

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

INTEGRATED DATA CORP
Form 10-K
September 28, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended JUNE 30, 2004

Commission File No. 33-90344

Integrated Data Corp.

(Exact name of Registrant as specified in its charter)

DELAWARE

23-2498715

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

625 W. RIDGE PIKE, SUITE C-106
CONSHOHOCKEN, PENNSYLVANIA

19428

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (610) 825-6224

Securities registered pursuant to Section 12 (b) of the Act: NONE

Securities registered pursuant to Section 12 (g) of the Act: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes[X] No[]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Act). Yes[] No[X]

As of September 24, 2004 the registrant had 7,685,677 common shares outstanding. The aggregate market value of voting shares held by non-affiliates as of that date was approximately \$715,000 (based on the closing price of \$0.39).

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes[X] No[]

DOCUMENTS INCORPORATED BY REFERENCE

See Item 15, Exhibits and Reports on Form 8-K.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

PART I

ITEM 1. BUSINESS.

Integrated Data Corp. ("IDC"), formerly Clariti Telecommunications International Ltd., is a non-operating U.S. holding company with interests in the U.S., Canada, the U.K., and Italy. IDC and its subsidiaries (collectively the "Company", "We", or "Our") offer a wide range of communications, wireless, point-of-sale activation, financial transaction, and other services. In 2002 IDC successfully completed reorganization under Chapter 11 and is now operating with no secured debt liabilities.

History of the Company

The Company was originally formed in February 1988 as the successor to a music and recording studio business owned and operated by a former CEO of the Company. The Company became publicly held upon its merger in January 1991 with an inactive public company incorporated in Nevada. The surviving corporation changed its name to Sigma Alpha Entertainment Group Ltd. and was subsequently reincorporated in Delaware. Beginning in 1995, the Company began shifting its focus away from the music and recording business and toward the development and commercialization of a proprietary data broadcasting technology. The resulting wireless technology, trade-named ClariCAST(r), allows for the metropolitan-wide distribution of data utilizing the existing broadcast infrastructure of FM radio stations.

In 1998 the Company began to acquire interests in the telecommunications business and changed its name to Clariti Telecommunications International, Ltd. With the downturn in the telecommunications sector, the unforeseen costs associated with a U.S. market launch of a voice paging service based upon ClariCAST(r) technology, and the overall demise of paging in the U.S., the Company was driven to seek Chapter 11 protection in April 2002. Upon emergence from Chapter 11 in late 2002, the company name was changed to Integrated Data Corp. to more accurately reflect its new business focus of acquiring, managing, and bringing into the global market leading-edge communication, financial, and network technology solutions and service providers.

Bankruptcy Proceedings

On April 18, 2002, Clariti Telecommunications International, Ltd. filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Pennsylvania (Case no. 02-15817(DWS)). The Company's Plan of Reorganization (the "Plan") was approved by the Court on October 23, 2002 and the Plan became effective November 12, 2002. The bankruptcy proceedings concluded with an Order and Final Decree on May 6, 2003.

-2-

Changes to Management and the Board of Directors

On August 1, 2003, David C. Bryan was promoted from Executive Vice President to President and Chief Executive Officer of the Company replacing a retiring Abraham Carmel. Coincident with his retirement as an officer of the Company, Mr. Carmel also resigned from the Board of Directors and Mr. Bryan was elected to fill that position as well. Further information regarding the

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Company's management and Directors can be found in Part III of this Form 10-K under Items 10 through 12.

Corporate Holdings

As of June 30, 2004 Integrated Data Corp owns and/or controls the following holdings and interests:

CORPORATION OR INTEREST	PERCENT OWNERSHIP
C3 Technologies Inc.	100%
DataWave Systems Inc.	50.1%
DataWave International License	100%
IDC Italia Srl	60%
Integrated Communications Services Ltd	100%
Integrated Data Technologies Ltd	100%

A description of each of these interests follows.

C3 TECHNOLOGIES INC.

From 1997 through 2000 the Company had been engaged in the development of a proprietary technology that utilizes existing FM radio frequencies to provide a low-cost, metropolitan-wide, wireless data broadcasting network. The resulting technology and air interface protocol has been given the name ClariCAST(r), a registered trademark of the Company. C3 Technologies Inc ("C3") was formed in April 2002 to manage all the proprietary ClariCAST(r) intellectual property and assets, including patents, patents pending, trademarks, and copyrights. C3 is a Delaware corporation collocated with IDC in Conshohocken, Pennsylvania and is a wholly-owned subsidiary. ClariCAST(r) applications currently being pursued by C3 include dynamic video advertising, automobile telematics, personal communications information services, public safety, and Homeland Security. C3, through IDC Italia (see below), holds broadcasting rights on the FM subcarrier (SCA) channels of approximately 200 FM radio stations essentially covering all of Italy. Crossland Communication Inc. of Lagos, Nigeria is in negotiations with C3 to acquire an exclusive ClariCAST(r) license for the nation of Nigeria.

-3-

DATAWAVE SYSTEMS INC.

DataWave Systems Inc. ("DataWave") of Richmond, British Columbia, Canada is a profitable, Yukon, Canada corporation, the shares of which trade on the TSX Venture Exchange ("TSX-V") as well as the National Association of Securities Dealers' ("NASD") Over-the-Counter Bulletin Board ("OTCBB"). The trading symbols are DTV on the TSX-V and DWVSF on the OTCBB. As an OTCBB-listed public company, DataWave maintains current filings with the U.S. Securities and Exchange Commission including annual reports on Form 10-KSB, quarterly reports on Form 10-QSB, and current reports on Form 8-K. Detailed information on DataWave can be found by accessing these filings either through the SEC website (www.sec.gov) or on the DataWave corporate website

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

(www.datawave.ca); however, the information in, or that can be accessed through, the DataWave website is not part of this report.

DataWave was initially established in 1986 and since 1994 has been a developer of prepaid and stored-value software, hardware systems, programs and complete customer solutions. DataWave has pioneered network systems (the "DataWave System") that allow for point-of-sale-activation of high-value, high-shrinkage products such as cash cards, prepaid phone cards, and prepaid wireless phone time. This proprietary system works equally well over the Internet or with various card activation devices such as cash registers and over-the-counter card "swipe" units. DataWave network systems have been designed to work both with the prepaid platforms of other parties as well as telecommunication and financial switches. The systems are scalable and flexible and can be readily modified to offer new premium stored-value products such as prepaid gift cards and prepaid Internet cards.

IDC acquired approximately 41% of DataWave on December 12, 2002 in a transaction with the shareholders of Cash Card Communications Corp. Ltd., a privately held Bermuda corporation, in exchange for 1,794,900 shares of newly issued IDC common stock nominally valued at the time at \$1.00 per share. On January 14, 2003 the Company acquired an additional approximately 9.1% of DataWave through off-market transactions with various shareholders of DataWave in exchange for 402,303 shares of newly issued IDC common stock.

DataWave sells and distributes prepaid products through a network that includes, but is not limited to, point-of-sale-activation ("POSA") terminals, free-standing "smart" machines ("DTMs"), and cash registers or the web-based applications of some major retail chains. All of these devices are connected to DataWave's proprietary server and database software through wireless, land line wide area networks, or host-to-host connectivity, and are capable of dispensing multiple prepaid products and services. In addition, DataWave sells prepaid phone cards and POSA prepaid cellular minutes on a wholesale basis to certain retail operators and other customers.

The DataWave System distributes inactive prepaid products, which are activated only once they are purchased by the consumer, thus eliminating the risk of theft and the cost of inventory management for the retailer.

-4-

The DataWave System features:

- the ability to activate prepaid products by assigning a value to them at the time of purchase;
- the ability to print a prepaid PIN (Personal Identification Number) number on a receipt voucher at the point of purchase;
- real-time monitoring of distribution networks;
- detailed reporting and sales analysis - either paper or web-based;
- the ability to remote download price adjustments or new products and services to the distribution points;
- the capability to execute multiple simultaneous transactions in a non-stop processing environment; and

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

- consumer convenience - payment options, multiple products and denominations; detailed receipts, including tax information, terms & conditions and other relevant instructions/information.

Historically, DataWave's core revenues have come from the sale of prepaid long distance phone cards. In recent years, DataWave has pioneered the move into prepaid cellular, prepaid cash, and prepaid debit card products.

In Canada, until this past year, DataWave has followed the traditional business model of selling bulk pre-activated "live" prepaid phone cards to retail establishments. DataWave has now successfully introduced point-of-sale-activation ("POSA") technology into the retail environment. This enables DataWave to activate or recharge prepaid products through POSA terminals and the cash register systems or web-based applications of major chains. For the year ended June 30, 2004, DataWave installed approximately 1,200 POSA terminals and as of June 30, 2004, DataWave has an installed base of approximately 2,750 company-owned POSA terminals. DataWave is also providing prepaid products to 537 distributor-owned terminals and host-to-host (cash register) locations.

In the United States, DataWave has established a network of free-standing vending machines ("DTMs") that sell prepaid long distance phone cards. DataWave also sells phone cards through over-the-counter ("OTC") units and during the year ended June 30, 2004 DataWave introduced a POSA host-to-host solution to a grocery chain in the North-Eastern states. As of June 30, 2004, DataWave has an installed base of 1,044 DTMs and more than 350 OTC units and host-to-host retail locations.

DataWave has approximately 80 employees working out of three offices located in Richmond (Vancouver), British Columbia, Canada; Mississauga (Toronto), Ontario, Canada; and Wayne, New Jersey, U.S.A.

-5-

DATAWAVE INTERNATIONAL LICENSE

IDC holds the exclusive worldwide license, excluding the Americas, to "make, sell and use the DataWave trade name, technology, know-how, trade secrets, and patents now existing and to be developed in the future" (the "DataWave International License"). This DataWave International License is valid until 2010 and can be extended for an additional 10 years to 2020. It was acquired by IDC on December 11, 2002 through the acquisition of C4 Services Ltd., a Bermuda registered company, which acquired the license in 2000. The consideration payable for C4 Services was \$4,200,000 paid in shares of IDC common stock at a valuation of \$1.00 per share. IDC's marketing strategy for the DataWave International License is to attempt to forge relationships with affiliates and established, related contacts in various regions around the world for joint venture partnerships and/or sublicensing agreements.

IDC ITALIA Srl

Based in Bolzano, Italy, IDC Italia Srl ("IDC Italia") is an Italian Joint Venture company 60% owned by IDC and 40% owned by Elma Spa. IDC Italia has a contract with Centro di Produzione SpA (also known as "Radio Radicale") to use the FM subcarrier (SCA) channels of its approximately 200 FM radio stations essentially covering all of Italy. With these stations, IDC Italia has the capability of setting up an Italian national ClariCAST(r) network and

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

offering all the services and applications currently owned or being developed by C3 Technologies. In addition, using the DataWave International License IDC plans to offer DataWave prepaid POSA services in Italy through IDC Italia.

INTEGRATED COMMUNICATIONS SERVICES LTD.

Integrated Communications Services Ltd ("ICS") is a London-based, wholly-owned subsidiary of IDC. During the year ended June 30, 2004, the ICS managed and operated a Nokia DX220 PSTN (Public Switched Telephone Network) switch and network assets with a value of more than \$2 million under a facility management contract that was due for renewal in August 2004. Prior to the renewal date and following negotiations in reference to the terms and conditions of renewal, ICS decided not to extend this facility management contract and concentrate company resources on expanding its provision of high-tech services to third parties. In the short term, the revenues and profit margins from such services are not expected to be demonstratively higher than those ICS earned from facility management; however, ICS believes that concentrating on the provision of high-tech services gives it far more autonomy and independence over its business and greater long term opportunities to expand its core business. Additionally, it is hoped that ICS's reputation for reliable and cost effective high-tech services will deliver further opportunities to expand ICS's profits and activities.

INTEGRATED DATA TECHNOLOGIES LTD.

Integrated Data Technologies Ltd ("IDT") is a limited liability corporation registered in the United Kingdom with offices in London, England. Although currently a non-operating company, IDT owns rights to the technologies of DataWave and C3 Technologies Inc. for the United Kingdom and the Republic of Ireland as described below.

-6-

The exclusive rights from the DataWave International License have been assigned to IDT by IDC for the territories of the United Kingdom and the Republic of Ireland. This license runs concurrent with the term of IDC's DataWave International License. IDT is a party to a non-exclusive sublicense of the DataWave International License allowing for the distribution of DataWave's prepaid debit, cash, and telecom cards through 487 Money Shop retail stores in the United Kingdom

IDT also owns the exclusive rights to own, operate, and license any and all of C3 Technologies Inc. technologies in the United Kingdom and the Republic of Ireland. This license is valid until 2010, and can be extended for an additional 10 years to 2020.

Corporate Growth & Strategy

As a technology holding company, IDC is continually looking for acquisitions in the information technology, networking & communications, prepaid services, and telecommunications business arenas to strengthen its portfolio of companies. The Company's objective is to build a global technology and communications group while remaining profitable and providing significant shareholder value and returns on monies invested. There can be no assurance that the Company will be able to raise enough capital to carry out its acquisition plans.

In April 2004 the Company entered into a Letter Agreement with DataWave outlining the terms under which IDC will acquire the remaining 49.9% of DataWave not already owned by IDC making DataWave a wholly-owned subsidiary of the Company. On June 2, 2004 IDC and DataWave signed an Agreement and

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Plan of Merger detailing the terms of the planned merger. The transaction is expected to close by December 31, 2004; however, there can be no assurance that the merger be completed by that time, or at all.

IDC also intends to further develop and integrate its proprietary technologies and continue to roll-out the products and applications that it owns via its various subsidiaries and interests. New product development and integration efforts are subject to all of the risks inherent in the development and integration of new technology, products and systems, including unanticipated delays, expenses, market acceptance, and technical problems. There can be no assurance as to when, or whether, any applications of the Company's proprietary technologies will be successfully completed. No assurance can be given that products or services can be developed within a reasonable development schedule, if at all, or that they can be produced or provided at a reasonable cost. There can be no assurance that the Company will have sufficient economic or human resources to complete such development in a timely manner, or at all.

Competition

As a non-operating holding company, IDC, the parent company, is not really in a competitive environment. There is, however, competition for the Company's operating subsidiaries. A major portion of IDC's operations revolves around DataWave or the DataWave technology dealing in the prepaid product market. The prepaid product market is highly competitive and is served by numerous

-7-

international, national and local firms. In the United States, DataWave competes with major long-distance providers, including but not limited to Qwest, Verizon, MCI and Sprint, as well as with other prepaid phone card distributors, including but not limited to IDT Corporation. DataWave also competes with AT&T in certain locations where AT&T offers prepaid phone cards directly or through other distributors. In Canada, DataWave competes with long-distance providers, as with other prepaid phone card distributors, including but not limited to Goldline, TCI and Phone Time. In addition, in both Canada and the United States, as the use of cellular phones and phone charge cards increases, DataWave faces increased competition from providers of these products. Many of these competitors have significantly greater financial, technical and marketing resources, much larger distribution networks, and generate greater revenues and have greater name recognition than DataWave or IDC. These competitors may be able to institute and sustain price wars, or imitate the features of the DataWave network systems products, resulting in a reduction of DataWave's share of the market and reduced price levels and profit margins. In addition, there are relatively low barriers to entry into the prepaid phone card market, and DataWave has faced, and expects to continue to face, additional competition from new entrants. In both the United States and Canada, DataWave also competes with prepaid phone card distributors which own and operate switch and transmission platforms. Such distributors may provide long distance services at lower cost than DataWave, and offer additional bundled features not available from DataWave's long-distance provider such as voicemail and facsimile services. DataWave believes that its ability to compete also depends in part on a number of competitive factors outside its control, including the reliability of competitors' products and services, the ability of competitors to hire, retain and motivate qualified personnel, the price at which competitors offer comparable services and the extent of competitors' responsiveness to customer needs. There can be no assurance that DataWave or IDC will be able to compete effectively on pricing or other requirements with current and future competitors or that competitive pressures will not materially adversely affect the Company's businesses, financial condition and results of

operations.

The Company also expects its wireless datacasting products and services from C3 Technologies to compete with those of numerous well-established companies that design, manufacture and/or market wireless communications systems and devices, including cellular services and Microsoft with its DirectBand/SPOT technology. Most of these companies have substantially greater financial, technical, personnel and other resources than the Company, and have established reputations for success in the development, licensing, and sale of their products and services. Most of these competitors also have the financial resources necessary to enable them to withstand substantial price competition or downturns in the market for wireless communications systems and devices. C3 Technologies believes that its ability to compete also depends in part on a number of competitive factors outside its control, including the reliability of competitors' products and services, the ability of competitors to hire, retain and motivate qualified personnel, the price at which competitors offer comparable services and the extent of competitors' responsiveness to customer needs. There can be no assurance that C3 Technologies or IDC will be able to compete effectively on pricing or other requirements with current and future competitors or that competitive

-8-

pressures will not materially adversely affect the Company's businesses, financial condition and results of operations.

Intellectual Property

The company seeks to protect its intellectual property through patent, copyright, trade secret and trademark law, and through contractual restrictions such as confidentiality agreements. In March 1999, the U.S. Patent and Trademark Office issued to the Company a patent, originally filed in January 1996, dealing with FM Subcarrier Digital Voice Messaging. In July 2000, the U.S. Patent and Trademark Office issued the Company a second patent on the invention with improved claim coverage. This invention had previously been approved by government authorities in South Africa and Taiwan. In April 2000 the U.S. Patent and Trademark Office issued to the Company a patent, which was originally filed in March 1999, on the overall design of its Wireless Voicemail Player, the Voca(tm). The Company's current patents expire between 2014 and 2016. ClariCAST(r), the name given to the proprietary technology dealing with FM subcarrier data broadcasting, is a registered trademark of the Company.

There can be no assurance that such patents, trademarks, or other intellectual property protection will not be circumvented and/or invalidated by competitors of the Company. Further, the enforcement of patent and other intellectual property rights often requires the institution of litigation against infringers, which litigation is often costly and time consuming. There can be no assurance that the Company will be able to adequately protect its technology from competitors in the future.

Employees

As of June 30, 2004, the Company had two full-time employees working at its Conshohocken, Pennsylvania headquarters. Neither of the employees belong to a labor union. The Company uses the services of consultants in the development of its software and hardware.

Available Information

IDC's Web site is located at <http://www.IntegratedDataCorp.com>. IDC makes

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

available free of charge, on or through its Web site, its annual, quarterly, and current reports, and any amendments to those reports, as soon as reasonably practical after electronically filing such reports with the U.S. Securities and Exchange Commission ("SEC"). Information contained on IDC's Web site is not part of this report or any other report filed with the SEC.

ITEM 2. PROPERTIES.

The Company's headquarters are located at 625 W. Ridge Pike, Suite C-106, Conshohocken, Pennsylvania 19428, where it leases approximately 4,000 square feet of general office space. The lease agreement covering this property runs through August 2005. C3 Technologies is collocated in this same space.

-9-

The other wholly-owned subsidiaries, Integrated Communications Services and Integrated Data Technologies, are both based in London, England and own no real property.

ITEM 3. LEGAL PROCEEDINGS.

The Company knows of no material, active, or pending legal proceedings against IDC, nor is it involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of the Company's directors, officers, or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to the Company's interest.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On February 19, 2004, at a special meeting of the Board of Directors of the Company (the "Board") at which a quorum of members of the Board was present, the Board unanimously adopted a resolution to reduce the authorized number of common shares of the Company's capital stock from 300,000,000 shares of par value \$.001 per share to 50,000,000 shares of par value \$.001, while retaining the existing authorization for preferred stock of 2,000,000 shares of par value \$.001 (the "Resolution"), and the Board did further find such authorized capital reduction to be in the best interests of the Company, and did recommend to the shareholders of the Company that they approve the Resolution.

Thereafter, as of March 17, 2004, written consent of the majority of shareholders of the Company was circulated, and effective as of March 29, 2004, the consent had been signed by shareholders owning of record in the aggregate more than 79% of the shares of the Company's only class of stock outstanding, its common stock, as provided by Section 228(a) of the Delaware General Corporation Law, ratifying the Resolution, with notice of the Resolution's adoption being sent to the Company's other shareholders.

The Certificate of Amendment of Certificate of Incorporation of Integrated Data Corp. reducing the Company's authorized number of common shares of capital stock to 50,000,000 was filed with the State of Delaware Secretary of State on April 12, 2004.

-10-

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is currently quoted on the National Association of Securities Dealers, Inc., over-the-counter market on the OTC Bulletin Board under the symbol "ITDD".

Market Information

 The following tables set forth, for the periods indicated, the high and low closing prices per share of common stock as quoted on the OTC Bulletin Board. These quotations represent prices between dealers and do not include retail mark-up, mark-down, or commission and may not necessarily represent actual transactions. All amounts have been retroactively adjusted to reflect the reverse stock splits.

Year Ended June 30, 2004

-----	High Bid	Low Bid
-----	-----	-----
Quarter ended:		
September 30, 2003	\$ 5.25	\$ 3.60
December 31, 2003	\$ 5.00	\$ 2.00
March 31, 2004	\$ 4.95	\$ 2.00
June 30, 2004	\$ 2.50	\$ 1.01

Year Ended June 30, 2003

-----	High Bid	Low Bid
-----	-----	-----
Quarter ended:		
September 30, 2002	\$ 1.50	\$ 0.30
December 31, 2002	\$ 5.50	\$ 0.67
March 31, 2003	\$ 5.50	\$ 2.50
June 30, 2003	\$ 6.00	\$ 2.10

On September 24, 2004 the closing price for the Company's common stock was \$0.39 per share.

 Holders

 As of September 24, 2004 the Company had approximately 280 shareholders of record of its common stock. Such number of record holders was derived from the stockholder list maintained by the Company's transfer agent, American Stock Transfer & Trust Co., and does not include the list of beneficial owners of the Company whose shares are held in the names of various dealers

and clearing agencies.

-11-

Dividends

To date, the Company has not declared or paid any cash dividends and does not intend to do so for the foreseeable future. The Company intends to retain all earnings, if any, to finance the continued development of its business. Any future payment of dividends will be determined solely in the discretion of the Company's Board of Directors.

Changes in Securities and Use of Proceeds

The following information sets forth all shares of the Company's \$.001 par value common stock issued by the Company during the period covered by this Form 10-K that were not registered under the Securities Act of 1933, as amended (the "Act") at the time of issuance and were not previously reported in a Quarterly Report on Form 10-Q.

None.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial data relating to the Company and its subsidiaries have been taken or derived from the financial statements and other records of the Company. Such selected consolidated financial data are qualified in their entirety by, and should be read in conjunction with, the consolidated financial statements of the Company. On April 18, 2002, Clariti Telecommunications International, Ltd. filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. Accordingly, results of operations for the period April 18, 2002 through June 30, 2002, as well as balance sheet data as of June 30, 2002 reflect operations as "debtor-in-possession" under jurisdiction of the Bankruptcy Court. During Fiscal 2001, the Company divested substantially all of its interests in the Telephony/Internet Services business segment, representing the disposal of a business segment under Accounting Principals Board Opinion No. 30. Accordingly, the selected financial data have been restated to conform to discontinued operations treatment for all periods presented.

-12-

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000
	-----	-----	-----	-----	-----
	(dollars and shares in thousands, except per share amounts)				
SUMMARY OF OPERATIONS					

Revenue	\$ 18,174	\$ 4,017	\$ -	\$ -	\$ -
Operating costs/expenses	(21,163)	(5,143)	(5,033)	(15,605)	(16,794)
Other income (expense)	64	7	(81)	350	430
Net loss from continuing operations	(2,925)	(1,119)	(5,114)	(15,255)	(16,364)
Discontinued operations:					
Income (loss) from discontinued operations	-	-	-	(6,519)	12,254
Gain (loss) on disposal	-	-	(100)	193	(762)
Net loss before extraordinary gain	(2,925)	(1,119)	(5,214)	(21,581)	(4,872)
Extraordinary gain on discharge of indebtedness	-	3,975	1,568	-	-
Net Income (Loss)	\$ (2,925)	\$ 2,856	\$ (3,646)	\$ (21,581)	\$ (4,872)

PER SHARE DATA, BASIC AND DILUTED

Weighted Average Number of Shares Outstanding	7,686	4,262	381	357	336
Net loss from continuing operations	\$ (0.38)	\$ (0.26)	\$ (13.42)	\$ (42.73)	\$ (48.70)
Income (loss) from discontinued operations	-	-	-	(18.26)	36.47
Gain (loss) on disposal	-	-	(0.26)	0.54	(2.27)
Net loss before extraordinary gain	(0.38)	(0.26)	(13.68)	(60.45)	(14.50)
Extraordinary gain on discharge of indebtedness	-	0.93	4.11	-	-
Net income (loss)	\$ (0.38)	\$ 0.67	\$ (9.57)	\$ (60.45)	\$ (14.50)
Cash dividends	None	None	None	None	None

	As of June 30, 2004	As of June 30, 2003	As of June 30, 2002	As of June 30, 2001	As of June 30, 2000
	-----	-----	-----	-----	-----

(dollars in thousands)

BALANCE SHEET DATA

Total assets	\$ 13,854	\$ 13,479	\$ 526	\$ 1,298	\$ 22,627
Long-term obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Stockholders' equity (deficit)	\$ 3,204	\$ 6,063	\$ (5,210)	\$ (1,992)	\$ 21,804

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Certain information included in this Annual 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
- Effectively manage our subsidiaries
- Effectively compete in the markets we choose to enter
- Develop commercially viable applications with our technologies
- Develop a corporate-wide marketing strategy for our products and services
- Develop partnerships, both foreign and domestic, to help market, sell, and distribute our products and services
- Develop effective manufacturing and distribution channels for our products and services
- Effectively manage the risks, restrictions and barriers of conducting business internationally
- Reduce future operating losses and negative cash flow

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 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.

RISK FACTORS

- Our need to obtain working capital financing raises doubt about our ability to continue business operations.

Our inability to secure financing to fund our obligations is the reason we entered Chapter 11 bankruptcy proceedings in 2002. Since then Integrated Technologies & Systems Ltd ("IT&S", a greater than 5% shareholder) and/or affiliates have advanced (in the form of a zero-interest loan) approximately \$1,000,000 to meet our operating requirements.

-14-

We require both short-term financing for operations and longer-term capital to fund our expected growth. We have no existing bank lines of credit and have not yet established any sources for additional financing; however, IT&S has committed to funding operational expenses through the end Fiscal 2005. Our ability to grow will be dependent upon our ability to raise longer-term capital or otherwise finance our plans; however, additional financing may not

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

be available to us, or if available, may not be available upon terms and conditions acceptable to us. Inability to raise sufficient funds for future growth will have an adverse impact on our business.

- Several factors about our authorized capitalization may make it difficult for us to obtain equity financing which could limit or curtail future business development plans.

Our common stock is currently traded on the OTC Bulletin Board and, as such, it is relatively illiquid. At times during the recent past there has been only a limited market for those shares and there is no assurance that an active market for the shares will develop or that, if one develops, that it will be maintained. It is likely that any market that develops will be highly volatile and that the trading volume may be limited.

In addition, our Board of Directors has the authority to issue up to two million shares of a new series of preferred stock and to determine the price, privileges and other terms of such shares. The Board may exercise this authority without the approval of the stockholders. The rights of the holders of common stock may be adversely affected by the rights of the holders of any preferred stock that may be issued in the future. Also the issuance of preferred stock may make it more difficult for a third party to acquire control of the Company.

- Trading of our stock may be restricted by the SEC's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing

-15-

prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

- NASD sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the National Association of Securities Dealers ("NASD") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit investors' ability to buy and sell our stock and have an adverse effect on the market for our shares.

- We have a limited operating history upon which to base an evaluation of our performance which raises doubt about our capability to succeed as a non-operating, holding company.

When our Chapter 11 Plan of Reorganization became effective in November 2002, we effectively became a non-operating holding company. Our reorganization also included a complete turnover in our board of directors and executive officers effectively creating, with the exception of our surviving assets and intellectual property, a new company. Hence the reorganized company has a very limited track record of successfully acquiring and managing subsidiary businesses. This may also have a negative affect on our ability to raise capital for future operating and expansion needs.

- We have a history of significant losses raising doubt about our ability to achieve sustainable profitability.

Since our inception, we have incurred significant losses from continuing operations of \$2,925,000, \$1,119,000, and \$5,114,000 for Fiscal 2004, Fiscal 2003 and Fiscal 2002, respectively. In order to achieve profitability in the future, we will need to generate significant revenue within our operating subsidiaries. We cannot assure generating sufficient revenue to achieve profitability, nor can we assure achieving, or if achieved, maintaining profitability.

-16-

- Our subsidiaries are in competition with companies that are larger, more established and better capitalized than we are which may adversely affect our ability to compete effectively.

The prepaid services, telecommunications, and wireless communications industries are highly competitive, rapidly evolving and subject to constant technological change. We expect that our products and services will compete with those of numerous well-established companies, including AT&T, Qwest, Verizon, MCI, Sprint, IDT, Microsoft, and the cellular service companies. Many of our competitors have greater financial, technical, engineering, personnel and marketing resources; longer operating histories; greater name recognition; and larger consumer bases than us.

- Operating internationally may expose us to additional and unpredictable risks having the potential to significantly inhibit us from competing effectively overseas.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

We have established a joint venture in Italy to market our technology, and we intend to enter other international markets as well. International operations are subject to inherent risks, including:

- potentially weaker intellectual property rights;
 - difficulties in obtaining foreign licenses;
 - difficulties in establishing necessary partnerships with foreign businesses;
 - changes in regulatory requirements;
 - political instability;
 - unexpected changes in regulations and tariffs;
 - fluctuations in exchange rates;
 - varying tax consequences; and
 - uncertain market acceptance and difficulties in marketing efforts due to language and cultural differences.
- We have limited protection of proprietary rights and technology creating the potential for our intellectual property to be copied reducing significantly any technological advantage we have over our competition.

Our intellectual property rights include patents, copyrights, trade secrets, trademarks and exclusive and non-exclusive licenses. We have been granted U.S. patents dealing with data deliver utilizing the subcarrier channels (SCA) of FM radio stations. Our subsidiaries have also filed for patent protection in the United States and foreign countries on a number of additional inventions. We cannot be certain that any patent applications will result in the issuance of a patent or that our patents will withstand any challenges by third parties.

- Unauthorized use of our intellectual property and trade secrets may affect market share and profitability.

Our subsidiaries rely on patents, copyrights, trademarks, trade secrets, know how and continuing technological advancement to establish a competitive position in the marketplace. We attempt to protect our trade secrets and

-17-

other proprietary technology through an employee handbook and agreements with our employees. Despite our precautions, there can be no assurance that we will be able to adequately protect our technology from competitors in the future. Also other companies may independently develop or otherwise acquire similar technology or gain access to our proprietary technology. The enforcement of patent rights often requires the institution of litigation against infringers. This litigation is often costly and time consuming. There can be no assurance that we will have adequate resources for infringement litigation, nor that we will be successful with such litigation.

- We face risks of infringement claims which could disrupt the conduct of our business or have a significant adverse effect on profitability.

We or our subsidiaries may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, even though we take steps to assure that neither our employees nor our contractors knowingly incorporate unlicensed copyrights or trade secrets into our products. It is possible that third parties may claim that our current or future products or services may infringe upon their patent, copyright, trademark or trade secret rights. Any such claims, regardless of their merit, could be time consuming, expensive, cause delays in introducing new or improved products or services, require us to enter into royalty or licensing agreements, or require us to

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

stop using the challenged intellectual property. Successful infringement claims against us may materially disrupt the conduct of our business or affect profitability. There are currently no legal proceedings or claims for infringement of intellectual property rights pending against us.

ANALYSIS OF THE BUSINESS

The following discussion should be read in conjunction with the Company's consolidated financial statements appearing elsewhere in this report.

General Operations

We are a non-operating U.S. holding company with interests in the U.S., Canada, the U.K., and Italy. Our subsidiaries offer a wide range of telecommunications, wireless, point-of-sale activation, financial transaction, and other services.

As of June 30, 2004 our holdings were as follows:

CORPORATION OR INTEREST	PERCENT OWNERSHIP
C3 Technologies Inc.	100%
DataWave Systems Inc.	50.1%
DataWave International License	100%
IDC Italia Srl	60%
Integrated Communications Services Ltd	100%
Integrated Data Technologies Ltd	100%

-18-

Further descriptions of our operations, holdings, and subsidiaries are included above under Item 1, Business.

Results of Operations

We have undergone significant changes over the past two years. In November 2002 we held two operating subsidiaries, C3 Technologies Inc ("C3") and a 60% ownership in an Italian Joint Venture Company then named RadioNet Italia and subsequently renamed IDC Italia Srl. C3 was formed to manage all the proprietary ClariCAST(r) intellectual property and assets, including patents, patents pending, trademarks, and copyrights developed by the Company under its former name of Clariti Telecommunications International. IDC Italia was formed to market and operate ClariCAST(r) services in Italy.

Since December 2002, we have acquired a number of other holdings as detailed in the table in the General Operations section above. While C3, Integrated Communications Services Ltd ("ICS"), and DataWave Systems Inc. ("DataWave") all reported revenue for this reporting fiscal year, DataWave's operating results, by far, have the most influence on our consolidated financial statements.

In April 2004 we entered into a Letter Agreement with DataWave outlining the terms under which we will acquire the remaining 49.9% of DataWave not already owned by the Company. The management of IDC and DataWave both believe a single, merged entity will be stronger financially, more capable of raising much needed capital for expansion, and better poised strategically to compete

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

in the international marketplace. On June 2, 2004 we signed an Agreement and Plan of Merger with DataWave detailing the terms of the planned merger. The transaction is expected to close by December 31, 2004; however, there can be no assurance that the merger be completed by that time, or at all.

DataWave has a March 31 fiscal year end while our fiscal year ends on June 30th. Because of this difference, we have adopted the policy of consolidating the financial statements of DataWave with a three-month lag allowing like quarters and fiscal years to be consolidated.

When reading any of the following discussions and analysis of financial condition and results of operations, it must be kept in mind the year ended June 30, 2004 is the first full year of operations consolidating an entire year of DataWave results. For the year ended June 30, 2003 only the final quarter of DataWave's results were consolidated into our financial statements.

Year Ended June 30, 2004 (Fiscal 2004)
vs. Year Ended June 30, 2003 (Fiscal 2003)

For Fiscal 2004, we incurred a net loss of \$2,925,000 or \$(0.38) per share, on \$18,174,000 in revenue as compared to net loss from continuing operations of \$1,119,000, or \$(0.26) per share, on \$4,017,000 in revenue for Fiscal 2003. The sharp increase in revenue was due to the consolidation of a full fiscal year of DataWave operating results versus the consolidation of only DataWave's fourth fiscal quarter for Fiscal 2003. (Majority ownership in

-19-

DataWave was established in January 2003.) For Fiscal 2004 and Fiscal 2003, 99% and 97%, respectively, of our revenue was attributable to DataWave revenue.

The sharp increase in net loss was due to an impairment loss of \$1,844,000 taken against the value of the DataWave International License. As of June 30, 2004 the DataWave International License was valued at \$1,450,000 by an independent financial advisor in their Valuation Report and Related Fairness Opinion prepared in connection with the proposed IDC/DataWave merger.

In Fiscal 2003 we had an extraordinary gain on the discharge of indebtedness of \$3,975,000 due to our Chapter 11 reorganization and the liquidation of Radio Net International Inc., a wholly owned subsidiary of the Company. With this extraordinary gain our final net income for Fiscal 2003 was \$2,856,000 or \$0.67 per share.

Marketing expenses increased from \$384,000 in Fiscal 2003 to \$1,563,000 in Fiscal 2004. Essentially all of the \$1,563,000 in marketing expenses was incurred by DataWave Systems, Inc. and associated with marketing personnel salaries and expenses. The increase from Fiscal 2003 to Fiscal 2004 is attributable to the consolidation of a full fiscal year of DataWave operating results.

Research and development expenses increased from \$254,000 in Fiscal 2003 to \$1,405,000 in Fiscal 2004. In addition to the increase associated with a full fiscal year versus a single fiscal quarter consolidation, DataWave experienced a 28% increase in its R&D expenditures over its 2003 fiscal year continuing its rapid expansion of point-of-sale technology.

Depreciation and amortization expenses increase from \$613,000 in Fiscal 2003 to \$1,566,000 in Fiscal 2004. The reason for this increase was three-fold. First, there was 12 months of amortization of the DataWave International

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

License in Fiscal 2004 versus six months in Fiscal 2003. Second, DataWave's contribution increased due to the full fiscal year consolidation versus a single fiscal quarter consolidation. Finally, DataWave's depreciation expense increased as a result of its investment in POSA terminals and the supporting network infrastructure that started in November 2002.

General and administrative expenses were \$3,562,000 in Fiscal 2004 as compared to \$1,360,000 in Fiscal 2003, an increase of \$2,202,000. This increase is directly attributable to consolidating a full year of DataWave results in Fiscal 2004 as opposed to only three months in fiscal 2003.

Year Ended June 30, 2003 (Fiscal 2003)
vs. Year Ended June 30, 2002 (Fiscal 2002)

For Fiscal 2003, we incurred net income of \$2,856,000 or \$0.67 per share on \$4,017,000 of revenue (principally from DataWave) compared to a net loss of \$3,646,000 or \$(9.57) per share on no revenue for Fiscal 2002. Net loss from continuing operations was \$1,119,000 or \$(0.26) per share in Fiscal 2003 compared to a net loss from continuing operations of \$5,114,000 or \$(13.42) per share for Fiscal 2002. The \$3,995,000 reduction in loss from continuing

-20-

operations was primarily due to a decrease in general and administrative expenses of approximately \$3,283,000. We were forced to substantially reduce its overhead due to the lack of capital in Fiscal 2003.

Marketing expenses increased from \$-0- in Fiscal 2002 to \$384,000 in Fiscal 2003. All of the \$384,000 in marketing expenses was incurred by DataWave Systems, Inc. for advertising expenses related to its consumer long distance business. Research and development expenses increased from \$-0- in Fiscal 2002 to \$254,000 in Fiscal 2003 due to product development costs associated with DataWave Systems, Inc.

General and administrative expenses were \$1,360,000 in Fiscal 2003 as compared to \$4,713,000 in Fiscal, 2002, a decrease of \$3,353,000. This decrease was a result of the reduction in overhead expenses and consolidating offices due to the need to operate the business with minimum expenses during the Chapter 11 proceedings in Fiscal 2003.

In Fiscal 2002, the Company filed for Chapter 7 voluntary liquidation for one of its wireless subsidiaries. The liquidation proceedings subsequently discharged all of their liabilities, and as a result the Company recognized a gain of \$1,568,000 on the discharge of such indebtedness in Fiscal 2002. In Fiscal 2003, the Company filed for Chapter 7 voluntary liquidation for another one of its wireless subsidiaries. The liquidation proceedings subsequently discharged all of their liabilities, and as a result the Company recognized a gain of \$340,000 on the discharge of such indebtedness in Fiscal 2003. In Fiscal 2002, the Company filed for Chapter 11 bankruptcy. The Chapter 11 bankruptcy proceedings resulted in the Company recognizing an additional extraordinary gain of \$3,635,000 on the discharge of indebtedness in Fiscal 2003.

Liquidity and Capital Resources

At June 30, 2004, we had a working capital deficit of \$912,000 (including a cash balance of \$857,000) as compared to a working capital deficit of \$444,000 (including a cash balance of \$2,143,000) at June 30, 2003. The working capital decrease of \$468,000 is primarily due to an increase in short-term borrowings of \$569,000 for Fiscal 2004. There were a number of combining factors that contributed to the decrease in cash, but primarily

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

this decrease of \$1,286,000 was due to a increasing accounts receivable and inventory.

Integrated Technologies & Systems Ltd ("IT&S") and/or its affiliates have agreed to provide funding to the Company for its working capital requirements through June 30, 2005 (Fiscal 2005). Such working capital requirements are forecasted to be approximately \$100,000 per month, principally to cover the proposed DataWave merger costs, the compensation and related costs of our two employees, and general and administrative expenses. This funding is in the form of a non-interest bearing, unsecured loan. Once the proposed DataWave merger takes place, we expect to be able to reduce our overall expenses, particularly in the general and administrative area, such that further funding from IT&S or affiliates is no longer necessary to sustain general operations. There can be no assurances that consolidating operations with

-21-

DataWave will produce the expected reduction in general and administrative or that the merger will take place in a timely manner, if ever.

Future mergers and acquisitions are expected to require additional funding. There can be no assurances that such funding will be generated or available, or if available, on terms acceptable to the Company.

CRITICAL ACCOUNTING POLICIES

The following accounting policies and estimates are the most important to our financial position and results of operations because they require the exercise of significant judgment or the use of estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. We believe that the estimates we use are reasonable; however, actual results could differ from those estimates.

Our financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. Our accounting policies are set out in Note 2 of the accompanying consolidated financial statements.

Revenue and Cost Recognition

Our revenues are primarily attributable to the consolidation of DataWave revenues. DataWave revenues are primarily generated from the resale of prepaid long distance and cellular telephone time. Most of DataWave's long distance and all its cellular calling cards and virtual vouchers or PINs are activated at the point-of-sale using its proprietary technologies. These revenues are recognized when the following criteria are met:

- persuasive evidence of an arrangement exists
- delivery has occurred or services have been rendered
- the price is fixed or determinable, and
- collectibility is reasonably assured.

DataWave's revenue in Canada is primarily from the sale of prepaid long distance and from the activation and dispensing of prepaid cellular PINs. Prepaid cellular PINs incur inventory risk. Inventory levels reflect the purchased value of the cost of the PIN and are managed to supply a level of ten days activations; the resulting accounts payable liability is paid within the normal terms offered by the supplier (including cash discounts for early

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

payment). Where DataWave is not the primary obligor or does not incur significant unmitigated inventory or return risk, revenue is recorded at the date of sale on a net agency basis. The underlying sales arrangements entered into by DataWave will impact the presentation of revenues, inventory, accounts receivable and resulting gross margin and working capital, respectively. Accounts receivable reflect the wholesale value of the PINs and are almost always collected within twenty days.

-22-

Most of DataWave's revenue in the United States is from the sale of prepaid long distance through its network of vending machines and is recorded on a net agency basis. Inventory risk (as the liability to the carrier is incurred at the point-of-sale) is not created. The related U.S. accounts receivable is the retail value of the product and is typically collected within two weeks of the sale; this is primarily cash in the DataWave vending machines which is collected on a regular basis.

Sales of company or custom branded cards where DataWave incurs significant inventory risk but do not provide the related telephone time are recognized on the gross basis on the date of sale to the consumer when title to the card transfers, collectibility of proceeds is reasonably assured, the full obligation to the phone service provider is fixed and determinable, and DataWave has no significant continuing obligations.

Cost of revenues for prepaid long distance phone cards consists primarily of long distance telephone time, standard phone cards, net of amounts earned on early payments to suppliers and commissions to agents and site landlords. Direct costs are also associated with the DTM machines including direct production salaries, parts and accessories and costs to service the machines. Cost of revenues for transaction fees and services consists of network and communication service costs, costs of maintaining and supporting point-of-sale activation terminals and third party processing costs for transactions.

The presentation of the revenues of the majority of DataWave's business activities on a net agency basis impacts our financial statements. Where DataWave obtains legal title to PIN and cellular time inventory but are not the primary obligor or incur significant unmitigated inventory or return risk our recording of inventory, the related trade payables and net agency revenue from its sale significantly impacts our financial statements.

Impairment of Long-Lived Assets

We review our long-lived assets, other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. To determine recoverability, we compare the carrying value of the assets to the estimated future undiscounted cash flows. Measurement of an impairment loss for long-lived assets held for use is based on the fair value of the asset. Long-lived assets classified as held for sale are reported at the lower of carrying value and fair value less estimated selling costs. For assets to be disposed of other than by sale, an impairment loss is recognized when the carrying value is not recoverable and exceeds the fair value of the asset. For goodwill, an impairment loss will be recorded to the extent that the carrying amount of the goodwill exceeds its fair value.

An impairment loss in the amount of \$1,844,000 was recorded at June 30, 2004 to reduce the net carrying value of the DataWave International License to fair market value based on a valuation by an independent party. No other

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

impairment losses were identified for Fiscal 2004. For Fiscal 2003 no impairment losses were identified.

-23-

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003 with a revision in December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 and 46R ("FIN 46R"), "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51". FIN 46R requires that if any entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46R provisions are effective for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, FIN 46R provisions are required to be adopted for periods ending after March 15, 2004. This statement is not currently applicable to the Company.

In April 2003, the FASB issued Statement of Financial Accounting Standard No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133. SFAS 149 is generally effective for derivative instruments, including derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement is not currently applicable to the Company.

In May 2003, the FASB issued Statement of Financial Accounting Standard No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities on the balance sheet. Previously, many of those financial instruments were classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement is not currently applicable to the Company.

On April 22, 2003, the FASB announced its decision to require all companies to expense the fair value of employee stock options. Companies will be required to measure the cost according to the fair value of the options. Although the new guidelines have not yet been released, it is expected that they will be finalized soon and be effective in 2004. When final rules are announced, the Company will assess the impact to its financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk sensitive instruments include all financial or commodity instruments and other financial instruments (such as investments and debt) that are sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors.

Through our subsidiaries we are exposed to market risk related to changes in interest and foreign currency exchange rates, each of which could adversely affect the value of our current assets and liabilities. At June 30, 2004, we

had cash and cash equivalents consisting of cash on hand and highly liquid money market instruments with original terms to maturity of less than 90 days. If market interest rates were to increase immediately and uniformly by 10% from its levels at June 30, 2004, the fair value would decline by an immaterial amount.

We do not believe that our results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our cash and cash equivalents, given our current ability to hold our money market investments to maturity. We do not have any long-term debt instruments so we are not subject to market related risks such as interest or foreign exchange on long-term debt. We do not enter into foreign exchange contracts to manage exposure to currency rate fluctuations related to our U.S. dollar denominated cash and money market investments.

With a significant portion of revenues and operating expenses denominated in Canadian dollars and British pounds, a sudden or significant change in foreign exchange rates could have a material effect on our future operating results or cash flows. We purchase goods and services in U.S. dollars, Canadian dollars, and British pounds and earn revenues in all three currencies as well. Foreign exchange risk is managed by satisfying foreign denominated expenditures with cash flows or assets denominated in the same currency. We do not consider our market risk exposure relating to foreign currency exchange to be material, as we generally have sufficient cash outflows based in these currencies to largely offset the cash inflows based in these currencies, thereby creating a natural hedge.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements of the Company, including the notes thereto, together with the report of independent certified public accountants thereon, are presented beginning at page F-1. Such consolidated financial statements are hereby incorporated by reference into this Item 8.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

INTEGRATED DATA CORP.

INDEX TO FINANCIAL STATEMENTS

	PAGE(S)

A. Independent Auditors' Report.....	F-1
B. Consolidated Balance Sheets at June 30, 2004 and 2003...	F-2 to F-3
C. Consolidated Statements of Operations for the years ended June 30, 2004, 2003 and 2002.....	F-4
D. Consolidated Statement of Stockholders' Equity for the years ended June 30, 2004, 2003 and 2002.....	F-5 to F-7
G. Consolidated Statements of Cash Flows for the years ended June 30, 2004, 2003 and 2002.....	F-8 to F-9
H. Notes to Consolidated Financial Statements.....	F-10 to F-29

-26-

INDEPENDENT AUDITORS' REPORT

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

To the Board of Directors and Stockholders of
Integrated Data Corp.
Conshohocken, Pennsylvania

We have audited the accompanying consolidated balance sheets of Integrated Data Corp. and subsidiaries as of June 30, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2004. 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 the standards of the Public Company Accounting Oversight Board (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 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 Integrated Data Corp. and subsidiaries as of June 30, 2004 and 2003, and the results of their consolidated operations and cash flows for each of the three years in the period ended June 30, 2004, in conformity with accounting principles generally accepted in the United States.

/s/ COGEN SKLAR LLP

COGEN SKLAR LLP

Bala Cynwyd, Pennsylvania
September 22, 2004

F-1

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2004 and 2003
(Dollars and Shares in Thousands)

	June 30, 2004	June 30, 2003
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 857	\$ 2,143

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Accounts receivable, net of allowance of \$13 and \$55	4,350	2,038
Inventory	2,235	1,225
Prepaid expenses and other current assets	457	487
	-----	-----
	7,899	5,893
PROPERTY AND EQUIPMENT, NET	2,436	1,730
INTANGIBLE ASSETS, NET		
Amortizable	1,829	4,330
Goodwill	1,464	1,464
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	8	8
OTHER ASSETS	218	54
	-----	-----
TOTAL ASSETS	\$ 13,854	\$ 13,479
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Current portion of capital lease obligations	\$ 65	\$ -
Accounts payable and accrued liabilities	7,798	5,873
Short-term borrowings from related party	887	318
Deferred revenue	61	146
	-----	-----
	8,811	6,337
LONG-TERM LIABILITIES		
Capital lease obligations	125	-
Other long-term liabilities	281	-
Deferred income taxes	268	268
	-----	-----
TOTAL LIABILITIES	9,485	6,605
MINORITY INTEREST	1,165	881
COMMITMENTS AND CONTINGENCIES	-	-

F-2

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2004 and 2003
-CONTINUED-
(Dollars and Shares in Thousands)

	June 30	June 30
	2004	2003
	-----	-----
STOCKHOLDERS' EQUITY		
PREFERRED STOCK		
\$.001 par value; authorized 2,000 shares; no shares issued and outstanding at June 30, 2004 and 2003	-	-
COMMON STOCK		

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

\$.001 par value; authorized 50,000 shares;
issued and outstanding, 7,686 shares at
June 30, 2004 and at June 30, 2003

WARRANTS OUTSTANDING, NET	8	8
ADDITIONAL PAID-IN-CAPITAL	269	1,613
ACCUMULATED DEFICIT	285,071	283,727
ACCUMULATED OTHER COMPREHENSIVE INCOME	(282,233)	(279,308)
	89	23
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	3,204	6,063
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,854	\$ 13,479
	=====	=====

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

F-3

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002
(Dollars Thousands, Except Per Share Amounts)

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
REVENUE	\$ 18,174	\$ 4,017	\$ -
OPERATING COSTS AND EXPENSES			
Cost of revenues	10,873	2,505	-
Marketing expenses	1,563	384	-
Research and development expenses	1,405	254	-
Depreciation and amortization expenses	1,566	613	320
General and administrative expenses	3,562	1,360	4,713
Impairment loss	1,844	-	-
Minority interest	286	35	-
Income from unconsolidated subsidiary	64	(8)	-
	-----	-----	-----
TOTAL OPERATING COSTS AND EXPENSES	21,163	5,143	5,033
	-----	-----	-----

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

LOSS FROM OPERATIONS	(2,989)	(1,126)	(5,033)
	-----	-----	-----
OTHER INCOME (EXPENSE)			
Other income	13	8	-
Interest expense	-	(1)	(81)
Gain on foreign exchange	51	-	-
	-----	-----	-----
TOTAL OTHER INCOME (EXPENSE)	64	7	(81)
	-----	-----	-----
NET LOSS FROM CONTINUING OPERATIONS	(2,925)	(1,119)	(5,114)
	-----	-----	-----
LOSS ON DISPOSAL FROM DISCONTINUED OPS	-	-	(100)
	-----	-----	-----
EXTRAORDINARY GAIN ON DISCHARGE OF INDEBTEDNESS	-	3,975	1,568
	-----	-----	-----
NET INCOME (LOSS)	\$ (2,925)	\$ 2,856	\$ (3,646)
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	7,686	4,262	381
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE			
NET LOSS FROM CONTINUING OPERATION	\$ (0.38)	\$ (0.26)	\$ (13.42)
LOSS ON DISPOSAL FROM DISCONTINUED OPS	-	-	(0.26)
	-----	-----	-----
NET LOSS BEFORE EXTRAORDINARY GAIN EXTRAORDINARY GAIN ON DISCHARGE OF INDEBTEDNESS	\$ (0.38)	\$ (0.26)	\$ (13.68)
	-----	-----	-----
NET INCOME (LOSS)	\$ (0.38)	\$ 0.67	\$ (9.57)
	=====	=====	=====

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

F-4

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002
(Dollars and Shares in Thousands)

	COMMON STOCK		COMMON STOCK		
	NUMBER	AMOUNT	WARRANTS	ADD'L	ACCUMULATED
	OF		OUTSTAN-	PAID-IN	DEFICIT
	SHARES		DING, NET	CAPITAL	
	-----	-----	-----	-----	-----
BALANCES, JUNE 30, 2003	7,686	\$ 8	\$ 1,613	\$ 283,727	\$ (279,308)
Year ended June 30, 2004:					
Exercise of stock options	-	-	-	-	-
Common stock warrants expired	-	-	(1,344)	1,344	-
Net loss	-	-	-	-	(2,925)
Foreign currency translation adjustment	-	-	-	-	-
	-----	-----	-----	-----	-----
BALANCES, JUNE 30, 2004	7,686	\$ 8	\$ 269	\$ 285,071	\$ (282,233)
	=====	=====	=====	=====	=====

ACCUMULATED

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

-Continued-

	COMPREHENSIVE INCOME	OTHER COMPREHENSIVE INCOME
	-----	-----
BALANCES, JUNE 30, 2003	\$ -	\$ 23
Year ended June 30, 2004:		
Exercise of stock options	-	-
Common stock warrants expired	-	-
Net loss	(2,925)	-
Foreign currency translation adjustment	66	66
	-----	-----
BALANCES, JUNE 30, 2004	\$ (2,859)	\$ 89
	=====	=====

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

F-5

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

-CONTINUED-

(Dollars and Shares in Thousands)

	COMMON STOCK		COMMON STOCK	ADD'L	ACCUMULATED
	NUMBER OF SHARES	AMOUNT	WARRANTS OUTSTAN- DING, NET	PAID-IN CAPITAL	DEFICIT
	-----	-----	-----	-----	-----
BALANCES, JUNE 30, 2002	38,530	\$ 38	\$ 5,047	\$ 271,869	\$ (282,164)
Year ended June 30, 2003:					
Common stock warrants expired	-	-	(3,434)	3,434	-
Common stock issued for conversion of debt	3,750	4	-	71	-
Common stock issued for exercise of stock options	53	-	-	-	-
1:100 reverse stock split (41,910)	(41,910)	(42)	-	42	-
Common stock issued for conversion of debt	865	1	-	1,920	-
Common stock issued for acquisitions	6,398	7	-	6,391	-
Net income	-	-	-	-	2,856
Foreign currency translation adjustment	-	-	-	-	-
	-----	-----	-----	-----	-----
BALANCES, JUNE 30, 2003	7,686	\$ 8	\$ 1,613	\$ 283,727	\$ (279,308)
	=====	=====	=====	=====	=====

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

-Continued-	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME
	-----	-----
BALANCES, JUNE 30, 2002	\$ -	\$ -
Year ended June 30, 2003:		
Common stock warrants expired	-	-
Common stock issued for conversion of debt	-	-
Common stock issued for exercise of stock options	-	-
1:100 reverse stock split	-	-
Common stock issued for conversion of debt	-	-
Common stock issued for acquisitions	-	-
Net income	2,856	-
Foreign currency translation adjustment	23	23
	-----	-----
BALANCES, JUNE 30, 2003	\$ 2,879	\$ 23
	=====	=====

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

F-6

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

-CONTINUED-

(Dollars and Shares in Thousands)

	COMMON STOCK		COMMON STOCK		ADD'L PAID-IN CAPITAL	ACCUMULATED DEFICIT
	NUMBER OF SHARES	AMOUNT	WARRANTS OUTSTAN- DING, NET	STOCK		
	-----	-----	-----	-----	-----	-----
BALANCES, JUNE 30, 2001	35,380	\$ 35	\$ 9,865	\$ 266,626	\$ (278,518)	
Year ended June 30, 2002:						
Common stock issued for cash	3,000	3	-	147	-	
Commission on issuance of common stock	-	-	-	(15)	-	
Common stock issued for expenses	150	-	-	10	-	
Common stock warrants issued, net of change in unearned consulting fees of \$(235)	-	-	283	-	-	
Common stock warrants expired	-	-	(5,101)	5,101	-	
Net loss	-	-	-	-	(3,646)	
	-----	-----	-----	-----	-----	-----
BALANCES, JUNE 30, 2002	38,530	\$ 38	\$ 5,047	\$ 271,869	\$ (282,164)	
	=====	=====	=====	=====	=====	=====

-Continued-	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME
	-----	-----
BALANCES, JUNE 30, 2001	\$ -	\$ -

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Year ended June 30, 2002:

Common stock issued for cash	-	-
Commission on issuance of common stock	-	-
Common stock issued for expenses	-	-
Common stock warrants issued, net of change in unearned consulting fees of \$(235)	-	-
Common stock warrants expired	-	-
Net loss	(3,646)	-
	-----	-----
BALANCES, JUNE 30, 2002	\$ (3,646)	\$ -
	=====	=====

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

F-7

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002
(Dollars in Thousands)

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ (2,925)	\$ 2,856	\$ (3,646)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Extraordinary gain on discharge of indebtedness	-	(3,975)	(1,568)
Loss from discontinued operations	-	-	100
Depreciation and amortization	1,566	613	320
Impairment loss	1,844	-	-
Loss on sale of fixed assets	-	-	133
Issuance of common stock warrants for general and administrative expenses	-	-	80
Minority interest	286	35	-
Income from unconsolidated subsidiary	64	(8)	-
Other	-	(38)	77
Change in assets and liabilities which increase (decrease) cash:			
Accounts receivable	(2,312)	285	-
Inventory	(1,009)	(535)	87
Prepaid expenses and other current assets	26	(61)	105
Accounts payable and accrued liabilities	1,897	1,445	3,767
Deferred revenue	(85)	(172)	-
	-----	-----	-----
Net cash provided by (used) in operating activities	(648)	445	(545)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash of acquired company	-	1,242	-
Investment in long-lived assets	(1,170)	(366)	-
Deferred rental inducements, net of related receivables	198	-	-
Deferred development cost	(50)	-	-

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Proceeds from sale of fixed assets	-	-	19
	-----	-----	-----
Net cash provided by (used in) investing activities	(1,022)	876	19
	-----	-----	-----

F-8

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002
-CONTINUED-
(Dollars in Thousands)

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	569	817	272
Sale of common stock for cash	-	-	135
Repayment of capital lease obligations	(183)	-	-
	-----	-----	-----
Net cash provided by financing activities	386	817	407
	-----	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2)	-	-
	-----	-----	-----
NET CHANGE IN CASH AND EQUIVALENTS	(1,286)	2,138	(119)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	2,143	5	124
	-----	-----	-----
CASH AND EQUIVALENTS, END OF PERIOD	\$ 857	\$ 2,143	\$ 5
	=====	=====	=====

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	\$ -
C4 Services, Ltd.	\$ -	\$ 4,200	\$ -
Reclassification of pre-petition liabilities into liabilities subject to compromise	\$ -	\$ -	\$ 5,557
Equipment acquired under capital lease	\$ 349	\$ -	\$ -
Tenant incentives for leased premises	\$ 540	\$ -	\$ -

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

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 1. HISTORY AND NATURE OF THE BUSINESS

Integrated Data Corp. ("IDC"), formerly Clariti Telecommunications International, Ltd., is a non-operating U.S. holding company with interests in the U.S., Canada, the U.K., and Italy. IDC and its subsidiaries (collectively the "Company", "We", or "Our") offer a wide range of telecommunications, wireless, point-of-sale activation, financial transaction, and other services. In 2002 IDC successfully completed reorganization under Chapter 11 and is now operating with no secured debt liabilities.

The Company was originally formed in February 1988 as the successor to a music and recording studio business owned and operated by Company's former CEO. The Company became publicly held upon its merger in January 1991 with an inactive public company incorporated in Nevada. The surviving corporation changed its name to Sigma Alpha Entertainment Group, Ltd. and was subsequently reincorporated in Delaware. Beginning in 1995, the Company began shifting its focus away from the music and recording business and toward the development and commercialization of a proprietary data broadcasting technology. The resulting wireless technology, trade named ClariCAST(r), allows for the metropolitan-wide distribution of data utilizing the existing broadcast infrastructure of FM radio stations. In 1998 the Company began to acquire interests in the telecommunications business and changed its name to Clariti Telecommunications International, Ltd. Upon emergence from Chapter 11 in 2002, the company name was changed to Integrated Data Corp. to more accurately reflect its new business focus of acquiring, managing, and bringing into the global market leading-edge communication, financial, and network technology solution and service providers. During year ended June 30, 2003, the Company acquired 100% of C4 Services Ltd. and a majority ownership in DataWave Systems Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year End

The Company's fiscal year ends on June 30. In these financial statements, the twelve month periods ended June 30, 2004, 2003 and 2002 are referred to as Fiscal 2004, Fiscal 2003 and Fiscal 2002 respectively.

DataWave System's Inc. ("DataWave") 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 June 30, 2004 financial statements of the Company include the balance sheet of DataWave as of March 31, 2004. The results of operations of DataWave for the year ended March 31, 2004 are included in the statement of operations of the Company for the year ended

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

June 30, 2004.

F-10

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers certificates of deposit, money market funds and all other highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Foreign Currency Translation

Assets and liabilities of its foreign subsidiaries have been translated using the exchange rate at the balance sheet date. The average exchange rate for the period has been used to translate revenues and expenses. Translation adjustments are reported separately and accumulated in a separate component of equity (accumulated other comprehensive income).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates based on management's knowledge and experience. Accordingly actual results may differ from those estimates.

Revenue and Cost Recognition

The Company's revenues are primarily generated from the resale of prepaid long distance and cellular telephone time, principally from the sale of prepaid calling cards and point of sale activated PINs. Sales of prepaid calling cards and point of sale activated PINs under third party brands, where DataWave is not the primary obligor of the related phone service, does not incur significant inventory risk, has no significant continuing obligation with respect to services being rendered subsequent to sale, the price to the consumer is fixed and determinable and collection is reasonably assured, are recognized at the date of sale to the consumer on a net basis. The resulting net agency revenue earned is calculated as the difference between the gross proceeds received and the cost of the related phone time. Sales of DataWave or custom branded cards where DataWave incurs inventory risk but does not provide the related telephone time are recognized on the gross basis on the date of sale to the consumer when title to the card transfers, collectibility of proceeds is reasonably assured, the full obligation to the phone service provider is fixed and determinable, and

F-11

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DataWave has no significant continuing obligations. Revenues from certain prepaid phone cards where our obligation to the phone service provider is not fixed or determinable at the date of delivery is deferred and recognized on a gross basis when services have been rendered to the buyer, phone service is delivered and its cost determined, as the card is used or expires.

Financial Instruments

The Company's financial instruments consist primarily of cash and equivalents, accounts receivable, accrued expenses, and short-term borrowings. These balances, as presented in the balance sheet as of June 30, 2004 and 2003, approximate their fair value because of their short maturities.

Accounts receivable includes amounts due from contractors who collect cash from and service the DataWave's DTM and other vending machines. Certain of these contractors are not bonded resulting in credit risk to DataWave. DataWave is also exposed to certain concentrations of credit risk. At March 31, 2004 and 2003, the top ten customers accounted for 71% and 86% of accounts receivable. DataWave actively monitors the granting of credit and continuously reviews accounts receivable to ensure credit risk is minimized.

The Company is exposed to foreign exchange risks due to its sales denominated in foreign currency.

Inventory

Inventories include prepaid pre-activated calling cards and related cards and promotional supplies, which are valued at the lower of average cost and market. Component parts and supplies used in the assembly of machines and related work-in-progress are included in machinery and equipment.

Direct Cost of Revenues

Direct cost of revenues consists primarily of long distance telephone time, commissions to agents and site landlords, and standard phone cards. Direct costs are also associated with the DTM machines including direct production salaries, parts and accessories and costs to service the machines.

Research and Development Costs

Research and development costs are charged as an expense in the period in which they are incurred.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs and Sales Incentives

Advertising costs are expensed as incurred.

The majority of the DataWave's advertising expense relates to its consumer long distance business. Most of the advertisements are in print media, with expenses recorded as they are incurred.

Effective July 1, 2002, the Company adopted the provisions of the Financial Accounting and Standards Board's Emerging Issues Task Force Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer" ("EITF 01-9"). Under EITF 01-9, DataWave's sales and other incentives are recognized as a reduction of revenue, unless an identifiable benefit is received in exchange.

Certain advertising and promotional incentives in which DataWave exercises joint-control over the expenditure, receives an incremental benefit and can ascertain the fair value of advertising and promotion incurred are included in Cost of Sales.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of machinery and equipment as follows:

Computer equipment & software	30% declining balance or 5-year straight line
Office equipment	20% declining balance or 5-year straight line
Other machinery & equipment	30% declining balance
Vending, DTM & OTC equipment	3 years straight-line
Leasehold improvements	4 years straight-line

Parts, supplies and components are depreciated when they are put in use.

Capitalized Internal Use Software Costs

DataWave capitalizes the cost of internal-use software which has a useful life in excess of one year in accordance with Statement of Position (SOP) No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". These costs consist of payments made to third parties and the salaries of employees working on such software development. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Capitalized computer software costs are amortized using the straight-line method over a period of 3 years.

Software maintenance and training costs are expensed in the period in which they are incurred.

F-13

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, other than goodwill, for

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. To determine recoverability, the Company compares the carrying value of the assets to the estimated future undiscounted cash flows. Measurement of an impairment loss for long-lived assets held for use is based on the fair value of the asset. Long-lived assets classified as held for sale are reported at the lower of carrying value and fair value less estimated selling costs. For assets to be disposed of other than by sale, an impairment loss is recognized when the carrying value is not recoverable and exceeds the fair value of the asset. For goodwill, an impairment loss will be recorded to the extent that the carrying amount of the goodwill exceeds its fair value. No such impairment losses for goodwill were identified at June 30, 2004 and 2003.

Goodwill and Other Intangible Assets

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 141 ("SFAS 141"), "Business Combinations", and Statement of Financial Accounting Standard No.142 ("SFAS 142"), "Goodwill and Other Intangible Assets".

SFAS 141 requires that business combinations be accounted for under the purchase method of accounting and addresses the initial recognition and measurement of assets acquired, including goodwill and intangibles, and liabilities assumed in a business combination. The Company adopted SFAS 141 on a prospective basis effective July 1, 2002 with no significant effect on its financial position or results of operations.

SFAS 142 requires that goodwill and intangible assets with indefinite lives no longer be amortized. Instead, these amounts will be subject to a fair-value based annual impairment assessment. An impairment loss on the DataWave International License was identified at June 30, 2004. See Note 8.

Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives.

The Company has performed an impairment test of its goodwill and determined that no impairment of the recorded goodwill existed. Therefore, no impairment loss was recorded during the year ended June 30, 2004. The customer list is amortized over 6 years, management's best estimate of its useful life, following the pattern in which the expected benefits will be consumed or otherwise used up. The DataWave International License is amortized over the term of the agreement expiring in March 2010.

F-14

INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company has adopted FASB Statement No. 109, "Accounting for Income Taxes", which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

applicable to the periods in which the differences are expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Comprehensive Income (Loss)

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income". This statement establishes rules for the reporting of comprehensive income (loss) and its components. The component of comprehensive income consists of foreign currency translation adjustments.

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 2004, 2003 and 2002 were the same because the effect of using the treasury stock method would be antidilutive.

DataWave has an employee stock option plan providing for the issuance of stock options to purchase DataWave common stock. Since these options are not "in the money" at the DataWave level, there is no impact on the Company's earnings per share. However, such options, when and if exercised, will dilute the Company's actual ownership interest in DataWave. Based on the current program, the potential percentage ownership interest attributable to exercisable DataWave options as of June 30, 2004 is, on a diluted basis, approximately 2%.

F-15

INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Stock-Based Compensation

Compensation costs attributable to stock option and similar plans are recognized based on any difference between the quoted market price of the stock on the date of the grant over the amount the employee is required to pay to acquire the stock (the intrinsic value method under APB Opinion 25). Such amount, if any, is accrued over the related vesting period, as appropriate.

The Company has adopted FASB Statement 123, "Accounting for Stock-Based Compensation", which encourages employers to account for stock-based compensation awards based on their fair value on their date of grant. The fair value method was used to value common stock warrants issued in

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

transactions with other than employees during the periods presented. Entities may choose not to apply the new accounting method for options issued to employees but instead, disclose in the notes to the financial statements the pro forma effects on net income and earnings per share as if the new method had been applied. The Company has adopted the disclosure-only approach to FASB Statement 123 for options issued to employees. See Note 15.

Recent Accounting Pronouncements

In January 2003 with a revision in December 2003, the FASB issued FASB Interpretation No. 46 and 46R ("FIN 46R"), "Consolidation of Variable Interest Entities - an interpretation of ARB No. 51". FIN 46R requires that if any entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46R provisions are effective for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, FIN 46R provisions are required to be adopted for periods ending after March 15, 2004. This statement is not currently applicable to the Company.

In April 2003, the FASB issued Statement of Financial Accounting Standard No. 149 ("SFAS 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS 133. SFAS 149 is generally effective for derivative instruments, including derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement is not currently applicable to the Company.

F-16

INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In May 2003, the FASB issued Statement of Financial Accounting Standard No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities on the balance sheet. Previously, many of those financial instruments were classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement is not currently applicable to the Company.

On April 22, 2003, the FASB announced its decision to require all companies to expense the fair value of employee stock options. Companies will be required to measure the cost according to the fair value of the options. Although the new guidelines have not yet been released, it is expected that they will be finalized soon and be effective in 2004. When final rules are announced, the Company will assess the impact to its financial statements.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

NOTE 3. 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 31, 2002. At the time of acquisition, C4 Services owned the exclusive international (excluding the Americas) DataWave technology license and Integrated Communication Services Ltd ("ICS"). Both were transferred directly to the parent company, Integrated Data Corp, and the C4 Services entity was discontinued. Hence, the Company now owns the exclusive worldwide (excluding the Americas) rights to own, operate, and license any and all DataWave technologies and services (the "DataWave International License"), and ICS is a wholly-owned subsidiary of the Company. The purchase price of \$4,200,000 has been allocated to the DataWave International License.

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.

F-17

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 3. ACQUISITIONS (continued)

Effective January 14, 2003, the Company agreed to purchase an additional 4,023,030 freely tradable shares of DataWave. The 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. 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 acquisition was accounted for under the purchase method of accounting.

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 June 30, 2004 financial statements of the Company include the balance sheet of DataWave as of March 31, 2004. The results of operations of DataWave for the year ended March 31, 2004 are included in the statement of operations of the Company for the year ended June 30, 2004.

The following summary presents the Company's unaudited pro forma consolidated results of operations for the year ended June 30, 2003 as if DataWave was acquired July 1, 2002 (in thousands).

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

	Fiscal 2003 -----
Revenue	\$ 18,247
Net loss before extraordinary gain	\$ (908)
Extraordinary gain	\$ 3,975
Net income	\$ 2,947
Basic and diluted income (loss) per share	
Net loss from continuing operations	\$ (0.12)
Extraordinary gain	\$ 0.52
Net income	\$ 0.39

F-18

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 3. ACQUISITIONS (continued)

Proposed Merger

On April 22, 2004, the Company publicly announced a proposed merger with DataWave and on June 1, 2004, the Company entered into a merger agreement to purchase the remaining 49.9% interest in DataWave through an exchange of stock. The Company would issue 2,034,165 shares of common stock in exchange for 21,917,304 shares of common stock of DataWave. The proposed merger will be accounted for by the Company under the purchase method of accounting. The purchase price is estimated to be \$2,280,000 excluding acquisition costs of approximately \$350,000. The Company is in the process of filing a Form S-4 Registration Statement to obtain the approval of its shareholders for the proposed merger.

NOTE 4. DISCONTINUED OPERATIONS

The Company acquired MegaHertz-NKO, Inc. ("M-NKO") in May 1999 and Tekbilt World Communications, inc. ("TWC") in December 1999. Prior to their sale, the combined businesses of TWC and M-NKO operated as an Internet Service Provider and a facilities-based provider of IP and conventional switched telecommunications services in the United States. During Fiscal 2000, the Company terminated most of M-NKO's revenue-generating activities and consolidated those remaining operations into TWC. In May 2001, the Company sold all of the common stock of TWC and M-NKO. During Fiscal 2002, the Company recognized a loss on disposal of \$100,000.

NOTE 5. ACCOUNTS RECEIVABLE

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Accounts receivable and other receivables consist of the following (in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
Trade accounts receivable (net of allowance for doubtful accounts of \$13 and \$55)	\$ 3,590	\$ 1,698
Input tax credits receivable	558	211
Tenant incentives	166	-
Other receivables	36	129
	-----	-----
	\$ 4,350	\$ 2,038
	=====	=====

F-19

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 6. INVENTORY

Inventory consists of the following (in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
DataWave Telecard parts and supplies	\$ 139	\$ 142
PINS and cellular time	1,778	1,015
Cards and long distance phone time	318	68
	-----	-----
	\$ 2,235	\$ 1,225
	=====	=====

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment of the Company and its consolidated subsidiaries consist of the following (in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
Computer equipment and software	\$ 2,447	\$ 1,844
Office equipment and furniture	193	193
Other machinery and equipment	31	55
Parts, supplies and components	332	581
Vending machines in assembly	29	55
Vending equipment	4,322	3,325
Leasehold improvements	325	53
	-----	-----
Total cost	\$ 7,679	\$ 6,106
Less accumulated depreciation	(5,243)	(4,376)
	-----	-----

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

\$ 2,436 \$ 1,730
 =====

Depreciation expense was \$875,000, \$225,000 and \$247,000 for Fiscal 2004, 2003 and 2002.

Internal use software costs capitalized as computer software totaled \$43,208 in Fiscal 2004 and \$-0- in Fiscal 2003.

Computing equipment and software with a net book value of \$316,707 in Fiscal 2004 and \$-0- in Fiscal 2003 was acquired under capital lease.

F-20

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 8. INTANGIBLE ASSETS

Amortizable intangible assets consist of the following (in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
DataWave International License	\$ 2,356	\$ 4,200
Customer lists	657	623
Patents and technology	450	450
	-----	-----
	\$ 3,463	\$ 5,273
Less accumulated amortization	(1,634)	(943)
	-----	-----
	\$ 1,829	\$ 4,330
	=====	=====

Goodwill in the amount of \$1,464,000 resulted from the acquisition of DataWave.

Amortization expense was \$691,000, \$338,000 and \$73,000 for Fiscal 2004, 2003 and 2002.

An impairment loss in the amount of \$1,844,000 was recorded at June 30, 2004 to reduce the net carrying value to fair market value based on a valuation by an independent party.

NOTE 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following (in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
Trade accounts payable	\$ 5,456	\$ 3,902
Accrued compensation and benefits	94	266
Co-op and rebate accruals	256	300
Long-distance time accruals	700	926

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Other accrued liabilities	495	155
State, local, GST and other taxes payable	797	324
	-----	-----
	\$ 7,798	\$ 5,873
	=====	=====

F-21

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 10. EXTRAORDINARY GAIN ON DISCHARGE OF INDEBTEDNESS

Extraordinary gain on discharge of indebtedness of \$3,975,000 in Fiscal 2003 resulted from Chapter 11 Reorganization of the Company in the amount of \$3,635,000 and \$340,000 resulted from the Chapter 7 liquidation of Radio Net International Inc., a wholly owned subsidiary of the Company.

Extraordinary gain on discharge of indebtedness of \$1,568,000 in Fiscal 2002 resulted from the Chapter 7 liquidation of Clariti Wireless Messaging, Inc. and Radio Net International, Inc.; both wholly-owned subsidiaries of the Company.

NOTE 11. SHORT-TERM BORROWINGS FROM RELATED PARTY

Integrated Technologies & Systems Ltd. ("IT&S"), a greater than 5% shareholder, and/or its affiliates agreed to fund the Company's working capital requirements post Chapter 11 filing through June 30, 2005. For Fiscal 2005 (July 1, 2004 through June 30, 2005), IT&S has committed to fund up to \$1,000,000 in working capital requirements. The amount funded as of June 30, 2003 was \$968,000; 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. The balance of the loan as of June 30, 2004 and 2003 was \$887,000 and \$318,000.

NOTE 12. INCOME TAXES

There is no income tax benefit for operating losses for Fiscal 2004, Fiscal 2003 and Fiscal 2002 due to the following:

Current tax benefit - the operating losses cannot be carried back to earlier years and any taxable income will be offset by net operating loss carryforwards.

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.

F-22

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 12. INCOME TAXES (continued)

The reconciliation of the statutory federal rate to the Company's effective income tax rate is as follows (dollars in thousands):

	Fiscal 2004	Fiscal 2003	Fiscal 2002
	-----	-----	-----
Statutory provision (benefit)	\$ (995)	\$ 971	\$ (1,240)
Tax benefit not recognized on current year loss	995	-	1,240
Tax benefit on use of loss carryforwards not previously reorganized	-	(971)	-
	-----	-----	-----
	\$ -	\$ -	\$ -
	=====	=====	=====

Under FASB Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates.

The components of the Company's deferred tax assets are as follows (dollars in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
Intangible assets	\$ 722	\$ 3
Property and equipment	\$ 215	\$ 52
Net operating loss carryforwards	84,699	85,288
Capital loss carryforwards	-	115
Valuation allowance	(85,636)	(85,458)
	-----	-----
	\$ -	\$ -
	=====	=====

The deferred tax liability of \$268,000 at Fiscal 2004 and Fiscal 2003 represents deferred revenue related to an acquisition.

Integrated Data Corp. files a consolidated corporate income tax return in the United States and its foreign subsidiaries will be required to file income tax returns in their respective countries.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 12. INCOME TAXES (continued)

The use of net operating loss carryforwards for United States income tax purposes is limited when there has been a substantial change in ownership (as defined) during a three-year period. Because of the recent and contemplated changes in ownership of the Company's common stock, such a change may occur in the future. In this event, the use of net operating losses each year would be restricted to the value of the Company on the date of such change multiplied by the federal long-term rate ("annual limitation"); unused annual limitations may then be carried forward without this limitation.

At June 30, 2004 the Company had net operating loss carryforwards for US Income Tax purposes of approximately \$244,624,000 which if not used will expire primarily during the years 2004 through 2023. For Canadian Income Tax purposes, the Company had net operating loss and capital loss carryforwards of \$4,900,000 and \$1,000,000, respectively. The net operating loss carryforwards commenced expiring in 2003 and capital loss carryforwards expire in fiscal year 2005.

NOTE 13. CAPITAL LEASE OBLIGATION

The future minimum lease payments for each fiscal year under the capital lease for equipment expiring in fiscal year 2007, together with the balance of the obligation under capital lease are as follows:

2005	\$ 78,259
2006	78,259
2007	56,174

Total minimum lease payments	212,692
Less: amount representing interest	(23,025)

	189,667
Less: current portion	(64,641)

Balance of obligation	\$ 125,026
	=====

NOTE 14. COMMITMENTS AND CONTINGENCIES

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.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

NOTE 14. COMMITMENTS AND CONTINGENCIES (continued)

Leases

 The Company has the following future minimum payments with respect to leases for office space, computer and office equipment:

2005	\$	439,454
2006		429,704
2007		365,577
2008		296,732
2009		345,776
Thereafter		926,173

	\$	2,803,416
		=====

Rent expense for operating leases in Fiscal 2004, Fiscal 2003 and Fiscal 2002 was \$307,000, \$99,000 and \$1,299,000, respectively.

Deferred Inducement

 In January 2004, DataWave entered into a ten year lease for office space in Richmond, British Columbia, which is being amortized over the ten year term of the lease. The agreement included cash inducements for leasehold improvements of \$277,162, of which \$166,297 is recorded as a current receivable and \$110,865 is recorded as a long-term receivable. Also included were inducements for free rent. At March 31, 2004, the deferred rent inducement was \$308,551 less the current portion of \$27,716 (2003 - \$-0-).

NOTE 15. STOCKHOLDERS' EQUITY

Common Stock

 Effective April 12, 2004, the number of authorized shares of common stock, par value \$0.001 per share, was reduced from 300,000,000 to 50,000,000.

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

F-25

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 15. STOCKHOLDERS' EQUITY (continued)

conversion shares in addition to the statutory restriction imposed under Rule

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

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.

Warrants

From time to time, the Board of Directors of the Company may authorize the issuance of warrants to purchase the Company's common stock to parties other than employees and directors. Warrants may be issued as a unit with shares of common stock, as an incentive to help the Company achieve its goals, or in consideration for cash, financing costs or services rendered to the Company, or a combination of the above, and generally expire within several months to 5 years from the date of issuance. The following table summarizes activity for common stock warrants outstanding during the 3-year period ended June 30, 2004:

	Shares (000)	Exercise Price Per Share	Weighted Average Exercise Price Per Share
Warrants outstanding, 6/30/01	31	\$ 25.00 - \$1,600.00	\$ 665.00
Warrants issued	11	\$ 5.00 - \$ 50.00	\$ 46.00
Warrants canceled/expired	(12)	\$ 25.00 - \$1,200.00	\$ 696.00
Warrants outstanding, 6/30/02	30	\$ 5.00 - \$1,600.00	\$ 346.00
Warrants canceled/expired	(23)	\$ 7.00 - \$1,600.00	\$ 309.00
Warrants outstanding, 6/30/03	7	\$ 5.00 - \$1,148.00	\$ 412.00
Warrants canceled/expired	(5)	\$100.00 - \$1,148.00	\$ 481.00
Warrants outstanding, 6/30/04	2	\$ 5.00 - \$ 975.00	\$ 185.00

F-26

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 15. STOCKHOLDERS' EQUITY (continued)

The Company has adopted FASB Statement 123, "Accounting for Stock-Based Compensation," which requires compensation cost associated with warrants issued to parties other than employees and directors to be valued based on the fair value of the warrants. Such fair value was estimated using the Black-Scholes model with the following assumptions for Fiscal 2002: no dividend yield, expected volatility of 80%, and a risk-free interest rate of

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

6.5%. The Black-Scholes model valued the warrants issued or re-priced during Fiscal 2004, Fiscal 2003 and Fiscal 2002 at \$-0-, \$-0- and \$69,841, respectively.

Stock Option Plan

 The Company, with stockholder approval, adopted a Stock Option Plan (the "Plan") in November 1991 providing for the granting of options to officers, key employees, certain consultants and others. Options to purchase the Company's common stock could be made for a term of up to ten years at the fair market value at the time of the grant. Incentive options granted to a ten percent or more stockholder could not be for less than 110% of fair market value nor for a term of more than five years. The aggregate fair market value of the stock for which an employee could be granted incentive options first exercisable in any calendar year could not exceed \$100,000.

The Stock Option Plan terminated by default in November 2001. All options granted under the Stock Option Plan remain valid through the specified life of the option, typically 10 years. As of June 30, 2004 there were 5,428 common share options outstanding with none of the options being "in the money". During Fiscal 2004, no options were exercised under the Stock Option Plan.

Stock Options

 Prior to November 1991 the Company's Board of Directors periodically authorized the issuance of options to purchase the Company's common stock to employees and members of the Board of Directors. These options could generally be exercised at the fair market value of the common stock on the date of the grant. The following table summarizes activity for stock options during the 3-year period ended June 30, 2004:

	Shares (000)	Exercise Price Per Share	Weighted Average Exercise Price Per Share
	-----	-----	-----
Options outstanding, 6/30/01	34	\$0.10 - \$1,550.00	\$ 642.00
Options forfeited	(29)	\$0.10 - \$1,400.00	\$ 643.00

Options outstanding, 6/30/02	5	\$0.10 - \$1,188.00	\$ 641.00
Options outstanding, 6/30/03	5	\$9.00 - \$1,188.00	\$ 637.00
Options outstanding, 6/30/04	5	\$9.00 - \$1,188.00	\$ 637.00

F-27

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 15. STOCKHOLDERS' EQUITY (continued)

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for the issuance of its stock options. There were no stock options issued during Fiscal 2004, 2003 and 2002.

NOTE 16. EMPLOYEE BENEFIT PLANS

The Company and its United States subsidiaries sponsor a defined contribution

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

pension plan for their employees in the form of a 401(k) plan. The Company makes no contributions to such plan. The Company does not currently pay for the cost of medical insurance for its United States employees. The Company provides no post-retirement medical benefits.

NOTE 17. NET AGENCY SALES

DataWave's revenues are primarily generated from the resale of prepaid long distance and cellular telephone time, principally from the sale of prepaid calling cards and point of sale activated PINs. Sales of prepaid calling cards and point of sale activated PINs under third party brands where DataWave is not the primary obligor of the related phone service does not incur significant inventory risk and has no significant continuing obligation with respect to operation of the card subsequent to sale are recognized at the date of sale on a net basis. The resulting net agency revenue earned is calculated as the difference between the gross proceeds received and the cost of the related phone time paid to suppliers and is included as revenue in the Company's statement of operations. Net agency sales consist of the following (in thousands):

	Fiscal 2004	Fiscal 2003
	-----	-----
Gross proceeds received on agency sales	\$ 63,902	\$ 14,505
Less payments to suppliers	(57,003)	(7,510)
	-----	-----
Net agency sales	\$ 6,899	\$ 6,995
	=====	=====

F-28

INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FISCAL YEARS ENDED JUNE 30, 2004, 2003 AND 2002

NOTE 18. SEGMENT INFORMATION

The Company through its majority owned subsidiary, DataWave, manufactures and operates prepaid calling card merchandising machines and resells long distance telephone time through prepaid and other calling cards distributed through its machines, at retail locations and on a wholesale basis to third parties. The Company considers its business to consist of one reportable operating segment; therefore, these consolidated financial statements have not been segmented.

The Company has net long-lived assets of \$4,987,000 in the US and \$2,636,000 in Canada at June 30, 2004 and \$5,848,000 in the US and \$1,738,000 in Canada at June 30, 2003. Long-lived assets consist of property and equipment, goodwill, and licenses net of accumulated depreciation and amortization. The Company has earned revenue from sales to customers of approximately \$7,180,000 in the US, \$10,773,000 in Canada, \$98,000 in Mexico, and \$123,000 in the United Kingdom for Fiscal 2004 and approximately \$1,733,000 in the US and \$2,284,000 in Canada for Fiscal 2003. During Fiscal 2004 and 2003, the

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

top ten customers comprised approximately 44% of revenue.

F-29

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's president and chief executive officer. Based upon that evaluation, our company's president and chief executive officer concluded that our company's disclosure controls and procedures are effective. There have been no significant changes in our company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management,

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

including our company's president and chief executive officer as appropriate, to allow timely decisions regarding required disclosure.

-27-

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table sets forth the names, ages and positions of all directors (including their term of service) and executive officers of the Company and their positions in the Company as of September 24, 2004:

Name	Age	Current Position(s) with Company	Date First Elected or Appointed
David C. Bryan	49	Director, President and Chief Executive Officer	August 2003
Stuart W. Settle Jr.	63	Director and Secretary	April 2002
Ian Tromans	66	Director	April 2002
Eduard Will	62	Director	January 2003
Walter T. Bristow III	47	Vice President	April 2002

All directors serve until their successors are duly elected and qualified. Vacancies in the Board of Directors are filled by majority vote of the remaining directors. The executive officers of the Company are elected by, and serve at the discretion of, the Board of Directors.

A brief description of the business experience during the past five years or more of each director and executive officer of the Company is as follows:

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

David C. Bryan took over the duties of President and Chief Executive Officer in August 2003. He joined the Company in July 1997 as its Senior Vice President and Chief Operating Officer and was instrumental in the multi-year, multi-million dollar development of the ClariCAST(r) technology. In April of 2002, Mr. Bryan founded C3 Technologies Inc, a wholly-owned subsidiary of the IDC, to manage the ClariCAST(r) technology and expand its applications in the commercial, wireless communications arena. At that time, he also was promoted to Executive Vice President of IDC. Between August 2001 and April 2002, Mr. Bryan held the position of Senior Vice President and Chief Operating Officer of RadioNet International, Ltd., which at the time was a wholly-owned subsidiary of the Company. He held the same positions with another wholly-owned Company subsidiary prior to that, Clariti Wireless Messaging, Inc., between December 1998 and August 2001. Prior to joining the Company, Mr. Bryan spent 18 years with Magnavox/General Atronics Corporation, a company engaged in the development and manufacturing of military RF communication and telecommunication systems and products, where he held a variety of senior-level management positions including Director of Business Development, Division General Manager, and part owner. Mr. Bryan holds a BSEE from Bucknell University, an MSEE from Villanova University, and an MBA from Temple University.

-28-

Stuart W. Settle, Jr. is a graduate of the United States Naval Academy and received his law degree from Harvard University. He is a member of the bars of Virginia and New York and the federal bars in those states, as well as the bar of the Supreme Court of the United States. For the past 30 years he has concentrated in the areas of corporate finance, venture capital, and securities law. Mr. Settle has served as counsel in a number of private and public financings, acquisitions of public and privately held companies, and has served as an officer and director of numerous corporations and charitable foundations.

Ian Tromans is a trigonometrical surveyor and mining engineer, having qualified in HM Royal Engineers in 1959. He has served with the British Army in Africa and the Middle East and has operated at the Director level in the UK for several major civil engineering and opencast mining companies, including Trafalgar House, English China Clays and Public Works Ltd. Mr. Tromans has been responsible for the overall management of engineering teams of up to 600 personnel and has played a major role in the supervision of several major engineering projects including Kielder Dam, Kernick Dam, the M4 Motorway and the Brent Cross Flyover. He has also served as Director in other areas of commerce including the telecommunications, leisure and building supplies industries and has controlled annual operating budgets of up to \$62M. Mr. Tromans has lectured to the Quarrying Associations of Australia and the United Kingdom and has, in recent years, acted as Management Consultant to many London-based international trading corporations.

Eduard Will is an internationally accomplished investment banker with extensive experience and high-level connections in Europe, Asia and North America. He started the mergers and acquisitions business of JP Morgan in Germany, ran corporate finance at Bank of America in London, and was a partner of Bear Stearns and Co. in New York responsible for international corporate finance. Mr. Will has a track record of several dozen completed transactions. More recently Mr. Will was the CEO of Inprimis Inc., the Nasdaq listed interactive TV solutions provider, which he sold to Enerl in 2002. He is currently a senior adviser to Darby Overseas, the fund management company in Washington DC, and several other entities in the US and Asia.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Walter (Chuck) Bristow III joined the Company in 1998 as Director of Network Engineering and was responsible for the ClariCAST(r) network development and implementation, software engineering, corporate telecommunication, and corporate IT. He was promoted to Vice President in April 2002. Prior to joining the Company, Mr. Bristow was with Magnavox/General Atronics Corporation, a manufacturer of military communications equipment, where he worked in hardware engineering, integration, and design for state-of-the-art military radio communications equipment. Before General Atronics, Mr. Bristow worked at Telesciences, a manufacturer of Automatic Call Distributors, Directory Assistance computers, and Voice Response equipment for the telecommunications industry. He holds a Bachelor of Science in Technology Management from Kennedy Western University and is working toward his Masters in Computer Science at Kennedy Western.

-29-

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act requires executive officers, directors, and persons or entities that own more than 10% of the Company's common stock to file reports regarding ownership of and transactions in the Company's securities with the U.S. Securities and Exchange Commission and to provide the Company with copies of those filings. Based solely on its review of the copies of such forms received by the Company, or written representations from certain reporting persons, the Company believes the following officers and greater than 10% beneficial owners are delinquent in their filing requirements: Eduard Will, Integrated Technologies & Systems Ltd, Anstead Investments Ltd, I. Hopkins, and B. Candlin.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth compensation paid or accrued during the fiscal years ended June 30, 2004, 2003 and 2002 ("Fiscal 2004", "Fiscal 2003" and "Fiscal 2002", respectively) to the Company's Chief Executive Officer and the most highly compensated executive officers whose total annual salary and bonus earned by them more than \$100,000 during Fiscal 2004 (collectively, the "Named Executives").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended	Annual Compensation		Other Annual Compensation (\$000)	Restr- icted Stock Awards (\$000)	Long-Term Compensation Awards	
		Salary (\$000)	Bonus (\$000)			Secur- ities Under- lying Options /SARs (#000)	All Other Compen- sation (\$000)
David C. Bryan President and CEO	2004	156	-	-	-	-	-
	2003	156	-	-	-	-	-
	2002	60 (a)	-	-	-	1	-

(a) During Fiscal 2002, Mr. Bryan was paid a salary of \$60,000 directly from the Company. For the majority of Fiscal 2002, Mr. Bryan worked

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

for subsidiaries of the Company which were liquidated.

Long-Term Incentive Plans - Awards in Most Recently Completed Fiscal Year

The Company has no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan to the Named Executives during Fiscal 2004. A "Long-Term Incentive Plan" is a plan under which awards are made based on performance over a period longer than one fiscal year, other than a plan for options, SARs (stock appreciation rights) or restricted share compensation.

-30-

Option Grants for the Year Ended June 30, 2004

During Fiscal 2004 no stock options were granted to the Named Executives.

Aggregated Options Exercised for the Year Ended June 30, 2004

The following table provides information regarding exercised/unexercised stock options held by the Named Executives:

Aggregated Option/SAR Exercises in Last Fiscal Year
and Fiscal Year End Option/SAR Values
For the Year Ended June 30, 2004

Name	Shares Acquired on Exercise (#000)	Value Realized (\$000)	Number of Securities Underlying Unexercised Options/SARs At Fiscal Year End Exercisable/ Unexercisable (#000)	Value of Unexercised In-the-Money Options/SARs at Fiscal Year End(a) (\$000)
David C. Bryan	-	-	4	-

Compensation Plans

With the exception of compensation in the form of certain medical, dental, disability and life insurance benefits paid pursuant to plans that do not discriminate in favor of officers or directors of the Company and are available generally to all employees who are employed by the Company, the Company has no plans pursuant to which cash or non-cash compensation was paid or distributed during Fiscal 2004, Fiscal 2003 and Fiscal 2002, or is proposed to be paid or distributed in the future, to the individuals and group specified under "Executive Compensation" above.

Employment Contracts and Termination Arrangements

No employment contracts exist between the Company and the Named Executives. There are no compensatory plans or arrangements with respect to the Named Executives resulting from the resignation, retirement or other termination of employment or from a change of control.

Stock Option Plan

The Company's original Stock Option Plan (the "Stock Option Plan") was approved by a majority of the Company's stockholders in November 1991. The

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

Stock Option Plan was intended to qualify, in part, as an incentive stock option plan under Section 422 of the Internal Revenue Code (the "Code") and in part as a non-qualified stock option plan, and to provide an incentive to those directors, key employees of the Company and its subsidiaries, and certain other persons who materially contributed to the Company's progress.

-31-

The Stock Option Plan terminated by default in November 2001. All options granted under the Stock Option Plan remain valid through the specified life of the option, typically 10 years. As of June 30, 2004 there were 5,428 common share options outstanding with none of the options being "in the money". During Fiscal 2004, no options were exercised under the Stock Option Plan.

Compensation of Directors

None.

REPORT OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

The Company's Board of Directors determines the compensation of the Company's executive officers. The Company attempts to provide its executives with a total compensation package that is competitive with those provided to executives who hold comparable positions or have similar qualifications in other similar organizations. The Board of Directors works closely with management to design a compensation program to assist the Company in attracting and retaining outstanding executives and senior management personnel in the telecommunications and wireless communications industry who the Company believes will be, or who are, valuable employees. Compensation paid to the Company's Chief Executive Officer during Fiscal 2004 consisted entirely of base salary to which they were entitled.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally disallows a tax deduction to public companies for annual compensation over \$1.0 million paid to their chief executive officer and other highly compensated executive officers. The Code generally excludes from the calculation of the \$1.0 million cap compensation that is based on the achievement of pre-established, objective performance goals. To maintain a competitive position with the Company's peer group of corporations, the Board of Directors retains the authority to authorize payments, including salary and bonus, which may not be deductible.

By the Board of Directors,
David C. Bryan, Stuart W. Settle, Jr., Ian Tromans, and Eduard Will

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of June 30, 2004, certain information with respect to beneficial ownership of the Company's common stock by (i) each person known to the Company to be the beneficial owner of more than 5% of the Company's common stock, (ii) each director of the Company, (iii) each named executive officer of the Company listed in the Summary Compensation Table, and (iv) all officers and directors of the Company as a group. Unless otherwise specified, the Company believes that all persons listed in the table possess sole voting and investment power with respect to all shares of the Company's common stock beneficially owned by them.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

-32-

Name and Address -----	Amount and Nature of Beneficial Ownership (#000) -----	Percent of Class (a) -----
Integrated Technologies & Systems Ltd Tortola, British Virgin Islands	1,677	21.8%
Anstead Investments Ltd Basel, Switzerland	1,536	20.0%
I. Hopkins London, England	1,015	13.2%
B. Candlin London, England	1,005	13.1%
David C. Bryan St. Davids, Pennsylvania	3 (b)	*
Stuart W. Settle, Jr. Richmond, Virginia	18	*
Ian Tromans Oxfordshire, England	18	*
Eduard Will Montclair, New Jersey	0	*
All officers and directors as a group (5 persons) -----	39 (c)	*

*less than 1%

- (a) Based upon shares beneficially owned as a percent of shares of common stock of the Company outstanding as of June 30, 2004 (7,685,677 shares). For purposes of calculating each person's beneficial ownership, any shares subject to options exercisable within 60 days of June 30, 2004 are deemed beneficially owned by, and outstanding with respect to, such person.
- (b) Includes 3,752 shares of common stock that such person has the right to acquire pursuant to stock options exercisable within 60 days.
- (c) Includes 3,862 shares of common stock that such persons have the right to acquire pursuant to stock options exercisable within 60 days.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Integrated Technologies & Systems Ltd ("IT&S"), a greater than 5% shareholder, and/or its affiliates have agreed to fund the Company's working

-33-

capital requirements through June 30, 2005. This funding is in the form of a

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

no interest, no security, short-term loan. As of 30 June 2004, the total amount funded under this agreement was \$1,537,000 of which \$650,000 has been converted to 325,000 shares of Company common stock leaving a balance owed of \$887,000.

During Fiscal 2004 the Company paid approximately \$30,000 to Stuart W. Settle, Jr., a Company director, for services provided in his role as corporate general counsel.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

During the years ended June 30, 2004 and 2003, the following fees were invoiced by Cogen Sklar LLP for services provided.

Audit Fees

The aggregate fees billed for the annual audit of the Company's financial statements included in our Form 10-K and review of financial statements included in our Form 10-Qs for the years ended June 30, 2004 and 2003 amounted to approximately \$50,800 and \$54,100, respectively.

Audit Related Fees

For the years ended June 30, 2004 and 2003, there were no fees billed related to other audit related services.

Tax Fees

For the years ended June 30, 2004 and 2003, the aggregate tax fees billed relating to tax services amounted to approximately \$11,900 and \$5,700, respectively.

All Other Fees

For the years ended June 30, 2004 and 2003, there were no other fees billed.

-34-

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

The following documents are filed as part of this report:

- (1) Consolidated Financial Statements: See Index to Consolidated Financial Statements under Item 8 on page 25 of this report.
- (2) Financial Statement Schedule: See Index to Consolidated Financial Statements under Item 8 on page 25 of this report.
- (3) Exhibits below are incorporated herein by reference or, if marked with an *, are filed with this report:

Exhibit

No.	Description
2.1	Share Exchange Agreement for the acquisition of GlobalFirst Holdings Limited (Filed December 23, 1998 on Form 8-K (earliest event reported December 8, 1998))
2.2	Share Purchase and Sale Agreement for the sale of Telnet Products & Services Limited (Filed February 18, 1999 on Form 8-K)
2.3	Share Exchange Agreement for the acquisition of Mediatel Global Communications Limited (Filed March 26, 1999 on Form 8-K)
2.4	Amendment to Share Exchange Agreement for the acquisition of Mediatel Global Communications Limited (Filed March 26, 1999 on Form 8-K)
2.5	Share Exchange Agreement for the Acquisition of MegaHertz-NKO, Inc. (Filed May 24, 1999 on Form 8-K)
2.6	Share Exchange Agreement for the Acquisition of NKA Communications Pty. Ltd. (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended June 30, 1999)
2.7	Agreement and Plan of Merger for the acquisition of Tekbilt World Communications, Inc. (Filed under Amendment No. 1 to Annual Report on Form 10-K for the year ended June 30, 2000)
2.8	Share Exchange Agreement for the Sale of Clariti Telecommunications Pty. Ltd. (f/k/a NKA Communications Pty. Ltd.) (Filed as Exhibit 2.8 under Annual Form 10-K for the year ended June 30, 2001)
2.9	Agreement for the sale of certain operating assets and liabilities of Clariti Telecommunications Europe Ltd. and Clariti Carrier Services Ltd. (Filed as Exhibit 2.9 under Annual Form 10-K/A for the year ended June 30, 2001)
2.10	Stock Sale and Purchase Agreement for sale of Tekbilt World Communications, Inc. (Filed as Exhibit 2 to the May 24, 2001 Form 8-K)
2.11	Stock Sale and Purchase Agreement for sale of MegaHertz-NKO, Inc. (Filed as Exhibit 2.11 under Annual Form 10-K/A for the year ended June 30, 2001)
2.12	Acquisition and Share Exchange Agreement for the purchase of 17,949,900 common shares of DataWave Systems Inc. (Filed as Exhibit A to the January 17, 2003 Schedule 13D)
2.13	Share Exchange Agreement for the purchase of 4,023,030 common shares of DataWave Systems Inc. (Filed as Exhibit 1 to the January 24, 2003 Schedule 13D)
3.1	Articles of Incorporation (Filed with Annual Report on Form 10-KSB for the period ended July 31, 1990)
3.1.1	Amendment to Articles of Incorporation (Filed with Annual Report on Form 10-K for the period ended June 30, 2000)
3.2	Bylaws (Filed with Annual Report on Form 10-KSB for the period ended

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

- July 31, 1990)
- 4.1 Secured Debenture for Borrowing of \$750,000 (Filed as Exhibit 4.1 under Annual Form 10-K for the year ended June 30, 2001)
 - 10.1 Employment Agreement with James M. Boyd, Jr. (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended July 31, 1997)
 - 10.4 Employment Agreement with David C. Bryan (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended July 31, 1997)
 - 10.5 Employment Agreement with Michael P. McAndrews (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended July 31, 1997)
 - 10.6 Employment Agreement with Ronald R. Grawert (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended June 30, 1999)
 - 10.7 Employment Agreement with Joseph A. Smith (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended June 30, 1999)
 - 10.8 Employment Agreement with Daniel P. McDuffie (Filed under Amendment No. 2 to Annual Report on Form 10-KSB for the year ended June 30, 1999)
 - 10.9 Employment Agreement with James M. Boyd, Jr. (Filed with Annual Report on Form 10-K for the period ended June 30, 2000)
 - 16.1 Letter on change in certifying accountant (Filed December 23, 1998 on Form 8-K filed (earliest event reported December 18, 1998))
 - 16.2 Letter on change in certifying accountant (Filed September 23, 1999 as Amendment No. 1 to Form 8-K)
 - 21.1* List of Subsidiaries: See "Corporate Holdings" on page 3 of this report.
 - 31* Certification of Chief Executive Officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002: See page 41 of this report.
 - 32* Certification of Chief Executive Officer and principal financial officer pursuant to 18 U.S.C. Section 1350: See page 43 of this report.

-36-

Reports on Form 8-K

The Company filed the following Form 8-K during the quarter ended June 30, 2004:

(a) A current report on Form 8-K dated April 12, 2004 was filed announcing a reduction in the authorized number of shares of common stock of the Company (from 300,000,000 to 50,000,000), the shareholder re-election of the current Board of Directors, and the ratification of Cogen Sklar LLP of Bala Cynwyd, Pennsylvania to serve as the Company's independent auditors for the fiscal year ending June 30, 2004. The Certificate of Amendment of Certificate of Incorporation of Integrated Data Corp reducing the authorized number of shares of common stock of the Company was filed as an Exhibit to this referenced Form 8-K.

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

(b) A current report on Form 8-K dated April 23, 2004 was filed to announce that the Company and DataWave have signed a Letter Agreement regarding a proposed merger in which the shareholders of DataWave will be issued shares of the Company in exchange for all the issued and outstanding shares of DataWave.

(c) A current report on Form 8-K dated June 3, 2004 was filed to announce that the Company and DataWave have signed an Agreement and Plan of Merger. The Agreement and Plan of Merger was filed as an Exhibit to this referenced Form 8-K.

-37-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INTEGRATED DATA CORP.

By: /s/David C. Bryan

David C. Bryan
President & Chief Executive Officer

Date: September 28, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this

Edgar Filing: INTEGRATED DATA CORP - Form 10-K

report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/David C. Bryan

David C. Bryan
President & Chief Executive Officer
(Principal executive officer and
principal financial officer)

Date: September 28, 2004

-38-