

Edgar Filing: INTEGRATED DATA CORP - Form 10-Q

INTEGRATED DATA CORP  
Form 10-Q  
May 20, 2003

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, 2003

Commission File Number 0-31729

INTEGRATED DATA CORP.

-----  
(Exact name of registrant as specified in its charter)

Delaware

23-2498715

-----  
(State or other jurisdiction  
of incorporation or organization)

-----  
(IRS Employer Identification No.)

625 W. Ridge Pike, Suite C-106, Conshohocken, PA 19428

-----  
(Address of principal executive offices)

Telephone: (610) 825-6224

Indicate by check mark whether the registrant (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 ( )

As of May 15, 2003, there were 7,686,044 shares outstanding of the Registrant's \$.001 par value common stock.

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### INTEGRATED DATA CORP. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Dollars and Shares in Thousands)

|  | Mar. 31,<br>2003     | June 30,<br>2002   |
|--|----------------------|--------------------|
|  | -----<br>(Unaudited) | -----<br>(Audited) |
| <b>CURRENT ASSETS</b>  |                      |                    |
| Cash and cash equivalents  | \$ 1,244             | \$ 5               |
| Accounts receivable  | 2,451                | -                  |
| Inventory  | 690                  | 20                 |
| Prepaid expenses and other current assets  | 521                  | -                  |
|  | -----                | -----              |
|  | 4,906                | 25                 |
| <br>   |                      |                    |
| PROPERTY AND EQUIPMENT, NET  | 2,430                | 418                |
| INTANGIBLE ASSETS, NET   |                      |                    |
| Amortizable  | 4,314                | 75                 |
| Goodwill   | 2,260                | -                  |
| INVESTMENT IN UNCONSOLIDATED SUSIDIARIES   | 8                    | 8                  |
|  | -----                | -----              |
| <b>TOTAL ASSETS</b>  | <b>\$ 13,918</b>     | <b>\$ 526</b>      |
|  | =====                | =====              |
| <b>CURRENT LIABILITIES</b>   |                      |                    |
| Accounts payable-trade   | \$ 68                | \$ 23              |
| Accrued expenses and other liabilities   | 4,528                | -                  |
| Short-term borrowings from related parties   | 168                  | -                  |
| Deferred revenue   | 320                  | -                  |
| Minority interest  | 1,669                | -                  |
| Post-petition financing  | -                    | 156                |
| Liabilities subject to compromise  | -                    | 5,557              |
|  | -----                | -----              |
|  | 6,753                | 5,736              |
| <br>   |                      |                    |
| LONG-TERM LIABILITIES  | 863                  | -                  |
|  | -----                | -----              |
| <b>TOTAL LIABILITIES</b>   | <b>7,616</b>         | <b>5,736</b>       |
|  | -----                | -----              |
| <b>COMMITMENTS AND CONTINGENCIES</b>   |                      |                    |
| <br>   |                      |                    |
| <b>STOCKHOLDERS' EQUITY (DEFICIT)</b>  |                      |                    |
| <br>   |                      |                    |
| <b>COMMON STOCK</b>  |                      |                    |
| \$.001 par value; authorized 300,000 shares;<br>issued and outstanding, 7,686 shares at<br>March 31, 2003 and 385 shares at<br>June 30, 2002 | 8                    | -                  |
| WARRANTS OUTSTANDING   | 3,110                | 5,047              |
| ADDITIONAL PAID-IN-CAPITAL   | 282,230              | 271,907            |
| ACCUMULATED DEFICIT  | (279,046)            | (282,164)          |
|  | -----                | -----              |
| <b>TOTAL STOCKHOLDERS' DEFICIT</b>   | <b>6,302</b>         | <b>( 5,210)</b>    |
|  | -----                | -----              |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   | <b>\$ 13,918</b>     | <b>\$ 526</b>      |
|  | =====                | =====              |

See accompanying notes

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(UNAUDITED)

(Dollars and Shares in Thousands, Except Per Share Amounts)

|  | THREE MONTHS ENDED<br>MARCH 31, |            | NINE MONTHS ENDED<br>MARCH 31, |             |
|--|---------------------------------|------------|--------------------------------|-------------|
|  | 2003                            | 2002       | 2003                           | 2002        |
| REVENUE  | \$ 69                           | \$ -       | \$ 94                          | \$ -        |
| COST OF REVENUE                                    | 20                              | -          | 26                             | -           |
| GROSS PROFIT                                       | 49                              | -          | 68                             | -           |
| Depreciation and amortization                      | 242                             | 149        | 429                            | 238         |
| General and administrative expenses                | 178                             | 846        | 503                            | 4,209       |
| (Income) loss from unconsolidated subsidiary       | -                               | -          | ( 8)                           | -           |
| LOSS FROM OPERATIONS                               | ( 371)                          | ( 995)     | ( 856)                         | ( 4,447)    |
| OTHER INCOME (EXPENSE)                             |                                 |            |                                |             |
| Interest expense                                   | -                               | (20)       | ( 1)                           | (75)        |
| NET LOSS FROM CONTINUING OPERATIONS                | ( 371)                          | ( 1,015)   | ( 857)                         | ( 4,522)    |
| DISCONTINUED OPERATIONS                            |                                 |            |                                |             |
| Loss on disposal                                   | -                               | -          | -                              | ( 100)      |
| NET LOSS BEFORE EXTRAORDINARY GAIN                 | ( 371)                          | ( 1,015)   | ( 857)                         | ( 4,622)    |
| EXTRAORDINARY GAIN ON DISCHARGE OF INDEBTEDNESS    | -                               | 1,568      | 3,975                          | 1,568       |
| NET INCOME (LOSS)                                  | \$ ( 371)                       | \$ 553     | \$ 3,118                       | \$ ( 3,054) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING      | 7,523                           | 385        | 3,120                          | 380         |
| BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE |                                 |            |                                |             |
| Net loss from continuing operations                | \$ ( 0.05)                      | \$ ( 2.63) | \$ ( 0.27)                     | \$ ( 11.90) |
| Discontinued operations                            |                                 |            |                                |             |
| Loss on disposal                                   | -                               | -          | -                              | ( 0.26)     |
| Net loss before extraordinary gain                 | ( 0.05)                         | 4.07       | ( 0.27)                        | ( 12.16)    |
| Extraordinary gain on discharge of indebtedness    | -                               | -          | 1.27                           | 4.13        |
| Net income (loss)                                  | \$ ( 0.05)                      | \$ 1.44    | \$ 1.00                        | \$ ( 8.03)  |

See accompanying notes

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NINE MONTHS ENDED MARCH 31, 2003  
(Dollars and Shares in Thousands)

|   | COMMON STOCK           |        | COMMON                                     | ADD'L.     | ACCUMULATED   |
|---|------------------------|--------|--|------------|---------------|
|   | NUMBER<br>OF<br>SHARES | AMOUNT | STOCK<br>WARRANTS<br>OUTSTAN-<br>DING, NET |            |               |
|   | -----                  | -----  | -----                                      | -----      | -----         |
| BALANCES, JUNE 30, 2002                             | 38,530                 | \$38.5 | \$ 5,047                                   | \$ 271,869 | \$ ( 282,164) |
| Nine months ended<br>March 31, 2003<br>(unaudited): |                        |        |  |            |               |
| Exercise of stock<br>options                        | 53                     | -      | -  | -          | -             |
| Common stock warrants<br>expired                    | -                      | -      | ( 1,937)                                   | 1,937      | -             |
| Issuance of shares upon<br>conversion of debt       | 3,750                  | 3.8    | -  | 71         | -             |
| Reverse stock split<br>1 for 100                    | (41,910)               | (41.9) | -  | 42         | -             |
| Issuance of shares upon<br>conversion of debt       | 865                    | .9     | -  | 1,920      | -             |
| Issuance of shares upon<br>acquisitions             | 6,398                  | 6.4    | -  | 6,391      | -             |
| Net income  | -                      | -      | -  | -          | 3,118         |
|   | -----                  | -----  | -----                                      | -----      | -----         |
| BALANCES, MARCH 31,<br>2003 (unaudited)             | 7,686                  | \$ 7.7 | \$ 3,110                                   | \$ 282,230 | \$ ( 279,046) |
|   | =====                  | =====  | =====                                      | =====      | =====         |

See accompanying notes

INTEGRATED DATA CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(Dollars in Thousands)

NINE MONTHS ENDED

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|   | MARCH 31, |            |
|---|-----------|------------|
|   | 2003      | 2002       |
| CASH FLOWS FROM OPERATING ACTIVITIES  |           |            |
| Net income (loss)   | \$ 3,118  | \$( 3,054) |
| Adjustments to reconcile net loss to net cash flows used in operating activities:                       |           |            |
| Extraordinary gain on discharge of indebtedness   | ( 3,975)  | ( 1,568)   |
| Loss from discontinued operations   |           | 100        |
| (Income) loss from unconsolidated subsidiary  | ( 8)      |            |
| Depreciation and amortization   | 429       | 238        |
| Issuance of common stock and common stock warrants for expenses   | -         | 80         |
| Other   | -         | ( 70)      |
| Change in current assets and liabilities, net of effects of acquisition which increase (decrease) cash: |           |            |
| Accounts receivable   | ( 129)    | -          |
| Prepaid expenses and other current assets   | ( 4)      | 105        |
| Accounts payable-trade  | 45        | 66         |
| Accrued expenses and other current liabilities  | ( 146)    | 3,555      |
| Net cash used in operating activities   | ( 670)    | ( 548)     |
| CASH FLOWS FROM INVESTING ACTIVITIES  |           |            |
| Cash of acquired company  | 1,242     | -          |
| Proceeds from sale of fixed assets  | -         | 19         |
| Net cash used in investing activities   | 1,242     | 19         |
| CASH FLOWS FROM FINANCING ACTIVITIES  |           |            |
| Sale of common stock for cash   | -         | 150        |
| Commission on sale of common stock  | -         | ( 15)      |
| Short-term borrowings   | 667       | 272        |
| Net cash received from financing activities   | 667       | 407        |
| NET CHANGE IN CASH AND EQUIVALENTS  | 1,239     | ( 122)     |
| CASH AND EQUIVALENTS, BEGINNING OF PERIOD   | 5         | 124        |
| CASH AND EQUIVALENTS, END OF PERIOD   | \$ 1,244  | \$ 2       |

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INTEGRATED DATA CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(Dollars in Thousands)

NINE MONTHS ENDED  
MARCH 31,

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|   | 2003     | 2002 |
|---|----------|------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION   |          |      |
| Cash paid during the period:  |          |      |
| Interest  | \$ -     | \$ - |
| Income taxes  | \$ -     | \$ - |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES                                 |          |      |
| Conversion of debt into equity  | \$ 1,996 | -    |
| Issuance of shares upon acquisitions  |          |      |
| DataWave Systems, Inc.  | \$ 2,198 | -    |
| International License to DataWave Systems Inc. Technology & Integrated Communication Services, Ltd. | \$ 4,200 | -    |

See accompanying notes

INTEGRATED DATA CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2003 AND 2002

NOTE 1 - BASIS OF INTERIM PRESENTATION

The accompanying interim period financial statements of Integrated Data Corp. ("IDC" or the "Company") are unaudited, pursuant to certain rules and regulations of the Securities and Exchange Commission, and include, in the opinion of management, all adjustments (consisting of only normal recurring

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accruals) necessary for a fair statement of the results for the periods indicated, which, however, are not necessarily indicative of results that may be expected for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The financial statements should be read in conjunction with the financial statements and the notes thereto included in IDC's June 30, 2002 Form 10-K and other information included in IDC's Forms 8-Ks and amendments thereto as filed with the Securities and Exchange Commission.

### NOTE 2 - DESCRIPTION OF THE BUSINESS

Integrated Data Corp. is a non-operating U.S. parent company with subsidiaries in the U.S., Canada, United Kingdom and Italy. In this Form 10-Q, the terms "IDC" and "the Company" are used interchangeably in reference to the parent company and/or any of its subsidiaries. IDC holds proprietary technology for digital transmission of data utilizing radio frequencies transmitted by FM radio stations.

On October 23, 2002, the Company's Plan of Reorganization was approved by the United States Bankruptcy Court and became effective on November 12, 2002. The Company continues to operate from its Conshohocken (suburban Philadelphia), PA headquarters. As part of the Plan of Reorganization, the Company changed its name from Clariti Telecommunications International, Ltd. to Integrated Data Corp. and the Delaware Secretary of State accepted this change of the Company's Certificate of Incorporation, effective November 20, 2002. Also under the Plan, the Company implemented a reverse stock split converting each 100 shares into 1 share of IDC common stock.

Additionally, the Company formed C3 Technologies, Inc. a wholly owned subsidiary and Delaware Company, to manage its technologies and intellectual property. C3 Technologies develops wireless data devices and applications. Several new initiatives, including the VideoTopper are being developed for deployment. The VideoTopper product line is designed to provide dynamic, full motion video and audio services for Automatic Teller Machines (ATMs), Point of Sale (POS) terminals, and as a stand alone unit. Utilizing several communications channels including ClariCAST(R), the subject matter and schedule of the VideoTopper are changed remotely. Providing services such as advertising, consumer education, and public service announcements, the VideoTopper is being deployed in test markets including the New York and Philadelphia regions.

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### INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

### NOTE 2 - DESCRIPTION OF THE BUSINESS (continued)

Using its experience in communications engineering, C3 Technologies also provides consulting services to companies seeking integration of wireless technologies into their existing product lines.

Also, effective January 14, 2003, the Company agreed to purchase 4,023,030 freely tradable shares of DataWave Systems, Inc., a Yukon Canadian public



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company, which trades on the TSE Venture Exchange with the symbol "DTV" and on the Nasdaq OTCBB with the symbol "DWVSEF". These shares when added to 17,949,000 shares acquired in December 2002, bring the Company's total holdings in DataWave to 21,972,030 shares, which constitutes a majority of 50.062% of the issued and outstanding shares of DataWave. The newly acquired shares were purchased in off-market transactions for consideration of 402,303 newly issued Rule 144 restricted shares of the Company (one share of the Company's common stock being exchanged for each ten shares of DataWave).

DataWave Systems Inc. designs, develops, produces, owns and manages a proprietary, intelligent, automated direct merchandising network (the "DataWave System"). DataWave uses the DataWave System to distribute prepaid calling cards. The DataWave System is comprised of DataWave Telecard Merchandisers ("DTMs"), which are free-standing "smart" machines capable of dispensing multiple prepaid product offerings, and over-the-counter "swipe" units ("OTCs") for point-of-sale prepaid retailing all of which are connected to the Company's proprietary server software and databases through a wireless and/or land line wide area network. In addition DataWave sells prepaid calling cards and point of sale activated prepaid cellular PINs on a wholesale basis to certain retail operators and other customers.

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

#### Fiscal Year End

-----  
The Company's fiscal year ends on June 30. In these financial statements, the three-month periods ended March 31, 2003 and 2002 are referred to as Fiscal 3Q03 and Fiscal 3Q02, respectively, and the nine-month periods ended March 31, 2003 and 2002 are referred to as Fiscal Nine Months 2003 and Fiscal Nine Months 2002, respectively.

DataWave System's Inc. has a March 31 fiscal year end and the Company has adopted the policy to consolidate the March 31 financial statements of DataWave in its June 30 financial statements. Therefore, because of the three-month lag, the March 31, 2003 financial statements of the Company include the balance sheet of DataWave as of December 31, 2002. The results of operations of DataWave for the period January 14, 2003 through March 31, 2003 will be included in the statement of operations of the Company for the year ended June 30, 2003.

#### Principles of Consolidation and Basis of Presentation

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The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries where management control is not deemed to be

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## INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

temporary. All significant intercompany transactions have been eliminated in consolidation.

#### Income Taxes

-----  
There is no income tax expense (benefit) for income (losses) for the three month and nine-month periods ended March 31, 2003 and 2002 due to the

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following:

- Current tax expense - availability of net operating loss carryforwards
- Current tax benefit - the operating losses cannot be carried back to earlier years.
- Deferred tax benefit - the deferred tax assets were offset by a valuation allowance required by FASB Statement 109, "Accounting for Income Taxes." The valuation allowance is necessary because, according to criteria established by FASB Statement 109, it is more likely than not that the deferred tax asset will not be realized through future taxable income.

### Fair Value of Financial Instruments

-----

The Company's financial instruments consist primarily of cash and equivalents, accounts receivable and accrued expenses. These balances, as presented in the balance sheet as of March 31, 2003 and June 30, 2002 approximate their fair value because of their short maturities.

### Net Income (Loss) Per Common Share

-----

Net income (loss) per common share is based upon the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate dilutive shares. Such method reduces the number of dilutive shares by the number of shares purchasable from the proceeds of the options and warrants assumed to be exercised. Basic and diluted weighted average shares outstanding for Fiscal 3Q03 and Fiscal 3Q02 were the same because the effect of using the treasury stock method would be antidilutive.

### Recent Accounting Pronouncements

-----

In August 2001, SFAS No. Statement 142, "Goodwill and Other Intangible Assets" ("Statement 142") was issued, which is effective for fiscal years beginning after December 15, 2001. Statement 142 addresses how intangible assets that are acquired individually or with a group of assets should be accounted for upon their acquisition and also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Also, for previously recognized non-goodwill intangible assets, the useful lives must be reassessed with remaining amortization periods adjusted accordingly, and reflected as a change in accounting principle. The

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INTEGRATED DATA CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2003 AND 2002

#### NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

adoption of this standard in Fiscal Nine Months 2003 did not result in any significant impact on results of operations or financial position of the Company.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"), effective in fiscal years beginning after December 15, 2001, with early adoption permitted, and in general are to be applied prospectively. Statement 144 establishes a single accounting model for the impairment or disposal of

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long-lived assets, including discontinued operations. Statement 144 superseded Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The adoption of this standard in Fiscal Nine Months 2003 did not result in any significant impact on its financial position or results of operations.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" ("Statement 141"), effective for all business combinations initiated after June 30, 2001. Statement 141 requires all business combinations to be accounted for under the purchase method. Statement 141 supersedes APB Opinion No. 16, "Business Combinations", and Statement No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises". The Company adopted Statement 141 for its business combinations after June 30, 2001.

The following recently issued accounting pronouncements are currently not applicable to the Company.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" (Statement 143), effective in fiscal years beginning after June 15, 2002, with early adoption permitted. Statement 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets.

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64", Amendment of FASB Statement No. 13, and Technical Corrections (Statement 145), effective in fiscal years beginning after May 15, 2002.

### NOTE 4 - MANAGEMENT'S PLANS FOR REORGANIZATION

On April 18, 2002, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States

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### INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

### NOTE 4 - MANAGEMENT'S PLANS FOR REORGANIZATION (continued)

Bankruptcy Court for the Eastern District of Pennsylvania (case no. 02-15817(DWS)). The Company managed its properties and operated its business as "debtor-in-possession" under jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code. The Company's Plan of Reorganization was approved and became effective on November 12, 2002 and recently on May 6, 2003 the final decree was entered and the case was closed by the Bankruptcy Court. The Company plans to continue to develop and utilize its wireless technology in several communications devices.

The Company's approved Plan of Reorganization with the Bankruptcy Court detailed plans for settling claims of creditors and restructuring the interests

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of its equity holders. The following is a brief summary of the Reorganization Plan:

1. The Company owed Priority Unsecured Claims as of the filing date of approximately \$86,000. Included in these claims are four former employees who are owed wages, which accrued during the statutory priority period. Each of these four individuals had a priority claim in the amount of \$4,650. Additionally, the Company owed certain federal, state and local taxes, which totaled just in excess of \$68,000. As detailed in the Plan, The Company has paid all Priority Unsecured Claims at 100 cents on the dollar.
2. The Company owed Secured Creditors as of the filing date approximately \$1,345,000. Specifically, the Company owed \$858,000 to Anstead (its largest shareholder), \$250,000 to Pasubio Spa, an Italian joint venture partner, and \$237,000 to Eizen Fineburg & McCarthy, former corporate counsel. The Reorganization Plan called for all three secured creditors to receive a convertible, non-interest bearing, unsecured promissory note for the face amount owed to them. The principal amount of the note payable to Anstead and/or its affiliate also includes any amounts advanced to the Company during the bankruptcy case and thereafter until December 31, 2002. The notes payable would mature on December 31, 2005 if not converted earlier. The notes were convertible at the Company's discretion at the rate of \$2.00 per share (after the planned 100:1 reverse split) for Anstead, its affiliate and Pasubio, and at a rate of \$10.00 per share (after the planned 100:1 reverse split) for Eizen Fineburg & McCarthy. On January 14, 2003, the Company voted to exercise its right to convert the three non-interest-bearing notes. Accordingly, these transactions have resulted in the issuance of an aggregate additional 577,577 shares of the Company's common stock.
3. The Company owed General Unsecured Creditors approximately \$3,782,000 as of the filing date. An affiliate of Anstead agreed to fund the Reorganization Plan for \$300,000 to be used to pay the Administrative costs totaling approximately \$96,000, Priority Unsecured Claims totaling approximately \$86,000 and General Unsecured Claims of approximately \$118,000. The final General Unsecured Claims were paid in January 2003. This resulted in a gain on discharge of indebtedness of approximately \$3,635,000.

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INTEGRATED DATA CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2003 AND 2002

NOTE 4 - MANAGEMENT'S PLANS FOR REORGANIZATION (continued)

4. Existing equity holders, including common stock option and warrant holders, were subject to a 100:1 reverse split.

The Company's exclusive source of post-petition operating funds were advanced by Anstead and/or its affiliate. The Company reached an agreement with them to continue to advance funds to permit the business to work further toward the final development of the ClariCAST(R) FM wireless technology. Since the inception of the bankruptcy, Anstead and/or its affiliate have advanced \$818,000 through March 31, 2003.

The Company has chosen to focus its future efforts on development and commercialization of its patented ClariCAST(R) FM wireless technology. Because the Company's technology is still under development, the Company expects no revenues or operating cash flows in the near term. Future cash

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expenditure requirements have been significantly reduced through major reductions in corporate overhead expenses.

The Company is actively pursuing opportunities to secure additional financing which, if obtained, is expected to be sufficient to develop and market its wireless technology. There can be no assurances that such funding will be generated or available, or if available, on terms acceptable to the Company. Failure to secure additional financing will have a material adverse impact on the Company.

RadioNet International, Inc., a wholly owned subsidiary of IDC filed a voluntary petition for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Eastern District of Pennsylvania on May 3, 2002. The company's operation has ceased. The company did not hold any significant assets. The Bankruptcy Court closed the case on RadioNet International, Inc. on July 12, 2002 and the Company recorded an extraordinary gain on discharge of indebtedness of approximately \$340,000 in Fiscal Nine Months 2003.

The consolidated financial statements do not include any adjustments relating to the recoverability of recorded asset amounts or the amounts of liabilities that might be necessary should the Company be unable to continue as a going concern.

### NOTE 5- ACQUISITIONS

On December 11, 2002, the Company acquired all of the outstanding capital stock of C4 Services, Ltd. ("C4 Services") for 4,200,000 newly issued shares of the Company's common stock valued at \$1.00 per share. The acquisition was accounted for under the purchase method, and the results of C4 Services have been included in the Company's consolidated results effective December 1, 2002. C4 Services owned the international license for the DataWave technology and 100% or ICS. The Company has not finalized the allocation of the purchase price as of December 31, 2002. An estimation of this allocation was prepared

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### INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

### NOTE 5- ACQUISITIONS (continued)

and included as part of these financial statements. The purchase price has been allocated as follows: \$4,028,803 to the DataWave technology license and \$171,197 for the shares of ICS. Unaudited pro-forma results have not been presented since the operations of C4 Services began on November 1, 2002 and were not significant.

On December 12, 2002, the Company acquired an approximate 41% interest in DataWave Systems, Inc. for 1,794,900 newly issued shares of the Company's common stock valued at \$1.00 per share. At December 31, 2002 the investment was accounted for under the equity method of accounting and the Company recorded Goodwill in the amount of \$434,400.

Effective January 14, 2003, the Company agreed to purchase 4,023,030 freely tradable shares of DataWave Systems, Inc., a Yukon Canadian public company, which trades on the TSE Venture Exchange with the symbol "DTV" and on the Nasdaq OTCBB with the symbol "DWVSF". These shares when added to 17,949,000

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shares acquired in December 2002, bring the Company's total holdings in DataWave to 21,972,030 shares, which constitutes a majority of 50.062% of the issued and outstanding shares of DataWave. The newly acquired shares were purchased in off-market transactions for consideration of 402,303 newly issued Rule 144 restricted shares of the Company (one share of the Company's common stock being exchanged for each ten shares of DataWave) valued at \$1.00 per share.

DataWave Systems Inc. has a March 31 fiscal year end and the Company has adopted the policy to consolidate the March 31 financial statements of DataWave in its June 30 financial statements. Therefore, because of the three-month lag, the March 31, 2003 financial statements of the Company include the balance sheet of DataWave as of December 31, 2002. The results of operations of DataWave for the period January 14, 2003 through March 31, 2003 will be included in the statement of operations of the Company for the year ended June 30, 2003.

Summarized financial information for DataWave as of December 31, 2002 and for the nine months then ended is as follows:

|                         |               |
|-------------------------|---------------|
| Financial Position      |               |
| Current assets          | \$ 4,741,000  |
| Non current assets      | 3,350,000     |
| Current liabilities     | 4,752,000     |
| Non current liabilities | -             |
| Results of Operations   |               |
| Net sales               | \$ 14,230,000 |
| Operating income        | 337,000       |
| Net income              | 351,000       |

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### INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

#### NOTE 6 - UNCONSOLIDATED SUBSIDIARY

Clariti Wireless Messaging filed a voluntary petition for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. As a result, the Company's financial statements for Fiscal 1Q02 reflect Clariti Wireless' results of operations using the equity method of accounting. The following table presents summary financial information for Clariti Wireless (dollars in thousands):

|              |        |
|--------------|--------|
| Fiscal 1Q02: |        |
| Net sales    | \$ -   |
| Expenses     | \$ 427 |

#### NOTE 7 - EXTRAORDINARY GAIN ON DISCHARGE OF INDEBTEDNESS

Extraordinary gain on discharge of indebtedness of the Company and its consolidated subsidiaries for the nine months ended March 31, 2003 consist of the following (in thousands):

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|  |          |
|--|----------|
| Liabilities subject to compromise                  | \$ 5,558 |
| Adjustments to claims                              | ( 19)    |
| Secured Claims                                     | (1,345)  |
| Priority Claims                                    | ( 85)    |
| General Unsecured Claims                           | ( 134)   |
|  | -----    |
| Extraordinary gain on discharge<br>of indebtedness | \$ 3,975 |
|  | =====    |

### NOTE 8 - SHORT-TERM BORROWINGS FROM RELATED PARTY

On May 3, 2001, the Company borrowed \$750,000 from Anstead Investment, Ltd. ("Anstead"), a greater than 5% shareholder, for a period of 61 days. The note carried interest at the rate of 10% per annum and was secured by substantially all of the Company's assets. In connection with this loan, the Company granted to Anstead warrants to purchase 4,000 (post reverse split) shares of the Company's common stock at an exercise price of \$95 per share (post reverse split). Such warrants expired on May 3, 2003.

On November 30, 2001, the Company and Anstead Investment, Ltd. executed a Forbearance and Amendment Agreement whereby extending the terms of the repayment of the \$750,000 loan amount to March 31, 2002. In addition, the Forbearance and Amendment Agreement allowed for Anstead to advance an additional \$20,500 to the Company for legal fees associated with the agreement. The additional \$20,500 also carried interest at the rate of 10% per annum and was due by March 31, 2002. On March 3, 2002, the Company borrowed an additional \$13,519 from Anstead Investment, Ltd. for certain expenses, carrying the same terms as the original note. The Outstanding Balance of \$857,554 including interest was converted into 428,777 shares of the Company's common stock in January 2003 at a conversion price of \$2.00 per share per the Plan of Reorganization.

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### INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

### NOTE 8 - SHORT-TERM BORROWINGS FROM RELATED PARTY (continued)

Anstead and/or its affiliate agreed to fund the Company's working capital requirements post Chapter 11 filing and through 2003. The amount funded as of March 31, 2003 was \$818,000. However, \$650,000 of the loan amount was converted into shares of the Company's common stock in December 2002 valued at \$2.00 per share.

### NOTE 9 - CONVERTIBLE SHORT-TERM BORROWINGS

On July 2, 2001, the Company entered into a Funding Agreement with a third party pursuant to which the Company borrowed \$250,000 (the "Outstanding Balance"). The Outstanding Balance was secured by a second position security interest in substantially the same assets as those securing the \$750,000 loan from Anstead (see Note 8). The Outstanding Balance was converted into 125,000 shares of the Company's common stock in January 2003 at a conversion price of \$2.00 per share per the Plan of Reorganization.

### NOTE 10 - COMMITMENTS AND CONTINGENCIES

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The Company, from time to time, during the normal course of its business operations, may be subject to various litigation claims and legal disputes. Currently there are no claims or disputes.

### NOTE 11 - COMMON STOCK

On January 14, 2003, the Company's Board of Directors agreed to exercise its right to convert three non-interest bearing notes in the respective amounts of \$857,544, \$250,000 and \$237,000. These notes had been issued to the three secured creditors in the Company's Chapter 11 Bankruptcy proceedings as of November 12, 2002, into newly issued restricted shares of common stock of the Company. The notes in the amount of \$857,554 and \$250,000 were each converted at \$2 per share, while the note for \$237,000 was converted at \$10 per share. The transactions have resulted in the issuance of an aggregate additional 577,577 shares of the Company's common stock. All these conversion shares in addition to the statutory restriction imposed under Rule 144 of the Securities Act of 1933, are subject to a contractual restriction or "lock-up" for an additional period of one year after the expiration of the Rule 144 restriction.

Effective December 6, 2002, the Company implemented a 1 for 100 shares reverse stock split of its outstanding stock. The Company's common stock began trading on a post-split basis at the opening of the stock market on December 6, 2002 on the OTC Bulletin Board under the new symbol "ITDD". All references in the consolidated financial statements to common shares, per share amounts, stock options and warrants have been restated to reflect the reverse stock split for all periods presented.

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### INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2003 AND 2002

### NOTE 12 - STOCK OPTIONS

There were no new stock options issued during Fiscal Nine Months 2003. All outstanding stock options to purchase the Company's common stock were adjusted in accordance with their terms to reflect the reverse stock split.

### NOTE 13 - WARRANTS

From time to time, the Company may issue warrants to purchase its common stock to parties other than employees and directors. Warrants may be issued as a unit with shares of common stock, in connection with borrowings, as an incentive to help the Company achieve its goals, or in consideration for cash or services rendered to the Company, or a combination of the above. Cost associated with warrants issued to other than employees is valued based on the fair value of the warrants as estimated using the Black-Scholes model.

During Fiscal Nine Months 2003 the Company did not issue any warrants. Also during Fiscal Nine Months 2003, 16,350 warrants with exercise prices between \$7.00 and \$1,600.00 per share expired without being exercised. The book value of such expired warrants (approximately \$1,937,000) was reclassified from warrants outstanding to additional paid-in capital. All outstanding warrants to purchase the Company's common stock were adjusted in accordance with their terms to reflect the reverse stock split.



PART I. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain information included in this quarterly report may be deemed to include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty, such as our ability to successfully do any or all of the following:

- Obtain financing for operations and expansion,
- Develop commercially viable applications for the ClariCAST(R) technology,
- Obtain access to engineering resources required to complete development and commercial implementation of potential applications for the ClariCAST(TM) technology,
- Lease SCA channels from FM radio stations,
- Select and develop partnerships to help market, sell and distribute the wireless products and services we are attempting to develop,
- Develop a marketing strategy for the wireless products and services we are attempting to develop,
- Develop manufacturing and distribution channels for the wireless products and services we are attempting to develop,
- Manage the progress and costs of additional research and development of the ClariCAST(TM) technology,
- Manage the risks, restrictions and barriers of conducting business internationally,
- Reduce future operating losses and negative cash flow,
- Compete effectively in the markets we choose to enter

In addition, certain statements may involve risk and uncertainty if they are preceded by, followed by, or that include the words "intends," "estimates," "believes," "expects," "anticipates," "should," "could," or similar

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expressions, and other statements contained herein regarding matters that are not historical facts. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. The important factors that could cause actual results to differ materially from those in the forward-looking statements herein (the "Cautionary Statements") include, without limitation, ability to obtain funding, ability to reverse operating losses, competition and regulatory developments, as well as the other risks identified below under "Risk Factors" and those referenced from time to time in our filings with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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### General Operations

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The current focus of our business is the development and commercialization of ClariCAST(R), our proprietary wireless technology that will support data and information services to a high-speed digital wireless device.

### Results of Operations

Three Months Ended March 31, 2003 ("Fiscal 3Q03")  
vs. Three Months Ended March 31, 2002 ("Fiscal 3Q02")

-----  
For Fiscal 3Q03, the Company incurred net loss of \$371,000, or \$.05 per share, on \$69,000 in revenue as compared to net income of \$553,000, or \$1.44 per share, on no revenue in Fiscal 3Q02. The Company is now generating revenues as a result of the acquisition of the UK company C4 Services Limited. Excluding extraordinary gain on discharge of indebtedness, the Company incurred a net loss of \$1,015,000, or \$2.63 per share, on no revenue in Fiscal 3Q02 as compared to a net loss of \$371,000 in Fiscal 3Q03.

For Fiscal 3Q03, net loss from continuing operations was \$371,000 as compared to a net loss of \$1,015,000 in Fiscal 3Q02. The \$644,000 reduction in loss from continuing operations was primarily due to the decrease in general and administrative expenses offset by an increase in depreciation and amortization expenses. Since the Chapter 11 proceedings began in April 2002 the Company has significantly reduced its overhead and operated with limited expenses.

General and administrative expenses decreased \$668,000, from \$846,000 to \$178,000 in Fiscal 3Q03. Fiscal 3Q03 included a decrease in salary expense due to a reduction in the work force and the elimination of salaries of three key executives.

Interest expense decreased from \$20,000 in Fiscal 3Q02 to \$0 in Fiscal 3Q03 due

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to the conversion of interest bearing loans to common stock as a result of the Plan of Reorganization.

Nine Months Ended March 31, 2003 ("Fiscal Nine Months 2003")  
v. Nine Months Ended March 31, 2002 ("Fiscal Nine Months 2002")  
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For the Fiscal Nine Months 2003, the Company incurred net income of \$3,118,000, or \$1.00 per share, on \$94,000 of revenue as compared to a net loss of \$3,054,000, or \$8.03 per share, on no revenue for the Fiscal Nine Months 2002. Excluding gain on discharge of indebtedness, the Company incurred a net loss of \$857,000, or \$0.27 per share, on \$94,000 in revenue in Fiscal Nine Months 2003 as compared to a net loss of \$4,622,000, or \$12.16 per share, on no revenue in Fiscal Nine Months 2002.

The \$3,665,000 reduction in loss from continuing operations was primarily due to a decrease in general and administrative expenses of \$3,706,000 from \$4,209,000 to \$503,000. Amounts for Fiscal Nine Months 2002 include accruals of \$1,301,000 for certain leases, which were in default and legal proceedings, which have been settled. Beginning in Fiscal Nine Months 2002 the Company was forced to reduce its work force, which resulted in a significant reduction in general and administrative expenses.

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Interest expense decreased from \$75,000 in Fiscal Nine Months 2002 to \$1,000 in Fiscal Nine Months 2003 due to the conversion of interest bearing loans to common stock as a result of the Plan of Reorganization.

During the period from December 1998 to May 2001, the Company was also a significant provider of wire-line telecommunication services through its interest in several businesses with operations in the United States, United Kingdom, Europe and Australia. During the year ended June 30, 2001, the Company divested these business operations, which formed the former business segment, Telephony/Internet Services. During Fiscal Nine Months 2002 the Company recognized an additional \$100,000 loss on the disposal of one of those businesses.

### Liquidity and Capital Resources

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At March 31, 2003, the Company had a working capital deficit of \$1,847,000 (including a cash balance of \$1,244,000) as compared to a working capital deficit of \$5,711,000 (including a cash balance of \$5,000) at June 30, 2002. The working capital increase of \$3,864,000 is primarily due to the \$3,635,000 in extraordinary gain on discharge of indebtedness as a result of closing Chapter 11 proceedings and an extraordinary gain on discharge of indebtedness of \$340,000 associated with the closing of the Chapter 7 proceedings for RadioNet International.

The Company has a Funding Agreement with Anstead Investment, Ltd. and/or its affiliate, pursuant to which Anstead and for its affiliate has agreed to provide limited funding to the Company.

The Company has no firm commitments for funding after March 31, 2003. The Company has historically relied principally on equity financing to meet its cash requirements. The Company expects to find the process of raising equity capital extremely difficult. These matters raise substantial doubt about the ability to continue as a going concern. There can be no assurances that such funding will be generated or available, or if available, on terms acceptable to the Company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company, from time to time, during the normal course of its business operations, may be subject to various litigation claims and legal disputes. Currently there are no claims or disputes.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Events

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Officers Statement Pursuant to the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

On January 16, 2003 the Company announced the purchase of 4,027,381 freely tradable shares of DataWave Systems, Inc. in exchange for issuing the selling shareholders an aggregate 402,738 shares of the Company's common stock. Also, the Company announced

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the conversion of \$1,345,544 of debt into 577,577 shares of the Company's common stock.

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SIGNATURES

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

Dated: May 20, 2003

INTEGRATED DATA CORP.  
(REGISTRANT)

By: /s/Abraham Carmel

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Abraham Carmel  
Chief Executive Officer,  
President and Acting Chief  
Financial Officer

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EXHIBIT 99.17

INTEGRATED DATA CORP.

OFFICERS STATEMENT PURSUANT TO  
REQUIREMENTS OF SARBANES-OXLEY ACT OF 2002

Each of the undersigned, the Chief Executive Officer and the Chief Financial Officer, respectively, of Integrated Data Corp. ("the Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350, hereby certifies as follows:

To my knowledge: (1) the periodic report of the Company accompanying this statement fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m or 78o(d)); and (2) the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 20, 2003

/s/ Abraham Carmel

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Abraham Carmel, Chief Executive Officer

Date: May 20, 2003

/s/ Abraham Carmel

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Abraham Carmel, Chief Financial Officer