

INTERNATIONAL MICROCOMPUTER SOFTWARE INC /CA/
Form 10QSB
May 16, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington D.C. 20549

FORM 10-QSB

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

For the quarterly period ended **March 31, 2005**

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

For the transition period from: _____ to _____

Commission File Number 0-15949

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.

(Exact name of Small business issuer in its charter)

CALIFORNIA

(State or other jurisdiction of incorporation or organization)

94-2862863

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

100 ROWLAND WAY, NOVATO, CALIFORNIA

(Address of principal executive offices)

94945

(Zip code)

(415) 878-4000

Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 NO

As of **May 9, 2005, 28,401,103** Shares of Issuer's common stock, no par value, were outstanding.

Transitional Small Business Disclosure Format: YES NO

**INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
AND SUBSIDIARIES**

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PART I - FINANCIAL INFORMATION**Item 1- Condensed Consolidated Financial Statements****INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share amounts)

	March 31, 2005 Unaudited	June 30, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,391	\$ 3,212
Investment in marketable securities	2,258	2,151
Receivables, less allowances for doubtful accounts, discounts and returns of \$1,027 and \$958	3,122	2,522
Inventories, net of reserves for obsolescence of \$123 and \$123	1,140	1,122
Receivables, other (related to discontinued operations)	--	1,000
Note receivable from related party	--	350
Other current assets	637	552
Assets related to discontinued operations	499	828
Total current assets	10,047	11,737
Fixed assets, net	601	637
Intangible assets		
Capitalized software, net	2,587	2,748
Domain names, net	1,845	1,566
Trademarks	710	709
Distribution rights, net	518	594
Capitalized customer lists	873	843
Goodwill	8,811	7,559
Total intangible assets	15,344	14,019
Other assets:		
Prepaid expenses	60	99
Investment in securities	--	1,771
Total other assets	60	1,870
TOTAL ASSETS	\$ 26,052	\$ 28,263
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short term debt	\$ 1,974	\$ 3,557
Trade accounts payable	1,898	2,375
Accrued and other liabilities	1,497	1,751
Liabilities related to discontinued operations	--	397
Total current liabilities	5,369	8,080
Long-term debt and other obligations	1,536	2,318
Total liabilities	6,905	10,398

Shareholders' equity

Common stock, no par value; 300,000,000 authorized; 28,296,600 issued and outstanding on March 31, 2005 and 26,261,829 issued and outstanding on June 30, 2004	43,365	41,512
Accumulated deficit	(24,109)	(23,577)
Accumulated other comprehensive loss	(109)	(70)
Total shareholders' equity	19,147	17,865
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 26,052	\$ 28,263

See Notes to Condensed Consolidated Financial Statements

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE INCOME /
(LOSS)

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
Net revenues	\$ 6,340	\$ 2,713	\$ 18,054	\$ 6,690
Product costs	1,713	1,038	4,833	2,401
Gross margin	4,627	1,675	13,221	4,289
Costs and expenses				
Sales and marketing	2,430	1,299	7,259	2,784
General and administrative	1,199	836	3,590	2,457
Research and development	1,045	576	3,078	1,436
Total operating expenses	4,674	2,711	13,927	6,677
Operating loss	(47)	(1,036)	(706)	(2,388)
Other income and (expense)				
Interest and other, net	(60)	--	(42)	141
Realized / unrealized gain (loss) on marketable securities	(277)	1,764	145	1,941
Gain on sale of product line	--	58	33	59
Gain on extinguishment of debt	--	--	--	76
Income (loss) before income tax	(384)	786	(570)	(171)
Income tax (expense)	(2)	(34)	(10)	(24)
Income (loss) from continuing operations	(386)	752	(580)	(195)
Loss from discontinued operations, net of income tax	--	(204)	(5)	(255)
Gain from the sale of discontinued operations, net of income tax	--	--	53	1,000
Net income (loss)	\$ (386)	\$ 548	\$ (532)	\$ 550
Other comprehensive loss				
Foreign currency translation adjustments	(5)	(9)	(39)	(40)
Comprehensive income (loss)	\$ (391)	\$ 539	\$ (570)	\$ 510
Basic income (loss) per share				
Income (loss) from continuing operations	\$ (0.01)	\$ 0.03	\$ (0.02)	\$ (0.01)
Loss from discontinued operations, net of income tax	\$ --	\$ (0.01)	\$ (0.00)	\$ (0.01)
Gain from the sale of discontinued operations, net of income tax	\$ --	\$ --	\$ 0.00	\$ 0.04
Net income (loss)	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.02

Diluted income (loss) per share				
Income (loss) from continuing operations	\$ (0.01)	\$ 0.03	\$ (0.02)	\$ (0.01)
Loss from discontinued operations, net of income tax	\$ --	\$ (0.01)	\$ (0.00)	\$ (0.01)
Gain from the sale of discontinued operations, net of income tax	\$ --	\$ --	\$ 0.00	\$ 0.04
Net income (loss)	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.02
Shares used in computing basic earnings (loss) per share information				
	28,051	23,475	27,623	23,332
Shares used in computing diluted earnings (loss) per share information				
	28,051	27,324	27,623	23,332

See Notes to Condensed Consolidated Financial Statements

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nine Months ended March 31, 2005

(In thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive	Total
Balance at June 30, 2004	26,262	\$41,512	\$ (23,577)	\$ (70)	\$17,865
Issuance of common stock related to:					
Warrants exercised	166	37			37
Stock options exercised	229	115			115
Acquisitions	1,640	1,602			1,602
Issuance of warrants related to:					
Consulting services rendered		20			20
Acquisitions		8			8
Issuance of stock options related to:					
Consulting services rendered		3			3
Acquisitions		65			65
Variable accounting adjustment related to stock options previously issued		3			3
Net loss			(532)		(532)
Foreign currency translation adjustment				(39)	(39)
Balance at March 31, 2005	28,297	\$43,365	\$ (24,109)	\$ (109)	\$19,147

See Notes to Condensed Consolidated Financial Statements

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine months ended March 31,	
	2005	2004
Cash flows from operating activities:		
Net cash generated (used) by operating activities	\$ 237	\$ (2,450)
Cash flows from investing activities:		
Proceeds from sale of marketable securities	1,780	116
Cash released from escrow	608	--
Proceeds from sale of product line	258	--
Related party note receivable (DCDC)	371	(350)
Acquisition of business, net of cash acquired	(1,356)	(260)
Cash transferred to escrow	(499)	--
Purchase of trade names, software and domain names	(174)	(66)
Purchase of equipment and furniture	(171)	(340)
Acquisition of product line	--	(1,815)
Investment in marketable securities	--	(367)
Cash used by discontinued operations in investing activities	--	(7)
Net cash generated (used) by investing activities	\$ 817	\$ (3,089)
Cash flows from financing activities:		
Settlement of note payable (Imageline)	--	(160)
Proceeds from short-term borrowings	400	350
Repayments of contractual liabilities	(2,388)	(249)
Warrants exercised	37	96
Options exercised	115	111
Cash used by discontinued operations in financing activities	--	(63)
Net cash generated (used) by financing activities	\$ (1,836)	\$ 85
Effect of exchange rate change on cash and cash equivalents	(39)	(40)
Net decrease in cash and cash equivalents	(821)	(5,494)
Cash and cash equivalents at beginning of period	3,212	10,399
Cash and cash equivalents at end of the period	\$ 2,391	\$ 4,905

See Notes to Condensed Consolidated Financial Statements

	Nine months ended March 31,	
(In thousands)	2005	2004
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	\$ 189	\$ 24
Income tax paid	\$ 2	\$ 10

**SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING
ACTIVITIES**

Notes payable incurred in conjunction with acquisitions	\$ 480	\$ 1,355
Capital stock issued in conjunction with acquisitions	\$ 1,602	\$ 92

See Notes to Condensed Consolidated Financial Statements

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**INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. Basis of Presentation

The interim condensed consolidated financial statements have been prepared from the records of International Microcomputer Software, Inc. and Subsidiaries ("IMSI") without audit. All significant inter-company balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments, which consist of only normal recurring adjustments, to present fairly the financial position at March 31, 2005 and the results of operations and cash flows for the three and nine months ended March 31, 2005 and 2004, have been made. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-KSB as amended for the fiscal year ended June 30, 2004. The results of operations for the three and nine months ended March 31, 2005 are not necessarily indicative of the results to be expected for any other interim period or for the full year.

2. Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

3. Discontinued Operations

Loss from discontinued operations, net of income tax

The amounts reported for the three and nine months ended March 31, 2005 and 2004 as discontinued operations represent the pre-tax results of operations for Keynomics. This segment had pre-tax net loss of \$204,000 for the quarter ended March 31, 2004 and pre-tax loss of \$5,000 and \$255,000 for the nine months ended March 31, 2005 and 2004 respectively. These results were derived from net revenues of \$71,000 for the quarter ended March 31, 2004 and \$68,000 and \$549,000 for the nine months ended March 31, 2005 and 2004 respectively.

Gain from the sale of discontinued operations, net of income tax

As previously disclosed in our Annual Report on Form 10-KSB, as amended, for the fiscal year ended June 30, 2004, we sold the assets and customer related liabilities of our wholly owned subsidiary Keynomics, Inc. in July 2004. We evaluated the Keynomics business segment and its long term prospects during the fourth quarter of fiscal 2004 and with our focus on direct marketing and the on-line distribution of utilities and precision design content, we determined that Keynomics no longer represented a strategic fit for our company. The \$53,000 gain from the sale of discontinued operations for the nine months ended March 31, 2005 relate to the sale of Keynomics during the quarter ended September 30, 2004 and represent the excess of the total consideration received over its net carrying value.

During the quarter ended December 31, 2003, we recorded a gain of \$1.0 Million from the sale of discontinued operations representing the successful achievement of the first earn-out from the sale of ArtToday to Jupitermedia

Corporation in June 2003 (the second earnout payment of \$1.0 million was earned in June 2004 but is not applicable for purposes of this comparative discussion).

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4. Acquisitions

The table below details the consideration paid for acquisitions and amendments to prior acquisitions, completed during the nine month period ended March 31, 2005 and the allocation of that consideration to the tangible and intangible assets acquired.

Table I-1-4

	Precision Design Solutions Segment Aggregated Non Material Transactions	Consumer and Business Software Solutions Segment Aggregated Non Material Transactions	
Consideration			
Cash	\$ 1,318	\$ 50	
Escrowed cash	75	0	
Notes	275	205	
Common stock	503	65	
Derivative securities	0	65	
Less: Cash on hand	(97)	0	
Legal & escrow fees	33	0	
Broker fees (cash & warrants)	43	0	
Total Consideration	2,150	385	
			Estimated Useful Life
Purchase Price Allocation			
Assumed liabilities	(125)	0	
Tangible Assets			
Inventory	1	0	
Prepaid expenses	12	0	
Accounts receivable	8	0	
Total Tangible Assets	21	0	
Intangible Assets			
Identifiable Assets			
Customer list	220	0	3 years
Domain names	603	0	5 years
Software development costs	0	385	5 years
Total Identifiable Assets	823	385	
Unidentifiable Assets			
Goodwill	1,431	0	Indefinite
Total Unidentifiable Assets	1,431	0	
Total Intangible Assets	2,254	385	

Total	\$ 2,150	\$ 385
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Acquisition of Abbisoft House Plans, Inc.

As previously disclosed in our quarterly report on Form 10-QSB for the quarter ended September 30, 2004, we completed a stock purchase agreement on September 28, 2004 whereby we acquired all the outstanding stock of Abbisoft House Plans, Inc. (“Abbisoft”), an on-line provider of stock house plans which operates the www.homeplanfinder.com website. The consideration for the acquisition was paid in a combination of cash (including cash held in escrow), notes payable (secured by the acquired business) and 500,000 unregistered IMSI common shares valued at \$1.0067 per share. Subsequent to the third quarter end, we amended the Abbisoft Stock Purchase Agreement in April 2005 whereby the seller agreed to release the cash being held in escrow to us in exchange of payment in the amount of \$40,000 and the issuance of 27,273 additional restricted shares of IMSI common stock.

This transaction was not deemed to be a material business combination, therefore, no pro forma results are required under the Statement of Financial Accounting Standards No. 141. We do not expect the goodwill associated with this acquisition to be deductible for tax purposes.

Amendment to the Allume Acquisition

In September 2004, IMSI and Monterey Bay Tech, Inc. (“MBYI” and formerly known as Aladdin Systems Holdings, Inc.) amended the portion of the purchase agreement which called for earn-outs to be paid based on the achievement of certain revenue targets. The earn-out payments were converted from contingent obligations to fixed obligations as follows:

- The first earn out payment of \$666,667 which could have been due on April 19, 2005 became fully earned as of the amendment date and will be payable on June 2, 2005.
- The second and third earn-out payments were terminated in consideration of the issuance of shares of the common stock of IMSI priced as of the closing bid price on the date of the amendment. As a result, during the first quarter of Fiscal Year 2005, we issued to MBYI an additional 1,065,807 shares of our common stock, with a value of \$1,033,867, pursuant to a transaction exempt from registration under Section 4(2) of the Securities Act.

We consequently amended, as of June 30, 2004, the purchase price of the Allume acquisition to include the \$1.7 million value of the fixed obligations described above. This additional amount was allocated to goodwill.

As part of the same agreement, MBYI agreed to modify the date by which we were required to file a registration statement on Form SB- 2 to register the common stock that MBYI received from us as part of the original agreement from ninety (90) days from the Closing Date to September 30, 2004. Additionally, MBYI agreed to modify the date by which the registration statement was required to be declared effective by the SEC from one hundred and eighty (180) days from the Closing Date to March 31, 2005. We filed the registration statement with the SEC on September 29, 2004 and it was declared effective on November 4, 2004, fulfilling our obligations under this agreement.

In April 2005, and subsequent to quarter end, we further amended the purchase agreement whereby we agreed to use our best efforts to ensure that the registration statement referenced above remain effective until June 29, 2005. In exchange, MBYI agreed to extend the due date of the earn-out described above from June 2, 2005 to August 15, 2005.

5. Note Receivable from Related Party - DCDC 15% Note

On January 31, 2005, we sold the DCDC promissory note to Mag Multi Corp (“Mag Multi”), a New York corporation for \$343,000, representing the principal balance and all accrued interest as of the date of the transfer. This amount was received in its entirety on February 10, 2005. The DCDC note was a 15% one-year note we received on September 18, 2003 from Digital Creative Development Corporation upon extending a loan to them in the amount of \$350,000. This

note was secured by 400,000 shares of IMSI's stock held by DCDC and was originally due on September 18, 2004. The maturity of this note was subsequently extended to May 31, 2005 in exchange for a full payment of the then accrued interest, a payment of \$25,000 against the principal amount and an increase the collateral attached to the note.

6. Debt

The following table details our outstanding debt as of March 31, 2005:

Table I-1-6

	As of March 31, 2005
Short-Term	
Acquisition related notes	
Monterey Bay Tech, Inc.	\$ 1,666
All other acquisition related obligations	210
Subtotal	1,876
Short term financing (secured by selected accounts receivable)	88
Other short term obligations	10
Subtotal Short Term	1,974
Long-Term	
Acquisition related notes	
Monterey Bay Tech, Inc.	1,250
All other acquisition related obligations	286
Subtotal Long Term	1,536
Grand Total	\$ 3,510

7. Fair Value of Financial Instruments

The fair value of cash and cash equivalents, trade receivables, trade payables and debt approximates carrying value due to the short maturity of such instruments.

As of March 31, 2005 we had \$2.3 million classified under investments in marketable securities on our balance sheet representing the market value of our investment portfolio.

The total consideration related the sale of ArtToday to Jupitermedia in June 2003 included 250,000 shares of Jupitermedia common stock. The ArtToday purchase agreement originally called for these shares to be held in escrow until December 30, 2005. However, at our discretion, we had the ability to replace all, or a portion of, the common stock held in escrow with cash in an amount equal to the closing market value, at June 30, 2003, of the common stock to be replaced.

During the third quarter of fiscal 2004 and pursuant to an amended escrow agreement, Jupitermedia agreed to release from the escrow account, without additional cash consideration, 125,000 of the original 250,000 shares that were tendered as part of the consideration in the sale of ArtToday.

During the first quarter of fiscal 2005 and as provided for under the original escrow agreement, we elected to substitute the remaining 125,000 shares of Jupitermedia for approximately \$500,000 in cash (recorded as Assets from Discontinued Operations). This amount will be released to us, net of any claims, on December 30, 2005.

After their release from the escrow account the Jupitermedia shares were deposited into our marketable securities account and were sold as market conditions allowed. We did not hold any shares of Jupitermedia common stock as of

March 31, 2005.

In addition to the shares referenced above, the escrow account also included \$1.3 million in cash to be released in two equal installments in June 2004 and December 2004.

The first payment of \$650,000 was released to us on June 30, 2004 of which approximately \$42,000 was paid to the former minority shareholders of ArtToday.

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The remaining \$650,000 escrow balance was released to us on December 30, 2004 in addition to accrued interest. Approximately \$42,000 of the remaining cash in escrow was due to the former minority shareholders of ArtToday and was paid to them in January 2005.

8. Gain / (loss) on Marketable Securities

The following table details the net gain on marketable securities that we recognized during the three and nine months ended March 31, 2005:

Table I-1-8

Description	Realized	Gain (loss) on marketable securities for the three months ended March 31, 2005			Total
		Reversal of unrealized gain / (loss) recognized in prior periods	Unrealized gain / (loss) for the quarter ended March 31, 2005	Sub total Unrealized gain / (loss)	
Stock in investment portfolio	\$ 81	\$ (62)	\$ (296)	\$ (358)	\$ (277)

Description	Realized	Gain (loss) on marketable securities for the nine months ended March 31, 2005			Total
		Reversal of unrealized gain / (loss) recognized in prior periods	Unrealized gain / (loss) for the nine months ended March 31, 2005	Sub total Unrealized gain / (loss)	
Stock in investment portfolio	\$ 2,239	\$ (2,067)	\$ (27)	\$ (2,094)	\$ 145

9. Segment Information

We have two reportable operating segments which serve businesses and individuals in the design and consumer markets. The segments are classified in accordance to our product families and generate revenues and incur expenses related to the sale of our software and services. All inter-company amounts are eliminated through consolidation. Certain general and administrative expenses are allocated among our different segments based on each segment contribution to total revenue.

Table I-1-9

	Three months ended March 31, 2005			Three months ended March 31, 2004		
	Precision Design Solutions	Consumer Software Solutions	Total	Precision Design Solutions	Consumer Software Solutions	Total
Net revenues	\$ 3,213	\$ 3,127	\$ 6,340	\$ 1,815	\$ 898	\$ 2,713
Gross margin	1,947	2,680	4,627	1,159	516	1,675
Operating loss	\$ (26)	\$ (21)	\$ (47)	\$ (673)	\$ (363)	\$ (1,036)

	Nine months ended March 31, 2005			Nine months ended March 31, 2004		
	Precision Design Solutions	Consumer Software Solutions	Total	Precision Design Solutions	Consumer Software Solutions	Total
Net revenues	\$ 7,970	\$ 10,084	\$ 18,054	\$ 3,847	\$ 2,843	\$ 6,690
Gross margin	5,034	8,187	13,221	2,457	1,832	4,289
Operating loss	\$ (270)	\$ (436)	\$ (706)	\$ (1,402)	\$ (986)	\$ (2,388)

The following table details the geographical breakdown in our net revenues (in thousands). The International sales refer to the revenues from our German and Australian wholly owned subsidiaries, IMSI GmbH and IMSI Australia PTY Ltd, and sales derived from international distribution and republishing agreement we have in Europe (France, England), Asia (Japan and China) and Australia.

Table I-2-4

	2005		2004		Change	
	\$	%	\$	%	\$	%
Domestic sales	\$ 5,612	89%	\$ 2,374	88%	\$ 3,238	136%
International sales	728	11%	339	12%	389	115%
Net Revenues	\$ 6,340	100%	\$ 2,713	100%	\$ 3,627	134%

	2005		2004		Change	
	\$	%	\$	%	\$	%
Domestic sales	\$ 15,664	87%	\$ 5,648	84%	\$ 10,016	177%
International sales	2,390	13%	1,042	16%	1,348	129%
Net Revenues	\$ 18,054	100%	\$ 6,690	100%	\$ 11,364	170%

10. Earnings/ (Loss) per Share

Basic earnings/ (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of common and potentially dilutive securities outstanding during the period. Potentially dilutive securities consist of the incremental common shares issuable upon exercise of stock options and warrants (using the treasury stock method). Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive.

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The following table sets forth the computation of basic and diluted earnings (loss) per share:

Table I-1-10

	Three months ended		Nine months ended	
	March 31, 2005	March 31, 2004	March 31, 2005	March 31, 2004
<u>Numerator:</u>				
Net income (loss)	\$ (386)	\$ 548	\$ (532)	\$ 550
Numerator for basic earnings (loss) per share - income (loss) available to common stockholders	\$ (386)	\$ 548	\$ (532)	\$ 550
Numerator for diluted earnings (loss) per share - income (loss) available to common stockholders after assumed conversions	\$ (386)	\$ 548	\$ (532)	\$ 550
<u>Denominator:</u>				
Denominator for basic loss per share - weighted average shares outstanding	28,051,090	23,475,424	27,622,926	23,331,526
Effect of dilutive securities using the treasury stock method as at March 31, 2005:				
Total Warrants Outstanding - 6,623,244	--	--	--	--
Total Stock Options Outstanding - 3,761,355	--	--	--	--
Effect of dilutive securities using the treasury stock method as at March 31, 2004:				
Total Warrants Outstanding - 7,163,244	--	2,867,241	--	--
Total Stock Options Outstanding - 2,101,198	--	981,647	--	--
Dilutive potential common shares	--	--	--	--