SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A
Amendment No. 1

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934: For the fiscal year ended September 30, 2000

[ ] TRANSITION REPORT UNDER 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.

(Name of small business issuer in its charter)

New York	13-1950672
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1801 Green Road Suite E. Pompano Beach, FL	33064
(Address of principal executive offices)	(Zip Code)

(954) 360-6420
(Issuer's Telephone Number, including Area Code)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.01 par value
(Title of class)

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 [X] No [ ].

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The issuer's revenues for its most recent fiscal year were: $14,410,035.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days was:

Approximately $5,901,616 based on the average of the closing bid price ($.97) and closing asked price ($.94) as reported on the NASDAQ SmallCap Market on December 21, 2000.

As of December 21, 2000, 6,084,141 Shares of the issuer's Common Stock, $.01 par value were outstanding.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

The undersigned registrant hereby amends the following items of its Annual Report on Form 10-KSB for the fiscal year ended September 30, 2000, as set forth in the pages attached hereto.

Explanatory note: The Company is amending Part II, Items 6 and 7, of its 10-KSB for the periods ending September 30, 2000 ("Fiscal 2000") and September 30, 1999 ("Fiscal 1999") to reflect additional stock based compensation expenses in the amounts of approximately $371,000 in Fiscal 2000 and approximately $201,000 in Fiscal 1999. The charges are a result of the issuance of warrants to consultants in Fiscal 1999.

PART II

Item 6: Management's Discussion and Analysis or Plan of Operation
Item 7: Financial Statements

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the Company's Financial Statements and the notes thereto appearing elsewhere in this Report as Item 7. This Report contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions that forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements as a result of various factors, including those set forth under the caption on "Risk Factors".

The following discussion and analysis compares the results of the Company's continuing operations for the fiscal years ended September 30, 2000, 1999 and 1998. The information and comparative data presented herein reflects the elimination of the Company's advertising specialties division (the "Advertising Specialties division").

As a result of an internal review of the accounting treatment accorded by the Company to the issuance of stock warrants to consultants in Fiscal 1999, the Company has restated its financial statements to include additional stock based compensation expense in the amounts of $201,093 and $370,919 in Fiscal 1999 and Fiscal 2000, respectively.

The inclusion of the stock based compensation had the following effects on previously reported net income.

			Per Share Data			
Years Ended	Net Income (Loss)		Basic		Diluted	
September 30,	As Reported	Restated	Reported	Restated	Reported	Restated
1999	$846,867	$645,774	$.14	$.11	$.14	$.11
2000	$92,090	($278,829)	$.02	($.05)	$.01	($.05)

The cumulative effect of the restatement did not change total equity on the balance sheet at September 30, 2000. There was, however, an increase to both the accumulated deficit and paid-in capital of $572,012 at September 30, 2000. All amounts presented herein have incorporated the change.

TWELVE MONTHS ENDED SEPTEMBER 30, 2000 ("FISCAL 2000") COMPARED WITH TWELVE MONTHS ENDED SEPTEMBER 30, 1999 ("FISCAL 1999").

NET INCOME (LOSS)

The Company's net income decreased by approximately $924,600 to a net loss of $278,800 in Fiscal 2000 from a net profit of $645,800 in Fiscal 1999. Fiscal 1999 included a nonrecurring, non-cash, charge to earnings in the amount of $220,600 as described below. Basic and diluted earnings per share decreased from $.11 in Fiscal 1999 to a per share loss of $.05 in Fiscal 2000. The decrease in net income is due primarily to lower revenues as discussed below.

REVENUES

Fiscal 2000 sales declined by approximately $6.1 million (30%) to $14.4 million as compared to $20.5 million in Fiscal 1999. The sales decline occurred entirely in the fourth quarter of Fiscal 2000 and can be attributed to lower sales to the Company’s largest customer and its affiliates. The customer accounted for approximately $7.2 million of sales in the fourth quarter of Fiscal 1999, as compared to $200,000 of sales in the fourth quarter of Fiscal 2000. Sales to this customer represented approximately 50% and 60% of the Company’s revenue for the Fiscal 2000 and Fiscal 1999 respectively.

The customer participates in the wireless telecommunications industry and demand for the Company’s products can vary significantly depending on the customer’s introduction of new products, production schedules and inventory levels. The Company believes that short-term variations from its single largest customer should not be viewed as indicative of a long-term trend and uneven demand for the Company’s products is inherent in the customer’s business The Company has received new orders from this customer of approximately $2 million that it expects to ship in the first quarter of Fiscal 2001.

The Company believes that it can level demand for its products, increase gross profit, and diversify its customer base by partnering with its major customers to actively market and distribute the Company’s products via the customer’s distribution channels. The Company intends to vigorously pursue such opportunities.

INCOME (LOSS) FROM OPERATIONS

Consolidated income from continuing operations before tax decreased by $1,692,400 to a loss of $239,200 in Fiscal 2000 from a profit of $1,453,200 in Fiscal 1999. The decrease is directly related to the decline in sales as described above and the related decrease in gross margin.

Gross profit decreased $1,771,700 to $4,473,700 in Fiscal 2000 from $6,245,400 in Fiscal 1999. The gross profit percent increased in Fiscal 2000 to 31%, up from 30%. The decrease in absolute dollars is attributable to the lower sales described above. The increase in gross margin percent is attributable to better prices obtained from the Company’s foreign suppliers as a result of the Company’s supplier diversification efforts.

Selling expenses increased by $74,700 (4%) to $1,865,700 in Fiscal 2000 from $1,791,000 in the prior period. The ratio of selling expenses to net sales increased to 13% in Fiscal 2000 from 9% in the Fiscal 1999 due to lower sales.

General and administrative expenses decreased by $405,000 (13%) in Fiscal 2000 from $3,001,100 in Fiscal 1999 to $2,596,100. The decrease is primarily attributable to performance related bonus expenses in the amount of $420,000 that were incurred in Fiscal 1999, whereas no such expenses were incurred in Fiscal 2000. Fiscal 2000 includes approximately $370,900 of non-cash stock based compensation expense associated with the issuance of warrants to consultants as compared to $201,093 in Fiscal 1999 for such expense. As a percentage of sales, the general and administrative expenses increased to 18% in Fiscal 2000 from 15% in the prior period due to lower sales volume.

In Fiscal 2000, the Company expensed relocation charges of approximately $251,100 associated with consolidating the South Bend, Indiana and Westbury, New York Offices. No similar amounts were incurred in Fiscal 1999.

OTHER INCOME (DEDUCTIONS)

Total interest expense decreased by $233,300 to $104,300 in Fiscal 2000 from $337,600 in Fiscal 1999. The decrease was primarily caused by a non-cash, nonrecurring charge in the amount of $220,600 that was recorded as interest expense in Fiscal 1999. The charge represents the beneficial conversion feature associated with converting the Company's debt into equity in December of 1998.

INCOME TAXES

In Fiscal 2000, the provision for income taxes decreased by $339,900 to $55,100 from $395,000 in Fiscal 1999 due to lower earnings.

TWELVE MONTHS ENDED SEPTEMBER 30, 1999 ("FISCAL 1999") COMPARED WITH TWELVE MONTHS ENDED SEPTEMBER 30, 1998 ("FISCAL 1998").

NET INCOME

The Company's net income increased from a net loss of $1,328,700 in Fiscal 1998 to a profit of $645,800 in Fiscal 1999, an increase of $1,974,500. Basic and diluted earnings per share increased from a loss of $.29 to a profit of $.11 in Fiscal 1999.

REVENUES

In Fiscal 1999 net sales increased $7,524,300 (58%) to $20,553,200, from $13,028,900 in Fiscal 1998. During the fourth quarter of Fiscal 1999, revenues were approximately $9.1 million, representing 44% of the total Fiscal 1999 revenues. The increase in revenues for this quarter, over the prior Fiscal 1998 fourth quarter, was attributable to demand from the Company's major customer that participates in the wireless telecommunications industry. The increase is attributable specifically to the Company's expansion efforts in its European operations and customer accounts.

OPERATING INCOME

Consolidated income from continuing operations before tax increased by $2,303,500 to a profit of $1,040,800 in Fiscal 1999 from a loss of $1,262,700 in Fiscal 1998. The increase related primarily to growth in sales as described above and the related increase in gross margin. In addition, during Fiscal 1998 the Company recorded two non-recurring charges to operations; the first, for $897,400 relates to restructuring charges associated with the shutdown of the Company's factory in South Bend, Indiana, and the second, for $350,000 for severance amounts payable to the Company's former Chief Executive Officer.

Gross profit increased by $2,567,600 to $6,245,400 in Fiscal 1999 from $3,677,800 in Fiscal 1998. The gross profit percentage increased to 30% in Fiscal 1999 from 28% in Fiscal 1998. The increase in absolute dollars was attributable to higher sales described above, while the increase in margin percentage was attributable to the reduction in, the Company's fixed costs associated with the plant restructuring, which occurred in Fiscal 1998.

Selling expenses increased by $351,300 (24%) to $1,791,000 in Fiscal 1999 from $1,439,700 in Fiscal 1998. However, the ratio of selling expenses to net sales declined to 9% in Fiscal 1999 from 11% in Fiscal 1998. The increase in selling expenses in absolute dollars was primarily the result of the Company's higher investment in the European sales effort, including salaries and manpower, travel expense, bonus based on performance, warehousing, rent and recruitment costs.

General and administrative expenses decreased as a percentage of net sales to 15% in Fiscal 1999 from 17% in the 1998 Period, while the dollar amount increased $747,700 (24%) to $3,001,100 in Fiscal 1999 from $2,253,400 in Fiscal 1998. The increase in the general and administrative expenses related primarily to compensation associated with the Company's senior management, and particularly to bonuses, which were predicated on operating performance measures. The Company also incurred approximately $201,100 in non-cash stock based compensation expenses associated with the issuance of warrants to consultants.

Restructuring charges of $897,400 and officer's severance of $350,000 were incurred in the Fiscal 1998 in connection with the shutdown of the Company's South Bend, Indiana production facility. No similar amounts were incurred in Fiscal 1999.

OTHER INCOME (DEDUCTIONS)

Total interest expense decreased by $192,200 to $337,600 in Fiscal 1999 from $589,000 in Fiscal 1998. The decrease was due to lower interest rates, lower outstanding bank borrowings due to improved collections of accounts receivable, conversion of notes payable into common stock in Fiscal 1999 as discussed below, and the repayment of the mortgage on the Company's building in December, 1997.

Interest and other income – net decreased by $839,500 in Fiscal 1999 from income of $766,400 in Fiscal 1998 to the expense of $73,100. The Company recorded a pretax gain on the sale of its Brooklyn, New York building of approximately $669,000 in Fiscal 1998, accounting for the primary portion of the difference.

INCOME TAXES

In Fiscal 1999 the provision for income taxes increased by $114,900 to $395,000 from $280,100 due to higher earnings, and was offset, in part, by a reduction in the valuation allowances for deferred tax assets. The effective tax rate for Fiscal 1999 was 38%.

CONVERSION OF PROMISSORY NOTES INTO COMMON STOCK

On December 4, 1998 the Company converted $554,000 of its promissory notes into 1,108,000 shares of its common stock. In connection with this conversion, the Company recorded a non-cash, interest charge of approximately $220,600. This amount represents a beneficial conversion feature and was calculated as the difference between the price at which the Company converted such shares, ($.50) and the market price of the Company's stock on the date the debt was issued ($1.81 weighted averaged), aggregated by the total shares issued. Current accounting rules limit the amount of the beneficial conversion feature to the face value of the notes ($554,000), less the amount of discount on the notes previously recognized ($333,400).

LIQUIDITY AND CAPITAL RESOURCES

In Fiscal 2000, $715,800 of cash was generated by operating activities. This increase in operating funds resulted primarily from increased collection of accounts receivable of $2,675,800, and $135,000 of in lower inventory levels and $92,100 in income. Offsetting these amounts was a decrease in accounts payable of $1,516,600 and a decrease in accrued liabilities of $795,300. Credit terms to customers are generally net thirty days from shipment of a product. In certain situations, however, the Company may warehouse inventory at customer specified locations to expedite delivery and invoice the customer upon issuance from the warehouse.

Net investing activities in Fiscal 2000 used cash of $385,900. The Company collected $210,900 of notes receivable but that amount was entirely offset by loans to officers, net of collections on those loans, of $334,700 and the purchase of property plant and equipment of $262,600.

Financing activities in Fiscal 2000 used cash of $709,500. Funds were used for repayment of short term borrowings in the amount of $995,900 and the repurchase of 17,500 shares of the Company's Common Stock in open market transactions, aggregating a cost of $54,500. Offsetting these amounts were additional borrowings under the Company's line of credit in the amount of $350,000.

In January 2000, the Company established a new credit facility with a bank that provides for a maximum line of credit of $5 million, including letters of credit. On February 1, 2000 the direct borrowings and acceptances from a former credit facility were repaid from funds received under the new agreement. The new line is renewable annually at the discretion of the bank that expires on March 31, 2001. There is no formula which limits the borrowings, and there are no restrictive covenants, as in the prior credit facility. However, the Company is required to eliminate borrowings for thirty consecutive days, of the Company's choosing, each year and is required to maintain operating performance which is acceptable to the bank. The Company completed the thirty-day period in August 2000. The credit facility bears interest at the prime rate in effect from time-to-time plus three quarters of one percent. At September 30, 2000, $350,000 was outstanding in direct borrowings; there were no outstanding obligations under letters of credit.

In July 2000, the Company moved and consolidated its operations from South Bend, Indiana and Westbury, New York to Pompano Beach, Florida. The Company believes the move will streamline its operations and reduce its cost structure over time. In conjunction with the move, the company expensed approximately $251,000 associated with establishing this new office, including severance payments to employees who did not relocate. Funds were paid from existing cash or cash generated by operations.

The Company did not incur any other long-term debt in Fiscal 2000. At September 30, 2000, the Company had no long-term debt and all installment notes and capital lease payments due were made on a timely basis.

Deferred Income Taxes

.

The Company's balance sheet at September 30, 2000 includes $1,344,000 of deferred income taxes as an asset. The Company was profitable in Fiscal 2000 and in Fiscal 1999. However, to the extent that the Company's operations may not be profitable in future periods, the Company would not be able to realize the benefit of its deferred tax assets. Without such deferred tax assets, at September 30, 2000, the Company's stockholder's equity would have been reduced by $1,344,000 to a stockholder's equity of $3,818,300 and the Company's working capital at September 30, 2000 would have been reduced by $135,000 from $3,155,100 to $3,020,100.

RISK FACTORS

Cautionary Statements Regarding Forward-Looking Statements

All cautionary statements made in this Annual Report on Form 10-KSB should be read as being applicable to all related forward-looking statements wherever they appear. Investors should consider the following risk factors as well as the risks described elsewhere in this Annual Report on Form 10-KSB.

Dependence on Significant Customers.

The Company currently has certain customers for its carrying cases that account for a significant percentage of the Company's business. In Fiscal 2000, one of the Company's customers, together with its international affiliates, accounted for approximately 50% of the Company's sales. In Fiscal 1999, the same customer accounted for approximately 70% of the Company's sales. The loss of the single largest customer (whether as a result of such customer purchasing its requirements from another manufacturer, deciding to manufacture its own carrying cases or eliminating the inclusion of carrying cases with its product) would have a material adverse effect on the Company.

Concentration of Credit Risk.

While the Company has not experienced significant losses by having extended credit to its customers, at September 30, 2000, one customer and its international affiliates accounted for approximately 40% of the Company's accounts receivable. The same customer accounted for approximately 70% of the Company's accounts receivable at September 30, 1999. The failure of this customer to pay the Company such amounts when and as due would have a material adverse effect on the Company.

Dependence on Foreign Manufacturers.

Substantially all of the Company's products are manufactured in China. The Company does not have any written agreements with any of such contractors to continue to supply the Company with finished product. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Company operates. Among other risks, the Company's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations. The Company's reliance on third parties involves significant risks, including reduced control over delivery schedules, quality assurance, manufacturing yields and costs, the potential lack of adequate capacity and potential misappropriations of the Company's intellectual property.

Possible Inability to Realize Benefit of Deferred Income Tax Assets.

The Company's balance sheet at September 30, 2000 included deferred income taxes of $1,344,000 as an asset. The Company was profitable in Fiscal 2000 and in Fiscal 1999. However, to the extent that the Company's operations may not be profitable in future periods, the Company will not be able to realize the benefit of its deferred tax assets. Without such deferred tax assets, at September 30, 2000, the Company's stockholder's equity at such dates of would have been reduced by $1,344,000 from $5,162,300 to a stockholder's equity of $3,818,300 and the Company's working capital at September 30, 2000 would have been reduced by $135,000 from $3,155,100 to $3,020,100

Given the significance of the Company's deferred tax assets, the failure of the Company to realize the benefit of its deferred tax assets would have a material adverse effect on the Company's working capital and net worth. The Company believes that it will generate sufficient revenues and income to use the deferred tax asset.

Intense Competition and Ease of Entry.

There is intense competition in the sale of carrying cases. Since no significant proprietary technology is involved in the production of the Company's products, others may enter the business with relative ease to compete with the Company.

Reliance on Key Personnel.

The Company is highly dependent on the personal efforts and services of Jerome E. Ball, Chairman and Chief Executive Officer and Michael Schiffman, President. The Company has an employment agreement with Jerome E. Ball which expired September 30, 2000. The Company is presently in negotiations with Mr. Ball to renew his contract. Michael Schiffman's contract expires September 30, 2001. The business of the Company would be materially and adversely affected if the Company lost the services these individuals. The Company does not have key person life insurance as to these individuals.

Absence of Cash Dividends.

The Company has not paid any cash dividends since 1987. The payment of future cash dividends by the Company, if any, will depend upon the Company's short-term and long-term cash availability, working capital, working capital needs and other factors, as determined by the Company's Board of Directors. The Company does not anticipate that cash dividends will be paid in the foreseeable future.

Control by Insiders.

Members of the Board, including the Company's Chief Executive Officer, Chairman-Emeritus, and President, and its Secretary, directly or indirectly, beneficially own 2,438,507 shares of Common Stock, aggregating approximately 31% of the issued and outstanding capital stock of the Company. By virtue of their ownership of such Common Stock, such executive officers and directors or their affiliates may, collectively, be deemed to control the Company through the exercise of sufficient voting power to effectively control, or, at least, exercise a significant influence upon, the election of the Company's Board, direct the appointment of the Company's officers and, in general, significantly influence the outcome of any corporate transaction or other matter submitted to the Company's stockholders for approval, including mergers, consolidations and the sale of all or substantially all of the Company's assets, and to prevent or cause a change in control of the Company.

Effect of Outstanding Options and Warrants.

As of December 21, 2000, 2,297,125 shares of Common Stock, or an additional 38% of the outstanding Common Stock, are issuable upon the exercise or conversion of such securities at prices ranging from $1.10 to $3.25 per share. In November 1996, the Company's Board adopted, and in August 1997, the Company's stockholders approved, the Company's 1996 Stock Incentive Plan (the "Plan"), pursuant to which up to 8,000,000 shares of Common Stock may be issued to officers and employees of the Company upon the exercise of incentive stock options and nonqualified stock options. Options (including vested and non-vested options) to purchase up to 1,917,125 shares of Common Stock, included in the figure above, have been granted under the Plan as of December 7, 2000. The terms on which the Company may obtain additional financing during the respective terms of these stock options and warrants may be adversely affected by their existence. The holders of such stock options and warrants may exercise such securities at a time when the Company might be able to obtain additional capital through a new offering of securities or other form of financing on terms more favorable than those provided by such stock options and warrants.

Potential Anti-takeover Measures.

The Company is authorized to issue up to 4,000,000 shares of "blank check" preferred stock. The Board of Directors has the authority, without stockholder approval, to issue preferred stock in one or more series and to fix the relative rights and preferences thereof including their redemption, dividend and conversion rights. The ability of the Company to issue the authorized but unissued shares of preferred stock could be used to impede takeovers of the Company. Under certain circumstance, the issuance of the preferred stock would make it more difficult for a third party to gain control of the Company, discourage bids for the common stock at a premium, or otherwise adversely affect the market price of the common stock. Such provisions may discourage attempts to acquire the Company.

Risks of Low-Priced Stocks.

The Securities and Exchange Commission (the "Commission") has adopted regulations that define a "penny stock" as any equity security that has a market price (as therein defined) of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Unless exempt, the rules require the delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Commission relating to the penny stock market. Disclosure is also required to be made about commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Additionally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The foregoing penny stock restrictions will not apply to the Company's securities if such securities continue to be listed on the Nasdaq SmallCap Market, as to which there can be no assurance, and have certain price and volume information provided on a current and continuing basis or meet certain minimum net tangible assets or average revenue criteria. In any event, even if the Company's securities were exempt from such restrictions, it would remain subject to Section 15(b)(6) of the Securities Exchange Act of 1934 (the "Exchange Act:") which gives the Commission the authority to prohibit any person engaged in unlawful conduct while participating in a distribution of penny stock from associating with a broker-dealer or participating in a distribution of penny stock, if the Commission finds that such a restriction would be in the public interest. If the Company's securities were to be removed from listing on the Nasdaq SmallCap Market or otherwise become subject to the existing rules on penny stocks, the market liquidity for the Company's securities could be severely adversely affected.

Risk of Loss of Listed Status of Common Stock on the Nasdaq SmallCap Market.

The National Association of Securities Dealers' listing requirements require, among other things, that all issuers of securities listed on the Nasdaq SmallCap Market maintain a continued minimum bid price per share of such securities of $1.00. The per share price of the Company's Common Stock as of December 21, 2000 was $.97. There can be no assurances that the per share price of the Company's Common Stock will remain above $1.00. A consequence of the failure to maintain a bid price per share of $1.00 may be the de-listing of the Common Stock from the Nasdaq SmallCap Market, which may have a material adverse effect on the market value of the Common Stock and on the ability of the Company to obtain additional financing.

Future Sales of Common Stock.

Of the 6,084,141 shares of Common Stock currently outstanding, approximately 26% of such shares are "restricted stock" as that term is defined under Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act") and under certain circumstances may be sold without registration pursuant to such rule. The Company is unable to predict the effect that sales made under Rule 144, or otherwise, may have on the then prevailing market price of the Company's securities although any future sales of substantial amounts of securities pursuant to Rule 144 could adversely affect prevailing market prices.

Foreign Sources of Supply.

Substantially all of the Company's products are manufactured in China. The Company's operations are subject to various political, economic, and other risks and uncertainties inherent in the countries in which the Company operates. Among other risks, the Company's operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and embargoes; domestic and international customs and tariffs; changing taxation policies; foreign exchange restrictions; and political conditions and governmental regulations.

Hong Kong - Transfer of Sovereignty.

A portion of the operations of the Company are currently located in Hong Kong. As a result, the Company's business, results of operations and financial condition may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy. On July 1, 1997, sovereignty over Hong Kong transferred from the United Kingdom to the People's Republic of China, and Hong Kong became a Special Administrative Region of China (an "SAR"). As provided in the Sino-British Joint Declaration on the Question of Hong Kong and the Basic Law of the Hong Kong SAR of China (the "Basic Law"), the Hong Kong SAR will have a high degree of autonomy except in foreign and defense affairs. Under the Basic Law, the Hong Kong SAR is to have its own legislature, legal and judicial system and full economic autonomy for 50 years. However, there can be no assurance that the transfer of sovereignty and changes in political or other conditions will not result in an adverse impact on the Company's business, results of operations or financial condition.

ITEM 7 – FINANCIAL STATEMENTS

The financial statements and notes thereto can be found beginning with the "Index to Financial Statements", following Part II of this amendment no. 1 to the Annual Report on Form 10-KSB.

SIGNATURES

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

Dated: February 15, 2002	FORWARD INDUSTRIES, INC.
	By: /s/ Jerome E. Ball
	Jerome E. Ball Chief Executive Officer, and Chairman of the Board

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

February 15, 2002	/s/Jerome E. Ball
	Jerome E. Ball Chief Executive Officer, and Chairman of the Board (Principal Executive Officer)
February 15, 2002	/s/Douglas W. Sabra
	Douglas W. Sabra Chief Financial Officer and Vice President (Principal Financial Officer and Principal Accounting Officer)
February 15, 2002	/s/Theodore H. Schiffman
	Theodore H. Schiffman Director
February 15, 2002	/s/Michael Schiffman
	Michael Schiffman President and Director
February 15, 2002	/s/Noah Fleschner
	Noah Fleschner Director
February 15, 2002	/s/Samson Helfgott
	Samson Helfgott Director
February 15, 2002	/s/Norman Ricken
	Norman Ricken Director

ITEM 7 - FINANCIAL STATEMENTS

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2000

CONTENTS

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND STOCKHOLDERS'
FORWARD INDUSTRIES, INC.
POMPANO BEACH, FLORIDA

We have audited the accompanying consolidated balance sheet of Forward Industries, Inc. and Subsidiaries as of September 30, 2000, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years ended September 30, 2000 and 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Forward Industries, Inc. and Subsidiaries as of September 30, 2000, and the consolidated results of their operations and their cash flows for the years ended September 30, 2000 and 1999 in conformity with accounting principles generally accepted in the United States.

We have audited Schedule II and Exhibit 11 of the Company for the year ended September 30, 2000 and 1999 included in the 2000 annual report of the Company on Form 10-KSB. In our opinion, the schedule and exhibit present fairly the information required to be set forth therein.

As discussed in Note 19, the accompanying financial statements for the year ended September 30, 1999 and September 30, 2000 have been restated.

/s/ Patrusky, Mintz & Semel

PATRUSKY, MINTZ & SEMEL
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK, NEW YORK
November 17, 2000 except for
Note 19, as to which the
date is December 21, 2001.

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2000

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	840,532
Accounts receivable, less allowance for doubtful accounts of $67,765		2,062,415
Inventories (Note 2)		857,082
Notes receivable – current portion (Note 3)		143,235
Notes and loans receivable – officers – current portion (Note 6)		319,603
Prepaid expenses and other current assets (Note 7)		459,697
Deferred income taxes (Note 11)		135,000
Total current assets		4,817,564
PROPERTY PLANT AND EQUIPMENT- net - (Note 4)		572,177
ASSETS HELD FOR SALE – net – (Note 5)		179,475
OTHER ASSETS:		
Notes and loans receivable – officers –net of current portion (Note 6)		99,040
Deferred income taxes (Note 11)		1,209,000
Other Assets		60,071
Total other assets		1,368,111
TOTAL ASSETS	$	6,937,327

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$	784,950
Notes payable under credit line (Note 9)		350,000
Current portion of capital lease obligations (Note 8)		24,360
Accrued payable and other current liabilities (Note 10)		503,170
Total current liabilities		1,662,480
CAPITAL LEASE OBLIGATIONS – net of current portion (Note 8)		112,595
TOTAL LIABILITIES		1,775,075
STOCKHOLDERS' EQUITY:		
Preferred stock, 4,000,000 authorized shares, par value $.01; none issued		
Common stock, 40,000,000 authorized shares, par value $.01; 6,286,531 shares issued (including 202,390 held in treasury) (Note 14)		62,865
Paid-in capital		8,251,780
Accumulated deficit		(2,805,491)
Foreign currency adjustment		8,799
		5,517,953
Less: Cost of shares in treasury		(355,701)
Total stockholders' equity		5,162,252
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	6,937,327

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

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30,	
	2000	**1999**
Net sales	$ 14,410,035	$ 20,553,192
Cost of goods sold	9,936,339	14,307,809
Gross profit	4,473,696	6,245,383
Operating expenses:		
Selling	1,865,717	1,791,043
General and administrative	2,596,062	3,001,104
Relocation expense	251,125	-----
	4,712,904	4,792,147
Income (loss) from operations	(239,208)	1,453,236
Other income (deductions):		
Interest expense	(104,323)	(337,646)
Interest expense – related parties	----	(1,709)
Interest income	96,777	79,553
Other income (deductions) – net	23,054	(152,660)
	15,508	(412,462)
Income before provision for income taxes	(223,700)	1,040,775
Provision for income taxes	55,129	395,000
Net income (loss)	$ (278,829)	$ 645,774
Net income (loss) per common and common equivalent share:		
Basic:		
Net income (loss)	$ (.05)	$ .11
Diluted:		
Net income (loss)	$ (.05)	$ .11
Weighted average number of common and common equivalent shares outstanding:		
Basic	6,088,516	5,751,266
Diluted	6,088,516	5,821,554
Dividends	NONE	NONE

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

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under generally accepted accounting principles are excluded from net income. For the Company, such items consist of foreign currency translation gains and losses. The changes in the components of other comprehensive income are as follows:

	Years Ended September 30,	
	2000	**1999**
Net income (loss)	$ (278,829)	$ 645,774
Comprehensive income adjustment-foreign translation:	9,388	17,128
Comprehensive income (loss)	$ (269,441)	$ 662,902

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

FORWARD INDUSTRIES

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended September 30, 1999

		Common Stock					Treasury Stock	
	Total	**Number of Shares**	**Amount**	**Paid-in Capital**	**Retained Earnings (Accum. Deficit)**	**Foreign Currency Adjustment**	**Number of Shares**	**Amount**
Balance October 1, 1998 as Previously reported	3,506,477	4,963,031	$ 49,630	6,885,111	(3,172,434)	(17,717)	(164,890)	(238,113)
Warrants issued to consultants	201,093			201,093				
Common stock issued in connection with conversion of notes payable	554,000	1,108,000	11,080	542,920				
Offering costs of conversion of debt to equity	(11,950)			(11,950)				
Beneficial charge related to note conversion (Note 14)	220,592			220,592				
Exercise of Class B Warrants	107,750	215,500	2,155	105,595				
Shares repurchased in open-market transactions	(63,056)						(20,000)	(63,056)
Reversal of expense for Warrants issued for services which lapsed (Note 14)	(62,500)			(62,500)				
Foreign currency translation adjustment	17,128					17,128		
Net Income	645,744				645,744			
Balance September 30, 1999	$ 5,115,306	6,286,531	$ 62,865	$ 7,880,861	$ (2,526,662)	$ (589)	(184,890)	$ (301,169)
Warrants issued to consultants	370,919			370,919				
Shares repurchased in open-market transactions	(54,532)						(17,500)	(54,532)
Foreign currency translation adjustment	9,388					9,388		
Net loss	(278,829)				(278,829)			
Balance September 30, 2000	$ 5,162,252	6,286,531	$ 62,865	$ 8,251,780	$(2,805,491)	$ 8,799	(202,390)	$ (355,701)

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

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30, 2000	1999
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (278,829)	$ 645,774
Adjustments to reconcile net income to net cash provided by (used in) continuing operations:		
Beneficial Conversion interest charge	---	220,592
Amortization of note discount		45,320
Loss (Gain) on sale of property and equipment	17,161	(68,299)
Amortization of deferred debt costs	31,876	
Depreciation and amortization	122,681	132,566
Deferred taxes	42,6297	335,000
Non-cash compensation (reversal)	---	(62,500)
Stock based compensation	370,919	201,093
Changes in assets and liabilities:		
Accounts receivable	2,675,848	(1,831,420)
Inventories	134,982	91,598
Prepaid expenses and other current assets	(5,944)	73,903
Other assets	3,996	(14,352)
Accounts payable	(1,516,607)	1,085,985
Accrued severance to officer	(115,000)	(235,000)
Accrued expenses and other current liabilities	(767,898)	79,892
NET CASH PROVIDED BY OPERATING ACTIVITIES	715,814	700,150
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	2,415	51,130
Proceeds from notes and loans receivable	210,907	342,446
Principal payments on capital lease obligations	(1,958)	---
(Advances to) proceeds from officer's loans - net	(334,682)	32,312
Purchases of property, plant and equipment	(262,569)	(375,335)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(385,887)	50,553
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from short term borrowings	350,000	---
Payments of short term borrowings	(995,852)	(248,251)
Payments of note payable - related party	---	(42,670)
Proceeds from issuance of stock	---	107,750
Deferred offering costs	---	(11,950)
Purchase of treasury shares	(54,532)	(63,056)
Deferred debt cost	(9,161)	(2,812)
NET CASH USED IN FINANCING ACTIVITIES	(709,545)	(260,989)
EFFECT OF EXCHANGE RATE CHANGES	9,388	17,128
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(370,230)	506,842
CASH AND CASH EQUIVALENTS – beginning	1,210,762	703,920
CASH AND CASH EQUIVALENTS – ending	$ 840,532	$ 1,210,762
SUPPLEMENTAL DISCLOURES OF CASH FLOW INFORMATION:		
Cash paid in the year for:		
Interest	$ 72,447	$ 69,913
Income Taxes	$ 49,823	$ 6,258
SCHEDULE OF NON-CASH ACTIVITIES:		
Equipment acquired under capital lease obligations	$ 138,913	---
Property reclassified as assets held for sale	179,475	---
Warrants lapsed for services rendered	---	$ (62,500)
Issuance of common stock upon conversion of long term debt	---	554,000
Sale of property and equipment held for sale	----	171,369

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Forward Industries was incorporated under the laws of the State of New York and began operations in 1961. The Company is engaged in the design and marketing of custom-designed soft-sided carrying cases made from leather, nylon, vinyl and other synthetic fabrics. The cases are used primarily for the transport of portable electronic devices such as cellular phones, medical devices and computers. The Company markets products either as a direct seller or as an original-equipment-manufacturer to customers in the United States, Europe, Asia and Australia. For the years ended September 30, 2000 and 1999, respectively, approximately 54% and 72% of its sales were to customers outside of the United States.

Basis of Consolidation

The consolidated financial statements include the accounts of Forward Industries, Inc. ("Forward") and its wholly- and majority-owned subsidiaries (together the "Company"). All significant intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

Revenue is recognized upon the shipment of products.

Use of Estimates in the Preparation of Financial Statements

Preparing the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of cash on deposit and highly liquid money market accounts.

Credit Risk

Accounts Receivable - Trade

Accounts receivable consist of open trade accounts with various companies. The Company performs ongoing credit evaluations of its customers and believes that adequate allowances for any uncollectible receivables are maintained. Credit terms to customers are generally net thirty (30) days. The Company has not historically experienced significant losses in extending credit to customers.

Three customers accounted for approximately 70%, and one customer accounted for approximately 80%, of the Company's accounts receivable at September 30, 2000 and 1999, respectively. These customers are substantial companies with good credit worthiness. None of these customers are in default and payments are received from them on a timely basis. One customer accounted for approximately 48%, and 60% of net sales in Fiscal 2000 and Fiscal 1999, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued))

Credit Risk (continued)

Cash

The Company maintains cash balances with financial institutions which at times may be in excess of the FDIC insurance limit.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Economic Dependence

The Company is dependent on one of its suppliers for the purchase of inventory. The Company purchased approximately 30% and 36% of its inventory from this supplier in Fiscal 2000 and Fiscal 1999, respectively. Management believes that other suppliers could provide similar products on comparable terms. However, a change in an individual supplier could delay shipment of product resulting in a loss of sales which could affect operating results.

Property, Plant and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Transportation Equipment & Vehicles	3 to 10 years
Furniture Fixtures and equipment	3 to 10 years
Leasehold improvements	*
Buildings and improvements	10 to 20 years

*Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Offering and Deferred Debt Costs

Deferred offering costs represented amounts incurred in connection with obtaining equity in the Company's 1997 Private Placement (see Note 14). Such costs were charged against paid-in capital when the respective sales of the units were closed.

Deferred debt costs were incurred in connection with obtaining debt financing, either in the Company's 1997 Private Placement (see Note 14) or for the Company's bank credit facility (see Note 9). The costs are amortized over the term of the debt issued. Amortization amounted to $31,876 and $62,204 for the years ended September 30, 2000 and 1999, respectively.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs amounted to $45,863 and $49,680 for the years ended September 30, 2000 and 1999, respectively.

Translation of Foreign Currency

The foreign currency financial statements of divisions operating outside the United States are translated in accordance with the requirements of the Financial Accounting Standards Board. All income and expense accounts are translated at average exchange rates; assets and liabilities, at current exchange rates; and stockholders' equity at historical exchange rates.

Income Taxes

The Company utilized SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method of accounting for income taxes. The liability method measures deferred income taxes by applying statutory rates in effect at the balance sheet date to the differences between the tax base of assets and liabilities and their reported amounts in the financial statements. The resulting deferred tax assets or liabilities are adjusted to reflect changes in tax laws as they occur.

Net Income Per Share

The Company adopted SFAS No. 128, "Earnings Per Share" which established new standards for computing and presenting net earnings per share. This statement also requires the restatement of all prior period earnings per share data presented. Basic net earnings per common share is computed by dividing net earnings applicable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options, warrants and other financial instruments convertible into the Company's common stock. In periods where losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income" in fiscal 1999. Components of comprehensive income for the Company include items such as net income and foreign currency translation adjustments.

Reclassifications

Certain amounts have been reclassified to conform to the current year presentation.

NOTE 2 - INVENTORIES

Inventories at September 30, 2000 are comprised of the following:

Finished goods	$844,710
Raw materials and supplies	12,372
	$857,082

NOTE 3 - NOTES RECEIVABLE

Notes receivable in the amount of $143,235 consist of the following at September 30, 2000:

Two non-interest bearing promissory notes received as part of the sale of the Company's Advertising Specialties division on September 30, 1997; originally payable in equal monthly installments of $23,611 commencing in October 1997, and $2,879 commencing January 1998, through September 2000. In July 1999, remaining amounts were combined into monthly installments of $14,733 over 24 months. Interest on the notes has been imputed at a rate of 12 1/2% per annum. The notes are secured by the assets sold by the Company, and a personal guarantee of $200,000.

In August 2000, the Company initiated legal proceedings to protect its rights under the terms of the notes. In October, subsequent to the balance sheet date, the Company was awarded a summary judgment for the entire amount of the note plus associated legal fees. The Company believes the entire amount will be collectible; therefore no provision for impairment has been recorded.

Interest income on the notes is recognized when cash is received and amounted to $24,321 and $39,261 for the years ended September 30, 2000 and 1999, respectively.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at September 30, 2000 consists of the following:

Category	Cost	Accumulated Depreciation	Book Value
Furniture, fixtures and equipment*	$ 561,909	$ (111,442)	$ 450,467
Leasehold improvements	131,234	(64,646)	66,588
Transportation equipment	91,549	(36,427)	55,122
Totals:	$ 784,692	$ (212,515)	$ 572,177

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (continued)

*Furniture, fixtures and equipment include assets acquired under capital leases of $138,319. Related amortization included in accumulated depreciation is $1,653.

**Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Depreciation expense amounted to $122,681 and $70,362 for the years ended September 30, 2000 and 1999, respectively.

NOTE 5 – ASSETS HELD FOR SALE

In connection with the Company's consolidation of its offices from New York and South Bend, Indiana, to Pompano Beach, Florida, land and a building owned by the Company in South Bend, became available for sale. Current market comparisons indicate that the fair market value is equal to, or greater than, the net book value of the assets; accordingly, the assets are presented in the accompanying balance sheet at their net book value as follows:

Category	Cost	Accumulated Depreciation	Book Value
Land	$ 25,000	$ ---	$ 25,000
Building	108,721	(53,455)	55,266
Building Improvements	106,820	(7,611)	99,209
Totals:	$ 240,541	$ (61,066)	$ 179,475

NOTE 6 - NOTES AND LOANS RECEIVABLE - OFFICERS

At September 30, 2000 notes and loans receivable - officers consist of the following amounts, which had been provided to officers for personal needs and not for the acquisition of stock or options:

Note receivable issued in the amount of $235,535 payable at $18,490 per year, paid by the end of each fiscal year from September 1999 until such balance is paid plus interest at 6% per annum	$ 55,470
Non-interest bearing advances pending completion of insurance sharing agreement	62,060
Note receivable issued on April 24, 2000 in the amount of $370,000 to cover costs of relocation to Florida at prime plus three quarter percent	301,113
Totals:	$ 418,643
Less: Current maturities	319,603
	$ 99,040

NOTE 6 - NOTES AND LOANS RECEIVABLE - OFFICERS (continued)

Maturities of notes and loans receivable - officers are as follows:

FISCAL YEAR ENDING SEPTEMBER 30,

2001......................	$	319,603
2002......................		18,490
2003......................		18,490
Other*..................		62,060
Totals	$	418,643

*Represents amounts that would be payable to the Company under the pending insurance agreement upon the death of the former executive.

On April 24, 2000, the Company provided a loan to Michael Schiffman in the amount of $370,000, at the prime rate in effect from time-to-time plus three quarters of one percent. The purpose of the loan was to finance construction of a home by him in connection with the Company's relocation to Florida. The Company has been assigned the right to file a mortgage and lien on the property in the event the note is not repaid, as well as a pledge of 350,000 common shares of the Company's stock owned by him, as additional security. In Fiscal 2000 he made payments on the note totaling approximately $86,000. During December 2000, the Board of Directors resolved that the repayment would be required 45 days after completion of the home (expected to be May 31, 2001) and in any event no later than June 15, 2001. As of September 30, 2000 the balance of the note with accrued interest was $301,113. On October 7, 2000, subsequent to the balance sheet, Mr. Schiffman made an additional payment in the amount of $83,068 reducing the balance of the note to approximately $220,000.

The Company has paid insurance premiums and interest totaling $62,060 on behalf of its former chairman and chief executive officer. These advances were made pending execution of an agreement between "The Theodore H. Schiffman Insurance Trust" and the Company. Under the terms of the proposed agreement, the Company would be repaid upon the death of the former executive from the proceeds of an insurance policy owned by the Trust. To date, the agreement between the Company and the Trust has not been executed. The Company is currently reviewing the terms of the agreement. Therefore, the amounts paid are reflected as a related party advance to an officer until the agreement is finalized.

In addition to the notes outstanding at September 30, 2000, the following officer loan transactions occurred during the fiscal year:

A ninety-day (90), unsecured, promissory note in the amount of $40,000, which had been provided to the Company's Chief Executive Officer for personal needs, was repaid on June 29, 2000, plus interest of $2,000. The note was originally issued on December 16, 1999 with interest at the prime rate in effect from time-to-time plus three quarters of one percent.

A Note receivable from the Company's President in the amount of $10,000 per year, was repaid in full plus interest at 7%.

Interest income on Officer notes and loans amounted to $23,491 and $6,597 for the years ended September 30, 2000 and 1999, respectively.

NOTE 7 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at September 30, 2000 consist of the following:

Non-trade receivables	$ 194,789
Prepaid insurance	39,979
Prepaid rents	23,095
Sundry others	201,834
	$ 459,697

NOTE 8 - CAPITAL LEASES

The Company leases certain equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the Balance Sheets as property, plant, and equipment and was $138,913 at September 30, 2000. Accumulated amortization of the leased equipment at September 30, 2000, was approximately $1,653. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of September 30, 2000, are as follows:

Year Ending September 30,	Amount
2001	$32,732
2002	32,732
2003	32,732
2004	32,732
2005	30,003
Thereafter	---
Total minimum lease payments	160,931
Less: Amount representing interest	23,976
Present value of net minimum lease payments	136,955
Less: Current maturities of capital lease obligations	24,360
Long-term capital lease obligations	$112,595

NOTE 9 – DEBT

Borrowings Under Credit Line - Bank

In January 2000, the Company established a new credit facility with a bank that provides for a maximum line of credit of $5.0 million, including letters of credit. On February 1, 2000 the direct borrowings and acceptances from a former credit facility were repaid from funds received under the new agreement. The new line is renewable annually at the discretion of the bank and expires March 31, 2001. There is no formula which limit the borrowings, or restrictive covenants, as in the prior credit facility. However, the Company is required to eliminate borrowings for thirty (30) consecutive days and is required to maintain operating performance which is acceptable to the bank. The Company completed the thirty-day (30) period in August 2000. The credit facility bears interest at the prime rate in effect from time-to-time plus three quarters of one percent. At September 30, 2000, $350,000 was outstanding in direct borrowings; there were no outstanding obligations under letters of credit.

Interest expense on the bank debt amounted to $70,976 and $61,068 for the years ended September 30, 2000 and 1999, respectively.

NOTE 10 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses at September 30, 2000 consist of the following:

Accrued expenses relating to relocation	$ 79,143
Accrued expenses to vendors and others	424,027
	$ 503,170

NOTE 11- INCOME TAXES

The components of the deferred tax assets and liabilities at September 30, 2000 are as follows:

Current:	
Accounts receivable	$ 22,700
Inventory	79,840
Accrued expenses	32,460
	135,000
Non-current:	
Net operating losses	1,502,562
Stock Warrants	215,200
Property, plant and equipment	24,438
State tax effect	89,000
Valuation allowance	(622,200)
	1,209,000
Net deferred tax asset	$ 1,344,000

At September 30, 2000 a valuation allowance is provided as it is uncertain if certain deferred tax assets will be fully utilized.

Provision (credit) for income taxes for the years ended September 30, consists of the following:

	2000	1999
Current tax expense	$ 12,500	$ 60,000
Deferred tax benefit	42,629	528,000
Change in valuation allowance	--	(193,000)
	$ 55,129	$ 395,000

Reconciliation of statutory rate to effective income for the years ended September 30, is as follows:

	2000	1999
At the Federal Statutory rate	34.0%	34.0%
Effect of:		
Temporary differences	(242.8)	(5.2)
Net operating loss carryforwards	204.0	(28.9)
Deferred income taxes	47.6	22.2
Miscellaneous	(5.4)	4.1
	37.4%	26.2%

At September 30, 2000, the Company has unused net operating loss carryforwards of approximately

$3,187,000 expiring through September 30, 2015.

NOTE 12 - COMMITMENTS

The Company rents certain of its facilities under leases expiring at various dates through July 2007. In addition, the Company is leasing four warehouse facilities on a month-to-month basis. Total rent expense for the years ended September 30, 2000 and 1999 amounted to $223,135 and $221,465, respectively.

Minimum rental commitments under such leases for future fiscal years are summarized below:

YEARS ENDED SEPTEMBER 30,	
2001	$73,284
2002	75,849
2003	78,504
2004	81,252
2005	84,096
Thereafter	154,017
Totals	$547,002

Employment Contracts

Effective December 11, 1998, the Company entered into a consulting agreement with its, then current, chairman and chief executive officer, Mr. Theodore Schiffman. Pursuant to this agreement, Mr. Schiffman receives an annual consulting fee of $200,000 for a period of five years, commencing January 1, 1999 and ending December 10, 2003. Mr. Schiffman also received severance payments totaling $350,000, of which $200,000 was paid on January 1, 1999, $35,000 on September 30, 1999, and $115,000 was paid during Fiscal 2000. In addition, effective December 11, 1998, the exercise price of his 450,000 options was reduced to $1.10 per share.

Effective October 1, 1998, the Company entered into an employment agreement with Mr. Jerome Ball pursuant to which the Mr. Ball is employed as chief executive officer and vice chairman, and six months thereafter, as chairman, through September 30, 2000. The agreement provides for an annual salary of $201,600 plus an annual bonus equal to ten percent (10%) of the pre-tax operating profit (before the impact of other bonuses) in excess of $675,000. During Fiscal 1999 the Company made a prepayment of $20,000 and accrued an additional $140,000 for this bonus. In addition, the Mr. Ball received options to purchase 250,000 shares of common stock at an exercise price of $1.75 per share, which shares became exercisable during Fiscal 1999. The agreement also provides that the Company grant the officer options to purchase up to an additional 250,000 shares of common stock at an exercise price of $2.00 per share if the Company's stock price averages $3.50 for a 180 day period. No bonus was earned in Fiscal 2000 and the Company is presently negotiating renewal of Mr. Ball's contract.

Effective October 1, 1998, the Company and Mr. Michael Schiffman entered into a contract with the following provisions; annual salary of $230,000, bonus equal to 3 percent of sales above $13,000,000, and additional stock options vested based on sales performance levels during the term of the agreement. Such options are priced at marked value on the date of vesting and can be a maximum of 600,000 if sales levels of $21,000,000 are reached. During the fiscal year ended September 30, 1999, the Company made prepayments of $25,828 and accrued $194,172 in connection with this bonus, and 200,000 options vested at a price of $1.88 (vested on the date sales reached $16,000,000) and 200,000 at $3.25 (vested on the date sales reached $18,500,00). During fiscal year 2000, based on the Company's performance, the officer was entitled to a bonus of approximately $42,300, which he elected to forego without recourse.

NOTE 12 - COMMITMENTS (continued)

Employment Contracts

Amounts incurred under employment and severance agreements amounted to $631,600 and $1,275,767 for the years ended September 30, 2000 and 1999, respectively (including accrued bonus obligations) and excluding any amounts foregone.

NOTE 13 - RELATED PARTY TRANSACTIONS

Note Payable

During Fiscal 1999, a note payable to a related party was paid in full in the amount of $42,670. Interest amounted to $1,709. No such payments or expenses were made or incurred in Fiscal 2000.

Other

For the year ended September 30, 1999, the Company incurred consulting fees totaling $71,500 to a corporation that is controlled by a principal stockholder of the Company. No such payments or expenses were made or incurred in Fiscal 2000.

NOTE 14 - STOCKHOLDERS' EQUITY

Private Placement

Between May and December 1997, the Company sold through a Private Placement, 55.4 units at a price of $25,000 per unit. Each unit consisted of the following:

1. 30,000 shares of common stock.
2. A warrant to purchase up to 30,000 shares of common stock at $4.00 per share through March 15, 1999.
3. An unsecured 10% convertible promissory note in the amount of $10,000 payable on December 4, 1998. The notes are convertible, at the sole option of the Company, into 20,000 shares of common stock and one warrant (same terms as described in #2). If the Company exercised its option to convert any outstanding notes, then it must convert all of the notes.

On December 4, 1998, the Company paid approximately $72,000 of accrued interest and converted all the $554,000 of convertible promissory notes into 1,108,000 common shares and warrants to purchase 1,662,000 common shares. These warrants expired on March 15, 1999 without exercise.

In connection with this conversion, the Company recorded a non-cash, interest charge of approximately $220,600. This amount represents a beneficial conversion feature and was calculated as the difference between the price at which the Company converted such shares ($.50), and the market price of the Company's stock on the date the debt was issued ($1.81 weighted averaged), aggregated by the total shares issued. Current accounting rules limit the amount of the beneficial conversion feature to the face value of the notes ($554,000), less the amount of discount on the notes previously recognized ($333,400). No tax benefit was recorded in connection with this interest charge as it is not deductible for federal income taxes.

NOTE 14 - STOCKHOLDERS' EQUITY (continued)

Warrants

In February 1995, the Company issued warrants to a financial consultant to purchase 100,000 shares at $2.00 per share pursuant to the terms of a four year agreement. Based on a market valuation of $3.00 per share, the expense to be recognized over the life of the agreement is $100,000. During the year ended September 30, 1996, 12,500 shares were purchased. In 1997 and 1998, no shares were purchased. For the year ended September 30, 1998 , the amount charged to operations and credited to paid-in capital was $9,730. The unexercised warrants expired on January 31, 1999 and operations for the year ended September 30, 1999 were credited for 62,500 representing the reversal of the related expense.

In December 1994, the Company issued 500,000 units which included one Class A warrant and one Class B warrant under the terms of a private placement. The terms of the warrants are as follows:

	NUMBER OF SHARES PER WARRANT	EXERCISE PRICE	EXPIRATION DATE
Class A	1	$3.50	December 31, 1996
Class B	1	.50*	September 30, 1999

*On November 20, 1998, the exercise price was reduced from $5.00 to $.50.

The Class A and Class B warrants have expired. No warrants were exercised in Fiscal 1998 or 1997. In Fiscal 1999, 215,500 Class B warrants were exercised.

During Fiscal 1999 the Company issued warrants to three consultants as partial consideration for services in such areas as investment banking and stockholder matters.

A summary of warrants outstanding at September 30, 2000, follows:

ISSUE	OUTSTANDING WARRANTS	EXERCISE PRICE	EXPIRATION DATE	VESTED
Consultant	300,000	$1.75*	May 20, 2002	75,000
Consultant	75,000	$1.75	February 28, 2004	75,000
Consultant	5,000	$1.50	July 23, 2001	5,000
	380,000			155,000

*Reflects average exercise price for all warrants granted at prices of $1.50, $1.75 and $2.00 for three tiers each of 100,000 warrants.

NOTE 14 - STOCKHOLDERS' EQUITY (continued)

Options

In October 1994, the Company granted options for two officers of the Company to purchase 150,000 shares of common stock each at a price of $1.50 per share, which was in excess of market value at that time. On December 11, 1998, as part of a new consulting agreement with one of the officers, the exercise price was reduced to $1.10 per share. The options are exercisable over a five year period commencing December 1, 1995. No options were exercised in Fiscal 2000 and 1999.

In December 1996, the Board of Directors adopted the 1996 Stock Incentive Plan, pursuant to which up to four million (4,000,000) shares of common stock may be issued to officers and employees of the Company upon the exercise of incentive stock options and nonqualified stock options. The exercise price of the incentive options may not be less than the fair market value of the common stock at the date the option is granted. The exercise price of the nonqualified options is established by the stock option committee. All options expire ten years after the date of grant and generally vest as follows; 37% after one year, 67% after two years and fully vest after three years. In the years ended September 30, 1999 and 1998, the Company issued an aggregate of 863,750 options including 725,000 options to three of the Company's officers. During Fiscal year 2000 the Company granted two new officers 15,000 options each at the current market price of $1.50.

	2000		1999	
	Shares	Exercise Prices	Shares	Exercise Prices
Balance Beginning of Year.	1,886,875	$1.01 - $3.25	1,051,875	$1.01 - $3.00
Granted	64,000	$1.50 - $3.38	835,000	$1.75 - $3.25
Exercised............................	---		---	
Cancelled	(33,750)	$2.00	---	--
Balance at End of Year.......	1,917,125	$1.01 - $3.38	1,886,875	$1.01- $3.25

Of the total outstanding options at September 30, 2000, 300,000 options expire in Fiscal 2001, 689,375 in Fiscal 2007, 28,750 in Fiscal 2008, 835,000 in Fiscal 2009 and 64,000 in Fiscal 2010. Total options exercisable at September 30, 2000 were 1,656,005 at a weighted average exercise price of $2.01.

NOTE 15 - 401(K) PLAN

The Company has a 401(k) profit sharing plan covering substantially all employees who meet eligibility requirements. Profit sharing expense amounted to $24,601 and $25,354 for the years ended September 30, 2000 and 1999, respectively.

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts at which cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities are presented in the balance sheet approximate their fair value due to their short maturities.

The following table presents the carrying amounts and fair values at September 30 2000, for the following:

	Carrying Amount	Fair Value
Notes Receivable	$143,235	$144,660
Notes Receivable - officers........	$418,643	$372,878

The fair values of the above items have been determined based on discounted cash flow using a market rate of interest at the balance sheet date as applicable to comparable items.

The amount of the capital lease obligations presented in the balance sheet approximate their fair values due to the use of the Company's incremental borrowing rate in determining the liability.

NOTE 17 - ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for the stock options granted. No expense was recognized in the year ended September 30, 2000 and 1999. If the Company had elected to recognize expense in the year ended September 30, 2000 and 1999 for the stock options granted based on the fair value at the date of grant consistent with the method prescribed by SFAS No. 123, net income and income per share would have been changed to the pro forma amounts indicated below:

	2000		1999	
	As reported	Pro Forma	As reported	Pro Forma
Net income (loss)......................	$ (278,829)	$(290,047)	$ 645,774	$ 246,367
Income (loss) per share.............	$ (.05)	$ (.05)	$ .11	$ .04

The fair value of the stock options used to compute pro forma net income per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model with the following weighted average assumptions: expected volatility of 27% (1999- 38%); risk-free interest rate of 6.0% (1999- 6.0%); and an expected holding period of five years.

NOTE 18- BUSINESS SEGMENT INFORMATION

The Company adopted SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information" which establishes standards for reporting information about operating segments, and requires disclosures about products, geographic areas and major customers.

The Company operates in a single segment that provides soft-sided carrying solutions for portable electronic devices. This Carrying-Solution Segment designs and markets products to its customers that include wireless telecommunications, medical and computer companies. The carrying solution segment operates in geographic regions that include the United States and Europe. Other geographic sales include Australia and Asia. Segments are defined based primarily on the location of the customer. Segment information is as follows:

Years Ended September 30,
(thousands of dollars)

	2000	1999
Sales:		
United States	$ 6,594	$ 5,827
Europe	7,636	13,958
Other foreign countries	181	768
Total sales	$ 14,410	$ 20,553
Operating income (loss):		
United States	$ 202	$ 72
Europe	2,417	4,483
Other foreign countries	(11)	(101)
Corporate – unallocated	(2,847)	(3,001)
Total operating income	$ (239)	$ 1,453

Allocation of expenses and assets:

The Company operates a procurement and quality control center in Hong Kong. The cost of operating the center is allocated to segments based on their percentage of sales. The Company does not allocate taxes, other income, other expense, interest income, interest expense or general and administrative expenses to individual segments.

Identifiable assets:

Identifiable assets by segment are as follows:

	2000	1999
United States	$ 1,805	$ 1,366
Europe	1,787	4,583
Other foreign countries	156	273
Unallocated Corporate	3,189	3,647
Total Assets	$ 6,937	$ 9,869

NOTE 18- BUSINESS SEGMENT INFORMATION (continued)

Major Customers:

Sales to the Company's major customers for the year ended September 30, 2000 is as follows:

	% Of Segment Revenue		
	U.S.	Europe	Company%
Customer 1	6%	87%	48%
Customer 2	26%	9%	17%

No other single customer comprised more than 10% of segment revenues.

NOTE 19 - RESTATEMENT

The consolidated financial statements, as previously reported, for the years ended September 30, 2000 and September 30, 1999 have been restated to include stock-based compensation expense in the amount of $370,919 and $201,093, respectively, associated with the issuance of stock warrants to consultants in May of 1999. See Note 14 for a description of the warrants.

The impact of the restatement on previously reported amounts is as follows:

	Year Ended September 30, 2000	
	As Reported	As Restated
Net income (loss)	$92,090	($278,829)
Per Share Amounts:		
Basic	$.02	($.05)
Diluted	$.01	($.05)
Accumulated deficit	($2,233,479)	($2,805,491)
Additional paid in capital	$7,679,768	$8,251,780

	Year Ended September 30, 1999	
	As Reported	As Restated
Net income	$846,647	$645,774
Per Share Amounts:		
Basic	$.14	$.11
Diluted	$.14	$.11
Accumulated deficit	($2,325,569)	($2,526,662)
Additional paid in capital	$7,679,768	$7,880,861

FORWARD INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO OPERATIONS	DEDUCTIONS	BALANCE AT END OF YEAR
DESCRIPTION				
Allowance for doubtful accounts				
Year ended September 30, 1998	$ 91,333	$ 19,467	-	$ 110,800
Year ended September 30, 1999	110,800	23,000	-	133,800
Year ended September 30, 2000	$ 133,800	$ -	$ 66,035	$ 67,765

EXHIBIT 11 - COMPUTATION OF INCOME PER COMMON SHARE

	Years Ended September 30 2000		1999
NUMERATOR:			
Income (loss) from continuing operations:	$ (278,829)		$ 645,774
Preferred dividends	---		---
	(278,829)	BASIC	645,774
Impact of potential common shares			
Convertible debt	---		---
	$ (278,829)	DILUTED	$ 645,774
DENOMINATOR:			
Weighted average number of common shares outstanding (see schedule)	6,088,516	BASIC	5,751,266
Impact of potential common shares			
Stock options and warrants	**--		70,288
	6,088,516	DILUTED	5,821,554
BASIC EPS:			
Income (loss) from operations	$ (.05)		$ .11
DILUTED EPS:			
Income(loss) from operations	$ (.05)		$ .11

CALCULATIONS

Stock Options

Treasury Stock method applied to stock options:

	2000	1999
Sale of common stock:		
Total options and warrants outstanding	1,973,125	450,000
Average price	$ 1.66	$ 1.10
Total	$ 3,275,388	$ 495,000
Repurchase of common stock:		
Proceeds	$ 3,275,388	$ 495,000
Average stock price	$ 2.52	$ 1.30
Shares repurchased	1,299,757	379,712
Net increase in shares:		
Shares sold	1,973,125	450,000
Shares repurchased	1,299,757	379,712
Increase in shares **	673,368**	70,288

** The increase in shares for Fiscal 2000 were excluded from the computation of fully diluted earnings per share as their effect would have been antidilutive.

Computation of Weighted Average Number of Common Shares Outstanding

	Year Ended September 30, 2000		
Dates Outstanding	Shares Outstanding	Fraction of Period	Weighted Average Shares
October through November	6,101,641	2/12	1,016,940
Purchase of Treasury Stock	(10,000)		
December through January	6,091,641	2/12	1,015,274
Purchase of Treasury Stock	(5,000)		
February	6,086,641	1/12	507,220
Purchase of Treasury Stock	(2,500)		
March through September	6,084,141	7/12	3,549,082
Weighted Average Shares Fiscal 2000			**6,088,516**

	Year Ended September 30, 1999		
Dates Outstanding	Shares Outstanding	Fraction of Period	Weighted Average Shares
October through November	4,798,141	2/12	799,690
Conversion of debt to common stock in February	1,108,000		
December through February	5,906,141	3/12	1,476,535
Conversion of Class B Warrants in March	22,000		
March though May	5,928,141	3/12	1,42,035
Conversion of Class B Warrants in June	10,000		
June through August	5,938,141	3/12	1,484,536
Conversion of Class B Warrants in September	183,500		
Purchase of Treasury Shares	(20,000)		508,470
September	6,101,641	1/12	
Weighted Average Shares Fiscal 1999			**5,751,266**