

INSIGNIA SOLUTIONS PLC  
Form 10-Q  
October 28, 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, 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

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(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)

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(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 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 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 the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 129,254,116 ordinary shares as of October 26, 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 included in our Annual Report on Form 10-K for the year ended December 31, 2008.

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 are not historical facts but 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)

	September 30, 2009	December 31, 2008
<b>Assets</b>		
Cash and cash equivalents	\$ 259,748	\$ 20,836
Certificates of deposit	1,130,000	2,118,933
Accounts receivable, net	104,006	75,457
Prepaid expenses and other current assets	209,196	78,723
<b>Total current assets</b>	<b>1,702,950</b>	<b>2,293,949</b>
Property and equipment, net	227,171	160,641
Deposits and other assets	23,899	33,899
<b>Total assets</b>	<b>\$ 1,954,020</b>	<b>\$ 2,488,489</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 1,333,993	\$ 1,176,170
Accrued expenses	250,953	771,407
Deferred revenue	18,856	15,617
Liability for unauthorized, unissued shares	-	134,252
Other liabilities	5,699	4,652
<b>Total current liabilities</b>	<b>1,609,501</b>	<b>2,102,098</b>
<b>Shareholders' equity:</b>		
Ordinary shares, 1 pence par value, 300,000,000 shares authorized, 129,254,116 shares outstanding at September 30, 2009 and 126,682,430 to be issued and outstanding at December 31, 2008 (see Note 1)	2,539,175	2,503,878
Additional paid in capital	4,044,775	3,982,711
Accumulated deficit	(6,239,431)	(6,100,198)
<b>Total shareholders' equity</b>	<b>344,519</b>	<b>386,391</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,954,020</b>	<b>\$ 2,488,489</b>

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
	2009	2008	2009	2008
Net revenues	\$ 3,551,417	\$ 3,623,771	\$ 9,266,244	\$ 8,858,418
Cost of goods sold	2,359,939	2,513,754	6,143,135	6,222,344
Gross profit	1,191,478	1,110,017	3,123,109	2,636,074
Operating expenses:				
Sales and marketing	740,343	713,281	2,006,430	1,755,182
General and administrative	499,352	733,842	1,458,016	1,705,395
Total operating expenses	1,239,695	1,447,123	3,464,446	3,460,577
Operating loss	(48,217)	(337,106)	(341,337)	(824,503)
Other income (expense):				
Interest expense	-	(2,641)	(4,500)	(176,874)
Gain on debt conversion	-	-	-	1,113,849
Mark to market gains on liability for unauthorized shares	-	-	3,036	(179,896)
Advertising revenue and other	60,678	85,941	203,568	182,474
Total other income (expense)	60,678	83,299	202,104	939,553
Net income (loss)	\$ 12,461	\$ (253,807)	\$ (139,233)	\$ 115,050
Net income (loss) per share:				
Basic	\$ -	\$ -	\$ -	\$ -
Diluted	\$ -	\$ -	\$ -	\$ -
Weighted average common shares outstanding				
Basic	129,254,116	126,682,430	128,773,865	56,125,006
Diluted	134,955,083	126,682,430	128,773,865	58,442,324

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	\$ (139,233)	\$ 115,050
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on debt conversion	-	(1,113,849)
Mark to market gains /losses on liability for unauthorized shares	(3,036)	179,896
Depreciation and amortization	39,659	30,859
Amortization of debt discount	-	12,480
Bad debt expense	981	5,578
Stock-based compensation	31,357	137,066
Changes in assets and liabilities:		
Accounts receivable	(29,530)	(17,621)
Prepaid and other current assets	(130,473)	(47,125)
Deposits and other assets	10,000	19,496
Accounts payable	157,823	(173,695)
Accrued expenses	(520,454)	(9,569)
Accrued interest	-	44,168
Deferred revenue	3,239	10,867
Other liabilities	1,047	3,140
Net cash used in operating activities	(578,620)	(803,259)
Cash flows from investing activities:		
Cash acquired in connection with reverse merger, net of acquisition costs	-	3,133,692
Maturities of certificates of deposits	988,933	-
Purchases of equipment	(106,189)	(76,674)
Net cash provided by investing activities	882,744	3,057,018
Cash flows from financing activities:		
Proceeds from equity issuance, net of offering costs	-	470,000
Proceeds from line of credit	150,000	-
Payments on line of credit	(150,000)	-
Proceeds from issuance of long-term debt	-	517,500
Repayments of debt	-	(865,000)
Shares repurchased from converted debtholders	(65,212)	-
Net cash (used in) provided by financing activities	(65,212)	122,500
Change in cash and cash equivalents	238,912	2,376,259
Cash and cash equivalents, beginning of period	20,836	18,265
Cash and cash equivalents, end of period	\$ 259,748	\$ 2,394,524
Supplemental cash flow disclosures:		

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Noncash financing and investing activities - conversion of convertible debt and other notes payable to equity	\$	-	\$	6,256,046
Conversion of shareholder advance to equity	\$	-	\$	450,000
Net noncash liabilities assumed in reverse merger	\$	-	\$	(363,903)
Reclassification for liability associated with unauthorized, unissued shares to be issued	\$	(24,717)	\$	-
Reclassification for liability associated with unauthorized, unissued shares issued	\$	155,933	\$	-
Cash paid for interest	\$	4,500	\$	120,250

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”). 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.

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](http://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 consolidated 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.

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 and nine months ended September 30, 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: Line of Credit

The Company has a \$150,000 revolving line of credit with a financial institution and during the nine months ended September 30, 2009, the Company repaid all borrowed amounts under the terms thereof. At September 30, 2009, the balance outstanding on the line of credit was \$0. Interest payments are due monthly at an annual rate of 6%. The line of credit has no stated maturity date.

Note 4: Common Stock

At the Company's most recent Annual General Meeting shareholders approved a resolution to increase the authorized capital of the Company so that Insignia can fulfill its obligations to issue the remaining consideration under the terms of the Merger and as of September 30, 2009 the Company has fulfilled its obligations. During the three months ended September 30, 2009 the Company issued 18,743,731 ADSs to DollarDays Stockholders and Amorim. As of September 30, 2009, Insignia has issued 61,353,770 American Depositary Shares ("ADS") to DollarDays Stockholders and 7,682,926 ADSs to Amorim.

The Company previously recognized a liability for the total number of ordinary shares to be issued in excess of authorized number of ordinary shares. As shareholders approved a resolution to increase the authorized capital of the Company, the Company no longer recognizes a liability for such shares and this amount was reclassified to additional paid-in capital in the accompanying balance sheet. The Company has recognized a gain of \$3,036 due to the changes in the fair value of the liability during the nine months ended September 30, 2009, the date at which the liability was reclassified.

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	(360,453)	0.23	
Exercises	-	-	
Outstanding at September 30, 2009	5,749,262	\$ 0.23	2.3
Exerciseable at September 30, 2009	5,749,262	\$ 0.23	2.3

The options have no intrinsic value as of September 30, 2009.

The following table sets forth exercise prices of outstanding options at September 30, 2009:

Exercise Price	Number of Shares
\$0.09 - \$0.20	3,850,739
\$0.21 - \$0.40	1,353,503
\$0.41 - \$0.70	507,770
\$0.71 - \$1.00	10,000
> \$1.00	27,250

#### Note 6: Restricted Stock

On February 25, 2009, the Company's Board of Directors approved the grant of an aggregate of 14,756,360 shares of restricted stock with a fair value of \$47,220 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; and
- 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.

At September 30, 2009 the Company included 2,951,272 shares as outstanding in connection with the grants described above and recognized stock based compensation of \$3,320 and \$31,357 for the three and nine months ended September 30, 2009, respectively, based on the vesting schedule and requisite service period.



## Note 7: Recently Adopted Accounting Pronouncements

In May 2009, the FASB amended ASC 855, "Subsequent Events" which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The changes to ASC 855 were effective for fiscal periods ending after June 15, 2009. The adoption of the changes in ASC 855 did not have a material effect on our consolidated financial statements.

## Note 8: 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, 2009		Nine Months Ended September 30, 2008	
Net income (loss)	\$	12,461	\$	(253,807)
			\$	(139,233)
			\$	115,050
Basic weighted average common shares outstanding		129,254,116		126,682,430
				128,773,865
				56,125,006
Add incremental shares for:				
Stock options		-		-
Warrants		5,700,967		-
				2,317,318
Diluted weighted average common shares outstanding		134,955,083		126,682,430
				128,773,865
				58,442,324
Net income (loss) per share:				
Basic	\$	-	\$	-
			\$	-
			\$	-
Diluted	\$	-	\$	-
			\$	-
			\$	-

## Note 9: Subsequent Events

The Company has evaluated subsequent events through October 27, 2009 which is the date the financial statements were issued. There are no significant subsequent events.

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 Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on March 31, 2009.

Overview

We develop software programs that allow us to provide general merchandise for resale to businesses through our website at [www.DollarDays.com](http://www.DollarDays.com). We have been recognized as a leader in the Internet wholesale market of discounted merchandise by a leading business periodical and trade associations. Our objective is to provide a one-stop discount shopping destination for general merchandise to smaller distributors, retailers and non-profits nationwide seeking single and small case-sized lots at bulk prices. We launched our first website 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 and small case lots, with no minimum purchase requirements at discounted prices. We believe the prevailing reason our business has been able to obtain bulk pricing for single case lots is our 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 grow 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](http://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 is smaller businesses.

Our historical success has resulted largely from the size of our community of active users. We had approximately 21,000 unique customers place an order with us in 2008 as compared to approximately 22,000 unique customers who placed an order with us in 2007. 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 by attracting repeat customers. In 2007 and 2008, the sales volume of individuals who purchased through our website four times or more increased to 27% and 38%, respectively.



## Reverse Merger with Insignia Solutions plc

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

- DollarDays formed a wholly owned Delaware corporation DollarDays International, Inc. (“DDI Inc.”) and contributed all their 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 ADSs, which are common stock equivalents of Insignia represented by underlying ordinary shares in exchange for all of the outstanding common stock of DDI Inc.
- The combined entity was to issue an aggregate of 7,682,926 ADSs 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.

At the Company’s most recent Annual General Meeting shareholders approved a resolution to increase the authorized capital of the Company so that Insignia can fulfill its obligations to issue the remaining consideration under the terms of the Merger and as of September 30, 2009 the Company has fulfilled its obligations. During the three months ended September 30, 2009 the Company issued 18,743,731 ADSs to DollarDays Stockholders and Amorim. As of September 30, 2009, Insignia has issued 61,353,770 American Depositary Shares (“ADS”) to DollarDays Stockholders and 7,682,926 ADSs to Amorim.

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	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	3,551,417	3,623,771	(72,354)	-2.0%
Nine months ended September 30,	9,266,244	8,858,418	407,826	4.6%

Net revenues decreased during the three months ended September 30, 2009 as compared to the three months ended September 30, 2008 due to a decrease in average order size attributed to continuing overall economic difficulties. Net revenues increased for nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008, as a result of our continuing marketing efforts, increased sales initiatives and resulting organic growth. 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	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	2,359,939	2,513,754	(153,815)	-6.1%
Nine months ended September 30,	6,143,135	6,222,344	(79,209)	-1.3%

Cost of goods sold decreased during the three and nine months ended September 30, 2009 as compared to the three and nine months ended September 30, 2008 due primarily to more favorable vendor pricing and improved product mix.

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	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	740,343	713,281	27,062	3.8%
Nine months ended September 30,	2,006,430	1,755,182	251,248	14.3%

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, 2009 as compared to the three months ended September 30, 2008 due to increased efforts to generate revenues through increased pay-per-click advertising, increased search optimization fees, greater shipping promotions, and increased sales personnel.

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	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	499,352	733,842	(234,490)	-32.0%
Nine months ended September 30,	1,458,016	1,705,395	(247,379)	-14.5%

General and administrative expenses decreased in the three and nine months ended September 30, 2009 as compared to the three and nine months ended September 30, 2008 due primarily to our cost containment initiatives and non-recurring merger related charges incurred in the three months ended September 30, 2008.

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	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	-	(2,641)	2,641	-100.0%
Nine months ended September 30,	(4,500)	(176,874)	172,374	-97.5%

Interest expense represents interest incurred on our convertible notes, notes payable and our line of credit. In June 2008, our debtholders agreed to convert all but \$600,000 of our outstanding debt into shares of common stock in connection with the Merger. The remaining \$600,000 outstanding debt was paid in full as of December 31, 2008. As the Company's outstanding debt has decreased substantially in the three and nine months ended September 30, 2009, we incurred substantially less interest expense during the three and nine months ended September 30, 2009.

## Advertising Revenue and Other

Advertising revenue and other	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	60,678	85,941	(25,263)	-29.4%
Nine months ended September 30,	203,568	182,474	21,094	11.6%

Advertising revenue and other revenue increased during the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008 due to increased interest revenue from short-term investments and increased sales of banner and other website advertising on the Company's site. We noted a decrease during the three months ended September 30, 2009 as compared to the three months ended September 30, 2008 as a result of a decline in the number of advertisers on our site.

## Net Income (Loss)

Net income (loss)	2009	2008	Change from Prior Year	Percent Change from Prior Year
Three months ended September 30,	12,461	(253,807)	266,268	104.9%
Nine months ended September 30,	(139,233)	115,050	(254,283)	221.0%

The Company recognized a net loss during the nine months ended September 30, 2009 as compared to net income for the nine months ended September 30, 2008 due a one-time gain recognized in 2008 related to the Company's debt conversion in June 2008. We recognized net income during the three months ended September 30, 2009 as compared to a net loss during the three months ended September 30, 2008 as a result of improved operating efficiencies, improved margins and fewer merger related costs.

## Liquidity and Capital Resources

Our operating cash outflows were \$578,620 for the nine months ended September 30, 2009, as compared to \$803,259 for the nine months ended September 30, 2008, constituting an decrease of cash used in operation of \$224,639. This is primarily due to increased operating efficiencies and improved margins in the current period.

Investing cash inflows for the nine months ended September 30, 2009 consisted of \$988,933 of cash from the sale of short-term investments, partially offset by \$106,189 of investments in additional equipment to support our business operations. We acquired cash of \$3,133,692 in the reverse merger in June 2008 and had investments of \$76,674 in additional equipment in the nine months ended September 30, 2008.

Financing cash outflows were \$65,212 for the nine months ended September 30, 2009 due to the repurchase of shares from certain debtholders. We had financing inflows of \$122,500 for the nine months ended September 30, 2008 primarily due to debt and equity issuances.

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.

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 such measures will provide it with enough liquidity to operate its current business and continue as a going concern in the short term.

#### Off-balance sheet arrangements

We did not have any off-balance sheet arrangements at September 30, 2009.

#### Recent Accounting Pronouncements

Readers are directed to Part I, Item I, Note 7 for a detailed discussion of the Recently Adopted Accounting Pronouncements that may be necessary for an understanding of the financial statements as a whole.

#### Item 3. Quantitative and Qualitative Disclosure About Market Risk

Not applicable

#### 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.

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

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting 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.

## 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, 2009 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.

None.

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

Pursuant to the Merger, Insignia acquired all of the DDI Inc.'s Capital Stock. In exchange for all of the DollarDays Capital Stock, Insignia was required to: (1) issue 73,333,333 ADSs, evidenced by ADSs, 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.

For the quarter ended March 31, 2009, Insignia issued 50,292,965 ADSs to DollarDays' Stockholders which entitled DollarDays' Stockholders to 50,292,965 ordinary shares of the Company. Such ordinary shares were deposited with the Bank of New York Mellon on March 17, 2009 and were issued to DollarDays' Stockholders on April 23, 2009. The ADSs were issued pursuant to an exemption from registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2).

On February 25, 2009, the Company's Board of Directors approved the grant of an aggregate of 14,756,360 shares of restricted stock to certain officers and directors of the Company as consideration for past and future services performed on behalf of the Company. Such 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; and
- 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.





During July 2009, Insignia issued 18,743,731 ADSs to DollarDays' Stockholders DollarDays' Stockholders to 18,743,731 ordinary shares of the Company. The ADSs were issued pursuant to an exemption from registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2).

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
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

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

