

FORWARD INDUSTRIES INC  
Form 10-Q  
May 14, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2015.**

**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: 0-6669**

**FORWARD INDUSTRIES, INC.**



Edgar Filing: FORWARD INDUSTRIES INC - Form 10-Q

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

Yes            No

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, on May 12, 2015, which is the latest practical date prior to the filing of this report, was 8,556,755 shares.

**FORWARD INDUSTRIES, INC. AND SUBSIDIARIES**

**PART  
I. FINANCIAL INFORMATION**

	Page No.
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2015 (Unaudited) and September 30, 2014</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income (Unaudited) for the Three and Six Months Ended March 31, 2015 and 2014</u>	4
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Six Months Ended March 31, 2015 and 2014</u>	5
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	23
Item 4. <u>Controls and Procedures</u>	24

**PART  
II. OTHER INFORMATION**

Item 1. <u>Legal Proceedings</u>	25
Item 1A. <u>Risk Factors</u>	25
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 3. <u>Defaults Upon Senior Securities</u>	25
Item 4. <u>Mine Safety Disclosures</u>	25
Item 5. <u>Other Information</u>	25
Item 6. <u>Exhibits</u>	26
<u>Signatures</u>	27

## Note Regarding Use of Certain Terms

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the following terms have the meanings assigned to them as set forth below:

“we”, “our”, and the “Company” refer to Forward Industries, Inc., a New York corporation, together with its consolidated subsidiaries;

“Forward” or “Forward Industries” refers to Forward Industries, Inc.;

“common stock” refers to the common stock, \$.01 par value per share, of Forward Industries, Inc.;

“Forward US” refers to Forward Industries’ wholly owned subsidiary Forward Industries (IN), Inc., an Indiana corporation;

“Forward Switzerland” refers to Forward Industries’ wholly owned subsidiary Forward Industries (Switzerland) GmbH, a Swiss corporation;

“Forward UK” refers to Forward Industries’ former wholly owned subsidiary Forward Ind. (UK) Limited, a limited company of England and Wales;

“Forward China” refers to Forward Industries Asia-Pacific Corporation (f/k/a Seaton Global Corporation), Forward’s exclusive sourcing agent in the Asia-Pacific region;

“GAAP” refers to accounting principles generally accepted in the United States;

“Commission” refers to the United States Securities and Exchange Commission;

“Exchange Act” refers to the United States Securities Exchange Act of 1934, as amended;

“Fiscal 2014” refers to our fiscal year ended September 30, 2014;

“Fiscal 2015” refers to our fiscal year ending September 30, 2015;

“Europe” refers to the countries included in the European Union;

“EMEA Region” means the geographic area encompassing Europe, the Middle East and Africa;

“APAC Region” refers to the Asia Pacific Region, consisting of Australia, New Zealand, Hong Kong, Taiwan, China, South Korea, Japan, Singapore, Malaysia, Thailand, Indonesia, India, the Philippines and Vietnam;

“Americas” refers to the geographic area encompassing North, Central, and South America;

“OEM” refers to Original Equipment Manufacturer; and

“Retail” refers to the retail distribution channel.

**Note Regarding Presentation of Financial Information**

Certain figures included in this Quarterly Report on Form 10-Q have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

**Part I. Financial  
Information**

**Item 1. Financial  
Statements**

**FORWARD  
INDUSTRIES,  
INC. AND  
SUBSIDIARIES  
CONDENSED  
CONSOLIDATED  
BALANCE  
SHEETS**

	<b>March 31, 2015 (Unaudited)</b>	<b>September 30, 2014 (Note 1)</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$2,704,344	\$ 6,477,132
Marketable securities	-	1,051,230
Accounts receivable	5,657,948	6,124,871
Inventories	2,415,679	2,374,837
Prepaid expenses and other current assets	342,414	401,549
Total current assets	11,120,385	16,429,619
Property and equipment, net	100,041	98,990
Other assets	40,962	40,962
Total assets	\$11,261,388	\$ 16,569,571
<b><u>Liabilities and shareholders' equity</u></b>		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$1,153,162	\$ 1,218,541
Due to Forward China	3,516,939	5,215,768
Total current liabilities	4,670,101	6,434,309
Other liabilities	123,162	115,202
Total liabilities	4,793,263	6,549,511
6% Senior Convertible Preferred Stock, par value \$0.01 per share; 851,154 and 1,500,000 shares authorized; 0 and 648,846 shares issued and outstanding; aggregate liquidation value of \$0 and \$1,275,000; as of March 31, 2015 and September 30, 2014, respectively	-	833,365
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$0.01 per share; 4,000,000 shares authorized; 3,048,846 and 2,400,000 undesignated at March 31, 2015 and September 30, 2014, respectively:		

Edgar Filing: FORWARD INDUSTRIES INC - Form 10-Q

Series A Participating Preferred stock, par value \$0.01; 100,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$0.01 per share; 40,000,000 shares authorized; 8,556,755 and 9,159,796 shares issued; 8,556,755 and 8,453,386 shares outstanding; at March 31, 2015 and September 30, 2014, respectively	85,568	91,598
Additional paid-in capital	17,441,548	18,747,371
Treasury stock, 0 and 706,410 shares at cost at March 31, 2015 and September 30, 2014, respectively	-	(1,260,057 )
Accumulated deficit	(11,036,874)	(8,371,806 )
Accumulated other comprehensive loss	(22,117 )	(20,411 )
Total shareholders' equity	6,468,125	9,186,695
Total liabilities and shareholders' equity	\$11,261,388	\$ 16,569,571

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.



**FORWARD  
INDUSTRIES, INC.  
AND  
SUBSIDIARIES  
CONDENSED  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS AND  
COMPREHENSIVE  
(LOSS) INCOME  
(UNAUDITED)**

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Net sales</b>	\$ 7,247,339	\$ 6,699,881	\$ 15,191,199	\$ 15,115,358
Cost of goods sold	5,895,518	5,296,250	12,276,957	11,866,527
Gross profit	1,351,821	1,403,631	2,914,242	3,248,831
<b>Operating expenses:</b>				
Sales and marketing	695,628	725,240	1,378,085	1,341,947
General and administrative	1,337,258	812,207	3,807,683	1,668,723
Total operating expenses	2,032,886	1,537,447	5,185,768	3,010,670
<b>(Loss) income from operations</b>	(681,065 )	(133,816 )	(2,271,526 )	238,161
<b>Other (income) expense:</b>				
Interest income	(6 )	(9,212 )	(3,021 )	(17,730 )
(Gain) loss on marketable securities, net	-	(41,407 )	110,001	39,433
Loss on change in fair value of warrant liability	-	188,166	-	136,258
Other expense, net	6,637	11,256	9,945	16,001
Total other expense, net	6,631	148,803	116,925	173,962
<b>(Loss) income from continuing operations</b>	(687,696 )	(282,619 )	(2,388,451 )	64,199
(Loss) income from discontinued operations, net	-	(18,395 )	198,963	(13,786 )
<b>Net (loss) income</b>				