INTEGRATED DATA CORP
Form 10-Q
May 20, 2005

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

FORM 10-Q

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

for the quarterly period ended March 31, 2005

Commission File Number 0-31729

INTEGRATED DATA CORP.
(Exact name of registrant as specified in its charter)

Delaware	23-2498715
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

625 W. Ridge Pike, Suite C-106, Conshohocken, PA 19428
(Address of principal executive offices)

Telephone: (610) 825-6224

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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. [X]Yes [ ]No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 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. [X]Yes [ ]No

As of May 19, 2005, there were 7,685,677 shares outstanding of the Registrant's $.001 par value common stock.

INTEGRATED DATA CORP.
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NOTE REGARDING FORWARD LOOKING STATEMENTS

This quarterly report on Form 10-Q, including exhibits thereto, contains 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. These forward-looking statements are typically identified by the words "anticipates", "believes", "expects", "intends", "forecasts", "plans", "future", "strategy", or words of similar meaning. Various factors could cause actual results to differ materially from those expressed in the forward-looking statements. The Company assumes no obligations to update these forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors, except as required by law.

PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	March 31, 2005	June 30, 2004
	(Unaudited)	(Audited)

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,517	$ 857
Accounts receivable, net allowance of $15 & $13	6,182	4,350
Inventory	5,188	2,235
Prepaid expenses and other current assets	500	457
	15,387	7,899
PROPERTY AND EQUIPMENT, NET	2,485	2,436
INTANGIBLE ASSETS, NET		
Amortizable	1,146	1,829
Goodwill	1,464	1,464
INVESTMENT IN UNCONSOLIDATED SUSIDIARIES	31	8
OTHER ASSETS	202	218
TOTAL ASSETS	$ 20,715	$ 13,854
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of capital lease obligations	$ 72	$ 65
Accounts payable and accrued liabilities	14,559	7,798
Short-term borrowings from related parties	879	887
Deferred revenue	714	61
	16,224	8,811
LONG-TERM LIABILITIES		
Capital lease obligations	70	125
Other long-term liabilities	304	281
Deferred income taxes	277	268
	651	674
TOTAL LIABILITIES	16,875	9,485
MINORITY INTEREST	1,386	1,165
COMMITMENTS	-	-

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

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

	March 31, 2005 (Unaudited)	June 30, 2004 (Audited)
STOCKHOLDERS' EQUITY		
PREFERRED STOCK		
$0.001 par value, authorized 2,000 shares,		

no shares issued and outstanding at March 31, 2005 and June 30, 2004	-	-
COMMON STOCK $0.001 par value; authorized 50,000 shares; issued and outstanding, 7,686 shares at March 31, 2005 and June 30, 2004	8	8
WARRANTS OUTSTANDING, NET	191	269
ADDITIONAL PAID-IN-CAPITAL	285,149	285,071
ACCUMULATED DEFICIT	(282,914)	(282,233)
ACCUMULATED OTHER COMPREHENSIVE INCOME	20	89
TOTAL STOCKHOLDERS' EQUITY	2,454	3,204
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,715	$ 13,854

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

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(Dollars and Shares in Thousands, Except Per Share Amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
REVENUE	$ 6,749	$ 4,630	$ 16,648	$ 13,565
OPERATING COSTS AND EXPENSES				
Cost of revenues (exclusive of depreciation shown separately below)	4,425	2,649	10,355	7,969
Marketing expenses	562	374	1,389	1,198
Research and development expenses	306	375	927	1,121
Depreciation and amortization	351	456	1,078	1,192
General and administrative	1,023	967	2,616	2,643
Merger costs	(55)	-	582	-

Impairment loss	-	-	457	-
Minority interest	190	61	76	200
Income from unconsolidated subsidiary	(55)	-	(87)	-
TOTAL OPERATING COSTS AND EXPENSES	6,747	4,882	17,393	14,323
INCOME (LOSS) FROM OPERATIONS	2	(252)	(745)	(758)
OTHER INCOME				
Other income	20	8	23	27
Gain on foreign exchange	4	18	40	37
TOTAL OTHER INCOME	24	26	63	64
NET INCOME (LOSS)	$ 26	$ (226)	$ (682)	$ (694)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	7,686	7,686	7,686	7,686
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE	$ 0.00	$ (0.03)	$ (0.09)	$ (0.09)

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

INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
NINE MONTHS ENDED MARCH 31, 2005
(Dollars and Shares in Thousands)

	COMMON STOCK		COMMON STOCK		
	NUMBER OF SHARES	AMOUNT	WARRANTS OUTSTAN-DING,NET	ADD'L PAID-IN CAPITAL	ACCUMULATED DEFICIT
BALANCES, JUNE 30, 2004	7,686	$ 8	$ 269	$ 285,071	$(282,233)
Nine months ended March 31, 2005 (Unaudited):					
Common stock warrants expired	-	-	(78)	78	-
Net loss	-	-	-	-	(682)
Foreign currency translation adjustment	-	-	-	-	-
BALANCES, MARCH 31, 2005 (Unaudited)	7,686	$ 8	$ 191	$ 285,149	$(282,915)

-CONTINUED-	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME
BALANCES, JUNE 30, 2004	$ -	$ 89
Three months ended March 31, 2005 (Unaudited):		
Common stock warrants expired	-	-
Net loss	(682)	-
Foreign currency translation adjustment	(69)	(69)
BALANCES, MARCH 31, 2005 (Unaudited)	$ (751)	$ 20

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

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

	Nine Months Ended March 31, 2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (682)	$ (694)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,078	1,192
Impairment loss	457	-
Minority interest	76	200
Income from unconsolidated subsidiary	(87)	-
Change in assets and liabilities which increase (decrease) cash:		
Accounts receivable	(1,832)	(2,722)
Inventory	(2,953)	(1,615)
Prepaid expenses & other current assets	1	(410)
Accounts payable & accrued liabilities	6,495	3,942
Deferred revenue	653	(119)
Net cash provided by operating activities	3,206	(226)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	14	-
Proceeds from sale of intangibles	265	-
Equity investment	(23)	-
Investment in long-lived assets	(745)	(802)

Net cash used in investing activities	(489)	(802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital leases	(48)	-
Net (repayments)/proceeds from short-term borrowings	(9)	395
Net cash provided by (used in) financing activities	(57)	395
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	165
NET CHANGE IN CASH AND EQUIVALENTS	2,660	(468)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	857	2,143
CASH AND EQUIVALENTS, END OF PERIOD	$ 3,517	$ 1,675

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

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

	Nine Months Ended March 31, 2005	2004
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during period:		
Interest	$ -	$ -
Income taxes	$ -	$ -

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

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 1 - BASIS OF INTERIM PRESENTATION

The accompanying interim period financial statements of Integrated Data Corp. ("IDC" or the "Company") are unaudited, pursuant to certain rules and regulations of the Securities and Exchange Commission, and include, in the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary for a fair statement of the results for the periods indicated, which, however, are not necessarily indicative of results that may be expected for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The financial statements should be read in conjunction with the financial statements and the notes thereto included in IDC's June 30, 2004 Form 10-K and other information included in IDC's Forms 8-Ks and amendments thereto as filed with the Securities and Exchange Commission.

NOTE 2 - HISTORY AND NATURE OF THE BUSINESS

Integrated Data Corp. ("IDC") 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.

The Company was originally formed in February 1988 as the successor to a music and recording studio business. 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 (Registered Trademark), 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 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year End

The Company's fiscal year ends on June 30. In these financial statements, the three-month periods ended March 31, 2005 and 2004 are referred to as Fiscal 3Q05 and Fiscal 3Q04, respectively, and the nine months ended March 31, 2005 and 2004 are referred to as Fiscal Nine Months 2005 and Fiscal Nine Months 2004, respectively.

DataWave Systems 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 March 31, 2005 financial statements of the Company include the balance sheet of DataWave as of December 31, 2004. The results of operations of DataWave for the three months and nine months ended December 31, 2004 are included in the statement of operations of the Company for the three months and nine months ended March 31, 2005.

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.

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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. DataWave actively monitors the granting of credit and continuously reviews accounts receivable to ensure credit risk is minimized. At March 31, 2005 and 2004, the top ten customers accounted for 62% and 68% of accounts receivable.

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

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	from 4 to 10 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.

Impairment of Long-Lived Assets

The Company reviews its 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, 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. An impairment loss in the amount of $457,000 was recorded at December 31, 2004 to reduce the net carrying value of the DataWave International License to fair market value based on the purchase price to be paid by DataWave for the license. No other impairment losses were identified at March 31, 2005 and 2004.

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 for goodwill was recorded during the three months ended and nine months ended March 31, 2005. 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.

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 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.

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INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 3Q05 and 3Q04 and Fiscal Nine Months 2005 and Fiscal Nine Months 2004 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%.

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 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 14.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Investment

DataWave accounts for its investment in a new corporation, NextWave Card Corp. ("NCC") under the equity method and record its 50% share of income or loss as equity income (loss) from investee. For the nine months ended March 31, 2005, DataWave recorded equity income of $87,121 ($-0- for 2003). At March 31, 2005, DataWave has an equity investment of $22,630.

Recent Accounting Pronouncements

In December 2004, the FASB revised SFAS 123, "Accounting for Stock-Based Compensation" to require all companies to expense the fair value of employee stock options. SFAS 123R is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005.

NOTE 4 - PROPOSED MERGER

In April 2004 the Company entered into a Letter Agreement with DataWave outlining the terms under which it would acquire the remaining 49.9% of DataWave not already owned. On June 2, 2004 the Company signed an Agreement and Plan of Merger with DataWave detailing the terms of the planned merger. On November 9, 2004 the Company announced the termination of the merger agreement and cancellation of the merger process. Various delays pushed the projected merger completion date past December 31, 2004, and the Company was not prepared to continue to expend more funds on a merger transaction with no definitive completion date.

The Company executed a Merger Break-up and Mutual Release Agreement (the "Break-up Agreement") with DataWave on March 3, 2005. Under the terms of this Break-up Agreement DataWave agreed to compensate IDC for expended merger costs in the amount of $470,000, $235,000 in cash and 2,937,500 shares of newly issued DataWave common stock at an issue price of $0.08 per share (the "Compensation Shares"). Both parties accepted this as full and final settlement of any and all issues relating to the termination of the planned merger. IDC received the $235,000 cash payment in Fiscal 3Q05. The 2,937,500 shares of DataWave common stock were issued to IDC on May 11, 2005 bringing IDC's total number of DataWave shares owned to 24,899,530, or 53.2% of DataWave's outstanding shares. The Compensation Shares are subject to the restrictions on trading imposed by Rule 144 under the Securities Act of 1933.

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

NOTE 4 - PROPOSED MERGER (Continued)

three-month lag, the March 31, 2005 financial statements of the Company include the balance sheet of DataWave as of December 31, 2004. The results of operations of DataWave for the period January 1, 2005 through March 31, 2005 will be included in the statement of operations of the Company for the year ended June 30, 2005. Therefore, the additional ownership increase on March 3, 2005 from 51.1% to 53.2% will be reflected in the financial statements at June 30, 2005.

NOTE 5 - ACCOUNTS RECEIVABLE

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

	Fiscal 3Q05	Fiscal 2004
Trade accounts receivable (net of allowance for doubtful accounts of $15 and $13)	$ 5,215	$ 3,590
Input tax credits receivable	796	558
Tenant incentives	-	166
Other receivables	171	36
	$ 6,182	$ 4,350

NOTE 6 - INVENTORY

Inventory consists of the following (in thousands):

	Fiscal 3Q05	Fiscal 2004
Parts and supplies	$ 208	$ 139
PINs and cellular time	4,729	1,778
Cards and long distance phone time	251	318
	$ 5,188	$ 2,235

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 7 - PROPERTY AND EQUIPMENT

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

	Fiscal 3Q05	Fiscal 2004
Computer equipment and software	$ 2,613	$ 2,447
Office equipment and furniture	222	193
Other machinery and equipment	31	31
Parts, supplies and components	332	332
Vending machines in assembly	29	29
Vending equipment	3,244	3,321
Leasehold improvements	313	325
POSA equipment	1,736	1,001
Total Cost	8,520	7,679
Less: accumulated depreciation	(6,035)	(5,243)

	$ 2,485	$ 2,436
	=======	=======

Depreciation expense was $327,000 and $286,000 for Fiscal 3Q05 and 3Q04 and $877,000 and $671,000 for Fiscal Nine Months 2005 and Fiscal Nine Months 2004.

NOTE 8 - INTANGIBLE ASSETS

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

	Fiscal 3Q05	Fiscal 2004
DataWave International License, net of impairment adjustment	$ 865	$ 2,356
Customer lists	633	657
Patents and technology	450	450
	1,948	3,463
Less: accumulated amortization	(802)	(1,634)
	$ 1,146	$ 1,829

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 8 - INTANGIBLE ASSETS (Continued)

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

Amortization expense was $24,000 and $170,000 for Fiscal 3Q05 and 3Q04, and $201,000 and $521,000 for Fiscal Nine Months 2005 and Fiscal Nine Months 2004.

An impairment loss in the amount of $457,000 was recorded at December 31, 2004 to reduce the net carrying value of the DataWave International License to fair market value based on the purchase price paid by DataWave for the license.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Fiscal 3Q05	Fiscal 2004
Trade accounts payable	$11,878	$ 5,456
Accrued compensation and benefits	29	94

Co-op and rebate accruals	328	256
Long-distance time accruals	659	700
Other accrued liabilities	766	495
State, local, GST and other taxes payable	899	797
	$14,559	$ 7,798

NOTE 10 - 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. The balance of the loan as of June 30, 2004 was $887,000. During Fiscal Nine Months 2005 the Company borrowed an additional $294,275 and paid back $302,775. The balance of the loan as of March 31, 2005 was $878,500.

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 11 - INCOME TAXES

There is no income tax benefit for operating losses for Fiscal 3Q05 and Fiscal 3Q04 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.

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

	Fiscal 3Q05	Fiscal 3Q04
Statutory provision (benefit)	$ (232)	$ (243)
Tax benefit not recognized on current year loss	232	243
	$ -	$ -

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 deferred tax assets are as follows (dollars in thousands):

	Fiscal 3Q05	Fiscal 2004
Intangible assets	$ 779	$ 722
Property and equipment	281	215
Net operating loss carryforwards	84,964	84,699
Valuation allowance	(86,024)	(85,636)
	$ -	$ -

INTEGRATED DATA CORP. AND SUBSIDIARIES
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MARCH 31, 2005 AND 2004

NOTE 11 - INCOME TAXES (Continued)

The deferred tax liability of $277,000 and $268,000 at Fiscal 3Q05 and Fiscal 2004 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.

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 March 31, 2005 the Company had net operating loss carryforwards for US Income Tax purposes of approximately $245,465,000 which if not used will expire primarily during the years 2005 through 2023. For Canadian Income Tax purposes, the Company had net operating loss and capital loss carryforwards of $4,000,000 and $1,000,000, respectively. The net operating loss carryforwards commenced expiring in 2003 and capital loss carryforwards expire in fiscal year 2005.

NOTE 12 - 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 at March 31, 2005 are as follows:

2005	$ 77,970

2006	76,109
Total minimum lease payments	154,079
Less: amount representing interest	(12,327)
	141,752
Less: current portion	(71,602)
Balance of obligation	$ 70,150

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 13 - 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.

Operating Leases

The Company has the following future minimum payments with respect to leases for office space, computer and office equipment at March 31, 2005.

2005	$ 333,702
2006	324,468
2007	303,276
2008	300,079
2009	361,465
Thereafter	981,915
	$2,604,905

Rent expense for operating leases in Fiscal 3Q05 and 3Q04 was $68,307 and $16,977, respectively (net of $9,000 and $-0- of sublease income) and $219,879 and $165,769 for Fiscal Nine Months 2005 and Fiscal Nine Months 2004 (net of $21,000 and $-0- of sublease income).

The above rental expenses will be offset by $15,000 in annual sublease income through August 31, 2005.

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. At March 31, 2005, the tenant improvement allowance receivable in the sixth year of the lease is $110,865. At March 31, 2005, the deferred rent inducement was $330,426 less the current portion of $28,940 (2003 - $-0-).

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - STOCKHOLDERS' EQUITY

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 Fiscal Nine Months 2005:

	Shares (000)	Exercise Price Per Share	Weighted Average Exercise Price Per Share
Warrants outstanding, 6/30/04	2	$ 5.00 - $975.00	$185.00
Warrants cancelled/expired	(1)	$ 5.00 - $356.00	$ 95.00
Warrants outstanding, 3/31/05	1	$100.00 - $975.00	$350.00

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. There were no common stock warrants issued during Fiscal Nine Months 2005.

Stock Option Plan

The Company, with stockholder approval, has adopted a Stock Option Plan (the "Plan") which provides for the granting of options to officers, key employees, certain consultants and others. Options to purchase the Company's common stock may 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 may 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 may be granted incentive options which are first exercisable in any calendar year shall not exceed $100,000.

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 14 - STOCKHOLDERS' EQUITY (Continued)

Stock Options

The Company's Board of Directors periodically authorizes the issuance of options to purchase the Company's common stock to employees and members of the Board of Directors. These options may generally be exercised at the fair market value of the common stock on the date of the grant and generally carry such other terms as are outlined in the Company's stock option plan. The following table summarizes activity for stock options during the Fiscal Nine Months 2005:

	Shares (000)	Exercise Price Per Share	Weighted Average Exercise Price Per Share
Options outstanding, 6/30/04 and 3/31/05	5	$9.00 - $1,188.00	$637.00

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 Nine Months 2005.

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

NOTE 15 - 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 3Q05	Fiscal 3Q04	Fiscal Nine Months 2005	Fiscal Nine Months 2004
Gross proceeds received on agency sales	$ 28,118	$ 18,021	$ 72,009	$ 47,401
Less payments to suppliers	(26,273)	(15,866)	(66,553)	(41,282)
Net agency sales	$ 1,845	$ 2,155	$ 5,456	$ 6,119

NOTE 16 - 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 $703,000 in the US and $4,513,000 in Canada at March 31, 2005. Long-lived assets consist of property and equipment, equity investment, deferred development costs, goodwill, and other intangible assets net of accumulated depreciation and amortization. The Company has earned revenue from sales to customers of approximately $2,860,000 in the US, $3,878,000 in Canada, $8,000 in Mexico, and $-0- in the United Kingdom for Fiscal 3Q05 and approximately $6,599,000 in the US, $9,951,000 in Canada, $45,000 in Mexico and $53,000 in the United Kingdom, for Fiscal Nine Months 2005. During Fiscal Nine Months 2005, the top ten customers comprised approximately 60% of revenue.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our results of operations and financial position should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this Report.

General Operations

Integrated Data Corp. ("IDC") 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 communication, point-of-sale activation, financial transaction, and other services.

As of March 31, 2005 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%

Descriptions of each of these interests and operations can be found in our Annual Report on Form 10-K for Fiscal 2004.

Results of Operations

We have undergone significant changes over the past several 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 (Registered Trademark) 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 quarter, DataWave's operating results, by far, have the most influence on our consolidated financial statements.

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

DataWave has a March 31 fiscal year end while our fiscal year ends on June 30th. Because of this difference, the Company has adopted the policy of consolidating the financial statements of DataWave with a three-month lag allowing like quarters to be consolidated. Hence, in this Form 10-Q for our fiscal third quarter of 2005, the three months and nine months ended March 31, 2005, DataWave's financial statements for the three months and nine months ended December 31, 2004 are being consolidated.

In April 2004 we entered into a Letter Agreement with DataWave outlining the terms under which we would acquire the remaining 49.9% of DataWave not already owned. On June 2, 2004 we signed an Agreement and Plan of Merger with DataWave detailing the terms of the planned merger. On November 9, 2004 we announced the termination of the merger agreement and cancellation of the merger process. Various delays pushed the projected merger completion date past December 31, 2004, and we were not prepared to continue to expend more funds on a merger transaction with no definitive completion date.

We executed a Merger Break-up and Mutual Release Agreement (the "Break-up Agreement") with DataWave on March 3, 2005. Under the terms of this Break-up Agreement DataWave agreed to compensate us for expended merger costs in the amount of $470,000, $235,000 in cash and 2,937,500 shares of newly issued DataWave common stock at an issue price of $0.08 per share (the "Compensation Shares"). Both parties accepted this as full and final settlement of any and all issues relating to the termination of the planned merger. We received the $235,000 cash payment in Fiscal 3Q05. The 2,937,500 shares of DataWave common stock were issued to us on May 11, 2005 bringing our total number of DataWave shares owned to 24,899,530, or 53.2% of DataWave's outstanding shares. The DataWave Compensation Shares are subject to the restrictions on trading imposed by Rule 144 under the Securities Act of 1933.

Also on March 3, 2005 we entered into a License Termination Agreement with DataWave terminating our exclusive license to make, sell, and use the DataWave trade name, technology, know-how, trade secrets and patents then existing and to be developed in the future for all territories world-wide with the exception of North America, the Caribbean, and South America (the "DataWave International License"). In exchange for the termination, or sell-back, of the DataWave International License, we received $865,000 in compensation payable as $265,000 in cash and $600,000 in the form of a two-year convertible, interest-free promissory note. The terms of the promissory note are that anytime during the two-year period we have the option to convert the note upon demand into DataWave common shares at $0.08 (8 cents) per share for a total of 7,500,000 newly issued shares. If we do not exercise this right within the two years, DataWave shall have the option to

either repay the original $600,000 loan amount in cash or to issue 7,500,000 shares of newly issued common stock to us. Converting this note today would bring our ownership position in DataWave to 32,409,530 shares, or a controlling interest of 59.7% of DataWave's issued and outstanding common shares.

Subsequent to the period covered by this quarterly report, Integrated Communications Services Ltd. ("ICS"), a wholly-owned, London-based subsidiary of IDC, acquired 100% of the assets of Data Marq (UK) Ltd. ("Data Marq") for 37,500 UK Pounds on May 3, 2005. At the time of the assets purchase, Data Marq, a consolidator and reseller of long distance telephone service, was in Administration, the U.K. equivalent of Chapter 11 protection in the U.S. Three senior ex-employees of Data Marq shall be tasked with running this new

ICS operation. Funding for this venture was provided by Integrated Technologies & Systems Ltd., a greater than 10% shareholder of IDC, under a one-year, interest-free, no-collateral loan to ICS. To date under this loan, ICS expects to borrow 88,000 UK Pounds to be allocated as follows: 37,500 UK Pounds for the assets purchase, 3,500 UK Pounds for transaction fees and costs, and 47,000 UK Pounds for working capital.

Three Months Ended March 31, 2005 ("Fiscal 3Q05")
vs. Three Months Ended March 31, 2004 ("Fiscal 3Q04")

For Fiscal 3Q05, we incurred net income of $26,000, or $0.003 per share, on $6,749,000 in revenue as compared to a net loss of $226,000, or $(0.03) per share, on $4,630,000 in revenue in Fiscal 3Q04. A number of factors accounted for this increase in income including: (1) the significant increase in consolidated revenue from DataWave; (2) a reduction in general and administrative expenses as a percentage of revenue (21% in Fiscal 3Q04 to 15% in Fiscal 3Q05) attributable to cost cutting measures reducing corporate overhead; and (3) the beginnings of income from an unconsolidated subsidiary, the newly formed NextWave Card Corp venture of DataWave's. Cost of revenue as a percentage of revenue increased from approximately 57% in Fiscal 3Q04 to approximately 66% in Fiscal 3Q05. For Fiscal 3Q05 and Fiscal 3Q04, close to 100% and 99%, respectively, of our revenue was attributable to DataWave.

Marketing expenses increased from $374,000 in Fiscal 3Q04 to $562,000 in Fiscal 3Q05 staying at approximately 8% of revenue. Research and development expenses decreased from $375,000 in Fiscal 3Q04 to $306,000 in Fiscal 3Q05. All research and development expenses are attributable to DataWave. Reduced salary costs and the allocation of some resources to general and administrative activities account for the decrease.

Depreciation and amortization expenses decreased from $456,000 in Fiscal 3Q04 to $351,000 in Fiscal 3Q05. The reduction is attributable to the termination of the DataWave International License, an amortized intangible asset. General and administrative expenses were $967,000 in Fiscal 3Q04 and $1,023,000 in Fiscal 3Q05. As a percentage of revenue this is a decrease from 21% in Fiscal 3Q04 to 15% in Fiscal 3Q05, and it is primarily due to IDC corporate salary reductions.

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Because of the reimbursement of merger costs from the Merger Break-up and Mutual Release Agreement, a merger cost credit was necessary on the consolidated statement of operations. The minority interest expense represents the 49.9% of DataWave not held by us. Income from unconsolidated subsidiary and gain on foreign exchange are attributable to DataWave operations. Other income is from the IDC corporate office sublease.

Nine Months Ended March 31, 2005 ("Fiscal Nine Months 2005")
vs. Nine Months Ended March 31, 2004 ("Fiscal Nine Months 2004")

For Fiscal Nine Months 2005, we incurred a net loss of $682,000, or $(0.09) per share, on $16,648,000 in revenue as compared to a net loss of $694,000, or $(0.09) per share, on $13,565,000 in revenue in Fiscal Nine Months 2004. Cost of revenue as a percentage of revenue increase slightly from 59% in Fiscal Nine Months 2004 to 62% in Fiscal Nine Months 2005. For Fiscal Nine Months 2005 and Fiscal Nine Months 2004, approximately 100% and 99%, respectively, of our revenue was attributable to DataWave.

Marketing expenses increased from $1,198,000 in Fiscal Nine Months 2004 to $1,389,000 in Fiscal Nine Months 2005, but as a percentage of revenue this represents an insignificant change. Research and development expenses decreased from $1,121,000 in Fiscal Nine Months 2004 to $927,000 in Fiscal Nine Months 2005. All research and development expenses are attributable to DataWave. Reduced salary costs and the allocation of some resources to general and administrative activities account for the decrease.

Depreciation and amortization decreased from $1,192,000 in Fiscal Nine Months 2004 to $1,078,000 in Fiscal Nine Months 2005, attributable to the termination of the DataWave International License, an amortized intangible asset. General and administrative expenses were $2,643,000 in Fiscal Nine Months 2004 and $2,616,000 in Fiscal Nine Months 2005, not a significant decrease.

In Fiscal Nine Months 2005 we experienced merger costs associated with the proposed merger with DataWave of $582,000, where there were no merger costs in Fiscal Nine Months 2004. Based on the sale price of the DataWave International License a $457,000 impairment loss was taken at December 31, 2004. The minority interest expense represents the 49.9% of DataWave not held by us. Income from unconsolidated subsidiary and gain on foreign exchange are attributable to DataWave operations.

Liquidity and Capital Resources

At March 31, 2005, we had a working capital deficit of $837,000 (including a cash balance of $3,517,000) as compared to a working capital deficit of $912,000 (including a cash balance of $857,000) at June 30, 2004. Our operating activities provided cash of $3,206,000 during Fiscal Nine Months 2005 compared to a decrease in cash of $226,000 during Fiscal Nine Months 2004. The increase in cash provided by operating activities is due to management of receivables and inventory and payments to suppliers resulting

in an increase in accounts payable of $6,495,000 offset by an increase in accounts receivable of $2,953,000 and an increase in inventory of $1,832,000 during Fiscal Nine Months 2005. Inventory levels represent approximately ten days sales.

Upon emergence from Chapter 11 bankruptcy in November 2002, we negotiated a loan agreement with Integrated Technologies & Systems Ltd. ("IT&S") to have a committed source of funds to satisfy our working capital requirements. The terms of the loan are zero percent (0%) interest, no associated collateral, and payable on demand. IT&S also has the option to convert any or all of the loan balance at any time to IDC common stock at a conversion price of $2.00 per share. Under this loan IT&S and/or its affiliates have agreed to provide up to $1,000,000 for our working capital requirements from July 1, 2004 through June 30, 2005. As of June 30, 2004 the IT&S loan balance was $887,000. During Fiscal Nine Months 2005 we borrowed an additional $294,275 and paid back $302,775 yielding a loan balance as of March 31, 2005 of $878,500. As of the filing of this Form 10-Q the IT&S loan balance stood at $916,195.

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 us.

Significant Accounting Policies

Our accounting policies are set out in Note 3 of the accompanying consolidated financial statements of IDC. In presenting our financial statements in conformity with accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it will likely result in a material adverse impact to our consolidated results of operations, financial position and in liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time.

ITEM 3. 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 March 31, 2005, 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 March 31, 2005, 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 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 4. 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 changes in our company's internal controls over financial reporting that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

Exhibits	
31*	Certification of Chief Executive Officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and principal financial officer pursuant to 18 U.S.C. Section 1350.

*filed herewith

Reports on Form 8-K

A current report on Form 8-K dated March 3, 2005 was filed disclosing the entry into two (2) material definitive agreements between the Company and DataWave Systems Inc.: (1) the License Termination Agreement and (2) the Merger Break-up and Mutual Release Agreement.

SIGNATURES

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

INTEGRATED DATA CORP.

By: /s/David C. Bryan

David C. Bryan
President & Chief Executive Officer

Dated: May 20, 2005