

FORWARD INDUSTRIES INC
Form 10-Q
May 13, 2013

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, 2013.

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.

(Exact name of registrant as specified in its charter)

New York

13-1950672

(State or other jurisdiction of
Identification No.)

(I.R.S. Employer

incorporation or organization)

477 Rosemary Ave., Suite 219, West Palm Beach, FL 33401

(Address of principal executive offices, including zip code)

(561) 465-0030

(Registrant's telephone number, including area code)

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 twelve 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 Web site, 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 (Do not check if a smaller reporting company) 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

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, at the latest practical date April 24, 2013, was 8,112,685 shares.

Forward Industries, Inc.

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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 HK refers to Forward Industries wholly owned subsidiary Forward Industries HK, Ltd., a Hong Kong corporation;

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

Forward APAC refers to Forward Industries wholly owned subsidiary Forward Asia Pacific Limited, a Hong Kong corporation;

Forward UK refers to Forward Industries 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;

SGC refers to Seaton Global Corporation, a British Virgin Islands registered corporation that is the exclusive buying agent for Forward in the APAC 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 2011 refers to our fiscal year ended September 30, 2011;

Fiscal 2012 refers to our fiscal year ended September 30, 2012;

Fiscal 2013 refers to our fiscal year ending September 30, 2013;

Europe refers to the countries included in the European Union;

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

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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;

Retail refers to the retail distribution channel; and

Corporate refers to the corporate distribution channel.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Forward Industries, Inc.

CONSOLIDATED BALANCE SHEETS

	March 31,	September
	2013	30,
	(Unaudited)	2012
		(Note 1)
<u>Assets:</u>		
Current assets:		
Cash and cash equivalents.....	\$4,024,309	\$4,608,246
Marketable securities.....	1,122,091	420,605
Accounts receivable, net	4,735,580	7,533,491
Inventories, net.....	2,449,337	3,380,813
Prepaid expenses and other current assets.....	306,922	367,552
Assets of discontinued operations.....	446,373	621,879
Total current assets.....	13,084,612	16,932,586
Property and equipment, net.....	132,697	138,774
Other assets.....	40,442	40,442
Total Assets.....	\$13,257,751	\$17,111,802
<u>Liabilities and shareholders equity</u>		
Current liabilities:		
Accounts payable.....	\$2,725,251	\$5,936,848
Accrued expenses and other current liabilities.....	617,625	1,725,185
Liabilities of discontinued operations.....	199,040	261,806
Total liabilities.....	3,541,916	7,923,839
Commitments and contingencies.....		

Shareholders equity:

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Preferred stock, par value \$0.01 per share; 4,000,000 shares authorized;

no shares issued and outstanding.....

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Common stock, par value \$0.01 per share; 40,000,000 shares authorized, 8,819,095 and 8,811,595 shares issued; and

8,112,685 and 8,105,185 shares outstanding, respectively.....

Capital in excess of par value.....	88,191	88,116
Treasury stock, 706,410 shares at cost.....	17,247,186	17,020,771
Accumulated deficit.....	(1,260,057)	(1,260,057)
Accumulated other comprehensive loss.....	(6,338,087)	(6,624,926)
Accumulated other comprehensive loss.....	(21,398)	(35,941)
Total shareholders equity	9,715,835	9,187,963
Total liabilities and shareholders equity	\$13,257,751	\$17,111,802

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

Forward Industries, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**(UNAUDITED)**

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Net sales	\$7,786,726	\$6,222,812	\$14,760,096	\$12,385,112
Cost of goods sold	6,268,255	5,131,537	11,742,038	10,082,512
Gross profit	1,518,471	1,091,275	3,018,058	2,302,600
Operating expenses:				
Sales and marketing.....	541,461	352,489	1,018,842	642,338
General and administrative.....	770,772	1,310,046	1,844,810	2,732,959
Total operating expenses	1,312,233	1,662,535	2,863,652	3,375,297
Income (loss) from operations	206,238	(571,260)	154,406	(1,072,697)
Other income (expense):				
Interest income (expense).....	(1,645)	6,928	(256)	49,055
Gain on marketable securities, net.....	85,846	--	328,217	--
Other income (expense), net.....	(3,514)	26,696	(14,182)	12,929
Total other income, net	80,687	33,624	313,779	61,984
Income (loss) from continuing operations before income tax expense	286,925	(537,636)	468,185	(1,010,713)
Income tax expense.....	432	1,534	507	1,315
Income (loss) from continuing operations	286,493	(539,170)	467,678	(1,012,028)
	(138,419)	(1,005,256)	(180,839)	

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Loss from discontinued operations, net of tax of \$2,055 and \$3,120, and \$2,975 and \$4,979, respectively.....				(2,045,578)
Net income (loss).....	148,074	(1,544,426)	286,839	(3,057,606)
Other comprehensive income (loss):				
Change in unrealized gains on marketable securities...	--	--	23,744	--
Translation adjustments.....	(14,816)	(5,028)	(9,201)	(4,112)
Comprehensive income (loss).....	\$133,258	\$(1,549,454)	\$301,382	\$(3,061,718)
Net income (loss) per basic and diluted common share:				
Income (loss) from continuing operations.....	\$0.04	\$(0.07)	\$0.06	\$(0.12)
Loss from discontinued operations.....	\$(0.02)	\$(0.12)	\$(0.02)	\$(0.25)
Net income (loss) per share.....	\$0.02	\$(0.19)	\$0.04	\$(0.38)
Weighted average number of common and common equivalent shares outstanding				
Basic.....	8,112,685	8,105,185	8,109,759	8,098,137
Diluted.....	8,127,071	8,105,185	8,124,145	8,098,137

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

Forward Industries, Inc.**CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Six Months Ended	
	March 31,	
	2013	2012
Operating activities:		
Net income (loss).....	\$286,839	\$(3,057,606)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Realized gain on sales of marketable securities.....	(328,217)	--
Share-based compensation.....	226,490	323,720
Provision for doubtful accounts.....	103,710	--
Depreciation and amortization.....	36,094	60,536
Provision for obsolete inventory.....	--	11,520
Loss on disposal of property and equipment.....	--	739
Changes in operating assets and liabilities:		
Accounts receivable.....	2,714,549	(1,872,084)
Inventories.....	1,102,098	(745,644)
Prepaid expenses and other current assets.....	44,658	(910,120)
Accounts payable.....	(3,171,903)	241,785
Accrued expenses and other current liabilities.....	(1,219,221)	414,028
Net cash used in operating activities	(204,903)	(5,533,126)
Investing activities:		
Purchases of marketable securities.....	(38,496,126)	--
Proceeds from sales of marketable securities.....	38,146,602	--
Purchases of property and equipment.....	(29,510)	(59,263)
Proceeds from note receivable.....	--	400,000
Net cash (used in) provided by investing activities	(379,034)	340,737