
Nine months ended September 30,	115,050	(1,363,883)	1,478,932	108.4%

The Company recognized net income during the nine months ended September 30, 2008 as compared to a net loss the three and nine months ended September 30, 2007 due primarily to a gain of \$1,113,849 recognized related to the Company's debt conversion.

Liquidity and Capital Resources

Our operating cash outflows were \$803,259 for the nine months ended September 30, 2008, as compared to \$974,007 for the nine months ended September 30, 2007, a decrease of \$170,748. Our operating cash flows improved as gains in operating efficiencies were realized.

Investing cash inflows for the nine months ended September 30, 2008 consisted of \$3,133,692 of cash acquired in connection with our reverse merger with Insignia Solutions plc, net of acquisition costs of approximately \$308,000, partially offset by \$76,674 of investments in additional equipment to support our business operations. We had investments of \$20,545 in additional equipment in the nine months ended September 30, 2007.

Financing cash inflows were \$122,500 for the nine months ended September 30, 2008 as compared to \$804,108 for the nine months ended September 30, 2007. Financing cash inflows in the nine months ended September 30, 2008 consisted of \$470,000 of proceeds from equity issuances (net of offering costs of \$80,000) and \$517,500 of proceeds from the issuance of long term debt, offset by \$865,000 of repayments of long term debt. Financing cash flows in the nine months ended September 30, 2007 consisted of proceeds from the issuance of long term debt and advances on our line of credit offset by repayments of long-term debt.

Our financial statements have been prepared assuming we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have a recent history of operating losses and operating cash outflows. These factors raise substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Off-balance sheet arrangements

We did not have any off-balance sheet arrangements at September 30, 2008.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007) “Business Combinations” (“SFAS 141R”). SFAS 141R establishes the requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS 141R requires acquisition costs be expensed instead of capitalized as is required currently under SFAS 141 and also establishes disclosure requirements for business combinations. SFAS 141R applies to business combinations for which the acquisition date is on or after fiscal years beginning on or after December 15, 2008 and, as such, SFAS 141R is effective beginning in the Company’s fiscal year 2009. We are still evaluating the potential impact on our consolidated financial statements upon adoption of SFAS 141R.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. In February 2008, the FASB issued FASB Staff Position 157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13.” (“FSP 157-1”). FSP 157-1 amends SFAS 157 to exclude leasing transactions accounted for under SFAS 13 and related guidance from the scope of SFAS 157. In February 2008, the FASB issued FASB Staff Position 157-2 (“FSP 157-2”), “Effective Date of FASB Statement 157,” which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed as fair value in the financial statements on a recurring basis (at least annually). SFAS 157 is effective for fiscal year 2009, however, FSP 157-2 delays the effective date for certain items to fiscal year 2010. We are evaluating the potential impact on our consolidated financial statements upon adoption of SFAS 157.

In February 2006, the FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments — an Amendment of FASB Statements No. 133 and 140” (“SFAS 155”). SFAS 155 allows financial instruments that contain an embedded derivative and that otherwise would require bifurcation to be accounted for as a whole on a fair value basis, at the holders’ election. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. SFAS 155 was effective beginning with our 2007 fiscal year. The adoption of SFAS 155 did not have a material effect on our consolidated financial statements.

Item 4T. Controls and Procedures.

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. These controls were not effective based on the following factors:

- We have recently merged with an entity that maintains accounts in foreign countries with which we are unfamiliar in doing business
- Because of our small size and limited financial resources, we have limited finance staff, who are not likely to be able to maintain a comprehensive knowledge of all relevant elements of changing reporting and accounting requirements, and who may not provide adequate resources in all circumstances to manage the complex accounting of a software company with operations in several countries.
- We have had to rely on contract consulting staff who are less likely to remain with us over the long term.
- Our accounting system and related infrastructure was acquired or built to handle the finances of a company significantly larger than we are currently, and any turnover in our finance staff may lead us to lose the ability to operate the system effectively.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures of our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

We began remediation efforts in 2009 to address deficiencies in our disclosure controls and procedures. We expect most deficiencies to be corrected during 2009.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in our internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ending September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As of the date of this report, the Company is not currently involved in any legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Pursuant to the Merger, Insignia acquired all of the DollarDays Capital Stock. In exchange for all of the DollarDays Capital Stock, Insignia was required to: (1) issue 73,333,333 ADSs, evidenced by ADRs, to DollarDays' Stockholders, with each ADS representing one ordinary share of Insignia, (2) issue a warrant for 8,551,450 ADSs at a price of \$0.01 per ADS to Peter Engel, the chief executive officer of DollarDays, (3) issue a warrant for 3,603,876 ADSs at a price of \$0.13 per ADS to a financial advisor to DollarDays, and (4) issue options to purchase 7,360,533 ADSs, in replacement of outstanding DollarDays options. In addition, Insignia agreed to issue 7,682,926 ADSs at a price of \$0.13 to Amorim in repayment of a note. Also, the Company will issue warrants to purchase 570,962 shares at an exercise price of \$0.12 per share to an investment bank for merger related services.

As a result of Insignia not having enough authorized capital to issue all of the consideration due pursuant to the Merger Agreement, as a closing condition to the Merger Agreement, Insignia was required to (1) issue 46,978,375 ADSs to DollarDays' Stockholders at the time of the closing of the Merger, (2) issue 4,921,791 ADSs to Amorim and (3) take all necessary actions, including obtaining stockholder approval as may be necessary, to authorize and deliver the remaining consideration due under the terms of the Merger Agreement.

As of the date of this Report on Form 10-Q, Insignia has issued 44,695,981 ADSs to DollarDays Stockholders and 5,596,984 ADSs to Amorim, representing approximately 49.7% of the issued ordinary shares of Insignia.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

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Item 6. Exhibits.

Exhibit Number	Description	By Reference from Document
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934	*
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934	*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INSIGNIA SOLUTIONS PLC

By: /s/ Peter Engel
Peter Engel
President, Chairman and Chief Executive
Officer
(Principal Executive Officer)

By: /s/ Michael Moore
Michael Moore
Chief Financial Officer
(Principal Financial Officer)