

INSIGNIA SOLUTIONS PLC  
Form 10-Q  
August 07, 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: June 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 ☐

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

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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 August 3, 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)

|                                                                                                                                                                                                   | June 30,<br>2009 | December 31,<br>2008 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------------|
| <b>Assets</b>                                                                                                                                                                                     |                  |                      |
| Cash and cash equivalents                                                                                                                                                                         | \$ 137,757       | \$ 20,836            |
| Certificates of deposit                                                                                                                                                                           | 1,429,810        | 2,118,933            |
| Accounts receivable, net                                                                                                                                                                          | 58,008           | 75,457               |
| Prepaid expenses and other current assets                                                                                                                                                         | 106,358          | 78,723               |
| Total current assets                                                                                                                                                                              | 1,731,933        | 2,293,949            |
| Property and equipment, net                                                                                                                                                                       | 181,558          | 160,641              |
| Deposits and other assets                                                                                                                                                                         | 23,899           | 33,899               |
| Total assets                                                                                                                                                                                      | \$ 1,937,390     | \$ 2,488,489         |
| <b>Liabilities and Shareholders' Equity</b>                                                                                                                                                       |                  |                      |
| Accounts payable                                                                                                                                                                                  | \$ 1,264,143     | \$ 1,176,170         |
| Accrued expenses                                                                                                                                                                                  | 310,794          | 771,407              |
| Deferred revenue                                                                                                                                                                                  | 28,439           | 15,617               |
| Liability for unauthorized, unissued shares                                                                                                                                                       | -                | 134,252              |
| Other liabilities                                                                                                                                                                                 | 5,276            | 4,652                |
| Total current liabilities                                                                                                                                                                         | 1,608,652        | 2,102,098            |
| <b>Shareholders' equity:</b>                                                                                                                                                                      |                  |                      |
| Ordinary shares, 1 pence par value, 300,000,000 shares authorized, 129,254,116 shares outstanding at June 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                                                                                                                                                                        | 4,041,455        | 3,982,711            |
| Accumulated deficit                                                                                                                                                                               | (6,251,892)      | (6,100,198)          |
| Total shareholders' equity                                                                                                                                                                        | 328,738          | 386,391              |
| Total liabilities and shareholders' equity                                                                                                                                                        | \$ 1,937,390     | \$ 2,488,489         |

See accompanying notes to unaudited consolidated financial statements.

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

|                                            | Three Months Ended June 30, |              | Six Months Ended June 30, |              |
|--------------------------------------------|-----------------------------|--------------|---------------------------|--------------|
|                                            | 2009                        | 2008         | 2009                      | 2008         |
| Net revenues                               | \$ 3,140,282                | \$ 2,863,477 | \$ 5,714,827              | \$ 5,234,647 |
| Cost of goods sold                         | 2,082,917                   | 2,035,087    | 3,783,196                 | 3,708,590    |
| Gross profit                               | 1,057,365                   | 828,390      | 1,931,631                 | 1,526,057    |
| Operating expenses:                        |                             |              |                           |              |
| Sales and marketing                        | 702,423                     | 549,631      | 1,266,087                 | 1,041,902    |
| General and administrative                 | 462,031                     | 573,159      | 958,664                   | 971,551      |
| Total operating expenses                   | 1,164,454                   | 1,122,790    | 2,224,751                 | 2,013,453    |
| Operating loss                             | (107,089)                   | (294,400)    | (293,120)                 | (487,396)    |
| Other income (expense):                    |                             |              |                           |              |
| Interest expense                           | (3,914)                     | 86,529       | (4,500)                   | (174,233)    |
| Gain on debt conversion                    | -                           | 1,113,849    | -                         | 1,113,849    |
| Mark to market gains                       |                             |              |                           |              |
| on liability for unauthorized shares       | -                           | (179,896)    | 3,036                     | (179,896)    |
| Advertising revenue and other              | 61,361                      | 59,229       | 142,890                   | 96,533       |
| Total other income (expense)               | 57,447                      | 1,079,711    | 141,426                   | 856,253      |
| Net income (loss)                          | \$ (49,642)                 | \$ 785,311   | \$ (151,694)              | \$ 368,857   |
| Net income (loss) per share:               |                             |              |                           |              |
| Basic                                      | \$ -                        | \$ 0.03      | \$ -                      | \$ 0.02      |
| Diluted                                    | \$ -                        | \$ 0.03      | \$ -                      | \$ 0.02      |
| Weighted average common shares outstanding |                             |              |                           |              |
| Basic                                      | 129,254,116                 | 24,707,568   | 128,529,760               | 20,458,616   |
| Diluted                                    | 129,254,116                 | 25,146,104   | 128,529,760               | 20,705,292   |

See accompanying notes to unaudited consolidated financial statements.

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

|                                                                                      | Six Months Ended June 30, |              |
|--------------------------------------------------------------------------------------|---------------------------|--------------|
|                                                                                      | 2009                      | 2008         |
| Cash flows from operating activities:                                                |                           |              |
| Net income (loss)                                                                    | \$ (151,694)              | \$ 368,857   |
| Adjustments to reconcile net income/(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                                                        | 25,575                    | 19,036       |
| Amortization of debt discount                                                        | -                         | 12,480       |
| Bad debt expense                                                                     | 813                       | 3,236        |
| Stock-based compensation                                                             | 28,037                    | 131,133      |
| Changes in assets and liabilities:                                                   |                           |              |
| Accounts receivable                                                                  | 16,636                    | 1,090        |
| Prepaid and other current assets                                                     | (27,635)                  | (12,670)     |
| Deposits and other assets                                                            | 10,000                    | 28,757       |
| Accounts payable                                                                     | 87,973                    | (204,083)    |
| Accrued expenses                                                                     | (460,613)                 | 71,021       |
| Accrued interest                                                                     | -                         | 125,354      |
| Deferred revenue                                                                     | 12,822                    | 19,813       |
| Other liabilities                                                                    | 624                       | 1,754        |
| Net cash used in operating activities                                                | (460,498)                 | (368,175)    |
| Cash flows from investing activities:                                                |                           |              |
| Cash acquired in connection with reverse merger, net of acquisition costs            | -                         | 3,133,692    |
| Maturities of certificates of deposits                                               | 689,123                   | -            |
| Purchases of equipment                                                               | (46,492)                  | (61,932)     |
| Net cash provided by investing activities                                            | 642,631                   | 3,071,760    |
| 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                                                                   | -                         | (265,000)    |
| Shares repurchased from converted debtholders                                        | (65,212)                  | -            |
| Net cash (used in) provided by financing activities                                  | (65,212)                  | 722,500      |
| Change in cash and cash equivalents                                                  | 116,921                   | 3,426,085    |
| Cash and cash equivalents, beginning of period                                       | 20,836                    | 18,265       |
| Cash and cash equivalents, end of period                                             | \$ 137,757                | \$ 3,444,350 |

## Supplemental cash flow disclosures:

## 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    | \$ | 102,294   |

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.

As of June 30, 2009, Insignia has issued 44,695,981 American Depositary Shares (“ADS”) to DollarDays Stockholders and 5,596,984 ADSs to Amorim. 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. Upon issuance of the remaining Merger consideration, the DollarDays Stockholders will own approximately 63% of the issued and outstanding ordinary shares of Insignia.

The Company has not issued all of the consideration required to be issued in connection with the Merger. However, the accompanying financial statements reflect as shares outstanding all amounts that are to be issued under the terms of the Merger. 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.

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 six months ended June 30, 2009, the date at which the liability was reclassified.

## 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 six months ended June 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: Certificates of Deposit

The Company invests excess funds in Certificates of Deposits (“CDs”) issued by domestic banks and, at times, may exceed federally insured limits. The balance of this account consists of CDs with original maturities greater than three months. \$689,123 of CDs matured during the six months ended June 30, 2009.

## Note 4: Line of Credit

The Company has a \$150,000 revolving line of credit with a financial institution and during the six months ended June 30, 2009, the Company repaid all borrowed amounts under the terms thereof. At June 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 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<br>Units | Weighted-<br>Average<br>Exercise Price | Weighted-<br>Average<br>Remaining<br>Contractual Term<br>(in years) |
|----------------------------------|--------------------|----------------------------------------|---------------------------------------------------------------------|
| Outstanding at December 31, 2008 | 6,109,715          | \$ 0.23                                |                                                                     |
| Grants                           | -                  | -                                      |                                                                     |
| Forfeitures                      | (359,203)          | 0.23                                   |                                                                     |
| Exercises                        | -                  | -                                      |                                                                     |
| Outstanding at June 30, 2009     | 5,750,512          | \$ 0.23                                | 2.5                                                                 |
| Exerciseable at June 30, 2009    | 5,750,512          | \$ 0.23                                | 2.5                                                                 |

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

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

| Exercise Price  | Number of<br>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        | 28,500              |

#### 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.

As the Company did not have authorized shares available for the grant of restricted stock, the Company will issue the shares at a future date and as the vesting conditions and requisite service periods have been met. At June 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 \$28,037 for the three and six months ended June 30, 2009, respectively, based on the vesting schedule and requisite service period.



Note 7: Recently Adopted Accounting Pronouncements

In May 2008, FASB issued FSP APB 14-1, “ Accounting for Convertible Debt Instruments that may be Settled in Cash upon Conversion (Including Partial Cash Settlement) ” (“FSP APB 14-1”). FSP APB 14-1 applies to convertible debt securities that, upon conversion, may be settled by the issuer fully or partially in cash. FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective January 1, 2009 and did not have a material effect on our financial condition or results of operations.

In June 2008, FASB ratified EITF No. 07-05, “ Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock ” (“EITF 07-05”). EITF 07-05 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. EITF 07-05 was effective January 1, 2009 and the Company adopted EITF 07-05 during the three months ended March 31, 2009. The Company determined that its outstanding warrants did not contain provisions that would preclude equity treatment and the adoption of EITF 07-05 did not have a material effect on our financial condition or results of operations.

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. The adoption of SFAS 157 did not have a material effect on our consolidated financial condition or results of operations.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (“SFAS 165”), 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. SFAS 165 is effective for fiscal periods ending after June 15, 2009. The adoption of SFAS 165 did not have a material effect on our consolidated financial statements.

Note 8: Subsequent Events

In July 2009, the Company initiated the process to issue 18,743,731 ADSs of merger consideration to DollarDays shareholders and Amorim.

The Company has evaluated subsequent events through August 7, 2009 which is the date the financial statements were issued.

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.

As of June 30, 2009, Insignia has issued 44,695,981 American Depository Shares (“ADS”) to DollarDays Stockholders and 5,596,984 ADSs to Amorim. 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. Upon issuance of the remaining Merger consideration, 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                |    | 2009      |    | 2008      | Change from<br>Prior Year | Percent Change<br>from Prior Year |
|-----------------------------|----|-----------|----|-----------|---------------------------|-----------------------------------|
| Three months ended June 30, | \$ | 3,140,282 | \$ | 2,863,477 | \$ 276,805                | 9.7%                              |
| Six months ended June 30,   | \$ | 5,714,827 | \$ | 5,234,647 | \$ 480,180                | 9.2%                              |

Net revenues increased during the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008, as a result of the Company’s 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<br>Prior Year | Percent Change<br>from Prior Year |
|-----------------------------|--------------|--------------|---------------------------|-----------------------------------|
| Three months ended June 30, | \$ 2,082,917 | \$ 2,035,087 | \$ 47,830                 | 2.4%                              |
| Six months ended June 30,   | \$ 3,783,196 | \$ 3,708,590 | \$ 74,606                 | 2.0%                              |

Cost of goods sold increased during the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008 due primarily to increased revenues generated by the Company. The Company achieved improved margins during the corresponding periods due 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<br>Prior Year | Percent Change<br>from Prior Year |
|-----------------------------|--------------|--------------|---------------------------|-----------------------------------|
| Three months ended June 30, | \$ 702,423   | \$ 549,631   | \$ 152,792                | 27.8%                             |
| Six months ended June 30,   | \$ 1,266,087 | \$ 1,041,902 | \$ 224,185                | 21.5%                             |

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 six months ended June 30, 2009 as compared to the three months ended June 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<br>Prior Year | Percent Change<br>from Prior Year |
|-----------------------------|------------|------------|---------------------------|-----------------------------------|
| Three months ended June 30, | \$ 462,031 | \$ 573,159 | \$ (111,128)              | -19.4%                            |
| Six months ended June 30,   | \$ 958,664 | \$ 971,551 | \$ (12,887)               | -1.3%                             |

General and administrative expenses decreased in the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008 due primarily to our cost containment initiatives and non-recurring merger related charges incurred in the three months ended June 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<br>Prior Year | Percent Change<br>from Prior Year |
|-----------------------------|------------|--------------|---------------------------|-----------------------------------|
| Three months ended June 30, | \$ (3,914) | \$ 86,529    | \$ (90,443)               | -104.5%                           |
| Six months ended June 30,   | \$ (4,500) | \$ (174,233) | \$ 169,733                | -97.4%                            |

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 six months ended June 30, 2009, we incurred substantially less interest expense during the three and six months ended June 30, 2009.

## Advertising Revenue and Other

| Advertising revenue and other | 2009       | 2008      | Change from<br>Prior Year | Percent Change<br>from Prior Year |
|-------------------------------|------------|-----------|---------------------------|-----------------------------------|
| Three months ended June 30,   | \$ 61,361  | \$ 59,229 | \$ 2,132                  | 3.6%                              |
| Six months ended June 30,     | \$ 142,890 | \$ 96,533 | \$ 46,357                 | 48.0%                             |

Advertising revenue and other revenue increased during the three and six months ended June 30, 2009 as compared to the three and six months ended June 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.

## Net Income (Loss)

| Net loss                    | 2009         | 2008       | Change from<br>Prior Year | Percent Change<br>from Prior Year |
|-----------------------------|--------------|------------|---------------------------|-----------------------------------|
| Three months ended June 30, | \$ (49,642)  | \$ 785,311 | \$ (834,953)              | 106.3%                            |
| Six months ended June 30,   | \$ (151,694) | \$ 368,857 | \$ (520,551)              | 141.1%                            |

The Company recognized a net loss during the three and six months ended June 30, 2009 as compared to net income for the three and six months ended June 30, 2008 due a one-time gain recognized in 2008 related to the Company's debt conversion in June 2008.

## Liquidity and Capital Resources

Our operating cash outflows were \$460,498 for the six months ended June 30, 2009, as compared to \$368,175 for the six months ended June 30, 2008, constituting an increase of \$92,323. This is primarily due to the pay down of various accruals during the current period.

Investing cash inflows for the six months ended June 30, 2009 consisted of \$689,123 of cash from the sale of short-term investments, partially offset by \$46,492 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 \$61,932 in additional equipment in the six months ended June 30, 2008.

Financing cash outflows were \$65,212 for the six months ended June 30, 2009 due to the repurchase of shares from certain debtholders. We had financing inflows of \$722,500 for the six months ended June 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 June 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 June 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.



In July 2009, Insignia initiated the process to issue 18,743,731 ADSs to DollarDays' Stockholders which will entitle DollarDays' Stockholders to 18,743,731 ordinary shares of the Company. Such ordinary shares will be deposited with the Bank of New York Mellon and subsequently issued to DollarDays' Stockholders. 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.

The Company held its 2009 Annual Meeting of Stockholders on June 11, 2009 in Scottsdale, Arizona.

At the 2009 Annual Meeting of Stockholders, the stockholders elected the following individuals as directors, to serve until the 2009 Annual Meeting of Stockholders, and until their successors are elected and qualified:

| Name              | Votes For  | Votes Withheld |
|-------------------|------------|----------------|
| Peter Engel       | 44,970,606 | 1,897,568      |
| Vincent Pino      | 44,926,607 | 1,941,567      |
| Lawrence Schafran | 44,981,741 | 1,886,433      |
| Filipe Sobral     | 44,969,513 | 1,898,661      |
| Christopher Baker | 44,969,226 | 1,898,948      |

Also, at the 2009 Annual Meeting of Stockholders the stockholders:

- Approved the receipt of U.K. statutory accounts of Insignia in respect of the financial years ended December 31, 2007 and December 31, 2006, together with Directors' and Auditors' reports relating to those accounts. This matter did not require a vote of the Stockholders.
  - Approved the re-appointment of MacIntyre Hudson as its U.K. statutory auditors and independent accountants to perform the audit of the Company's financial statements for the year ending December 31, 2009. There were 45,258,346 votes cast for the re-appointment, 1,535,478 votes cast against the re-appointment and 74,350 abstentions.
- Approved and ratified the appointment of Malone & Bailey PC as its U.S. independent accountants to perform the audit of Insignia's financial statements for the fiscal years ending December 31, 2008 and December 31, 2007. There were 45,293,154 votes cast for the appointment, 1,543,420 votes cast against the appointment and 31,600 abstentions.
- Approved an increase to the authorized share capital of the Company from 110,000,000 to 300,000,000 ordinary shares. There were 42,982,692 votes cast for the increase, 3,795,581 votes cast against the increase and 89,901 abstentions.
- Approved a resolution to grant the directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of \$1,900,000. There were 42,895,047 votes cast for the resolution, 3,887,547 votes cast against the resolution and 85,580 abstentions.
- Approved a resolution to authorize directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights. There were 42,965,280 votes cast for the resolution, 3,817,184 votes cast against the resolution and 85,710 abstentions.
- Approved adoption of the Company's 2009 Long Term Incentive Plan. There were 42,494,681 votes cast for the Long Term Incentive Plan, 3,814,110 votes cast against the Long Term Incentive Plan, and 559,383 abstentions.

Item 5. Other Information.

None.

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Item 6. Exhibits.

| Exhibit<br>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  
  
(Principal Financial Officer)