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INTEGRATED DATA CORP
Form 10-Q
November 15, 2004

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

FORM 10-Q

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

for the quarterly period ended September 30, 2004

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. Yes No

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

As of November 12, 2004, there were 7,685,677 shares outstanding of the
Registrant's \$.001 par value common stock.

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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",

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"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.

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PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

September 30, 2004	June 30, 2004
----- (Unaudited)	----- (Audited)

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ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,335	\$ 857
Accounts receivable, net allowance of \$13 & \$13	4,678	4,350
Inventory	3,312	2,235
Prepaid expenses and other current assets	392	457
	10,717	7,899
PROPERTY AND EQUIPMENT, NET	2,388	2,436
INTANGIBLE ASSETS, NET		
Amortizable	1,716	1,829
Goodwill	1,464	1,464
INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES	8	8
OTHER ASSETS	244	218
	\$ 16,537	\$ 13,854
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of capital lease obligations	\$ 66	\$ 65
Accounts payable and accrued liabilities	10,407	7,798
Short-term borrowings from related parties	1,137	887
Deferred revenue	155	61
	11,765	8,811
	-----	-----
LONG-TERM LIABILITIES		
Capital lease obligations	108	125
Other long-term liabilities	312	281
Deferred income taxes	277	268
	697	674
	-----	-----
TOTAL LIABILITIES	12,462	9,485
	-----	-----
MINORITY INTEREST	1,221	1,165
	-----	-----
COMMITMENTS	-	-
	-----	-----

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

	September 30, 2004	June 30, 2004
	----- (Unaudited)	----- (Audited)
STOCKHOLDERS' EQUITY		
PREFERRED STOCK		
\$0.001 par value, authorized 2,000 shares, no shares issued and outstanding at September 30 and June 30, 2004	-	-

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COMMON STOCK

\$0.001 par value; 50,000 shares authorized;
issued and outstanding, 7,686 shares at
September 30 and June 30, 2004

	8	8
WARRANTS OUTSTANDING, NET	269	269
ADDITIONAL PAID-IN-CAPITAL	285,071	285,071
ACCUMULATED DEFICIT	(282,529)	(282,233)
ACCUMULATED OTHER COMPREHENSIVE INCOME	35	89
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	2,854	3,204
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,537	\$ 13,854
	=====	=====

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

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INTEGRATED DATA CORP. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

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

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
	-----	-----
REVENUE	\$ 4,568	\$ 4,136
	-----	-----
OPERATING COSTS AND EXPENSES		
Cost of revenues	2,647	2,459
Marketing expenses	427	411
Research and development expenses	290	375
Depreciation and amortization	337	356
General and administrative	926	766
Merger costs	188	-
Minority interest	41	58
Income from unconsolidated subsidiary	4	-
	-----	-----
TOTAL OPERATING COSTS AND EXPENSES	4,860	4,425

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LOSS FROM OPERATIONS	(292)	(289)
OTHER INCOME (EXPENSE)		
Other income	-	9
Other expense	(1)	-
Gain (loss) on foreign exchange	(3)	22
TOTAL OTHER INCOME (EXPENSE)	(4)	31
NET LOSS	\$ (296)	\$ (258)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	7,686	7,686
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE	\$ (0.04)	\$ (0.03)

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

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INTEGRATED DATA CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
THREE MONTHS ENDED SEPTEMBER 30, 2004
(Dollars and Shares in Thousands)

	COMMON STOCK		COMMON STOCK	ADD'L	ACCUMULATED
	NUMBER	AMOUNT	WARRANTS	PAID-IN	DEFICIT
	OF		OUTSTAN-	CAPITAL	
	SHARES		DING, NET		
BALANCES, JUNE 30, 2004	7,686	\$ 8	\$ 269	\$ 285,071	\$(282,233)
Three months ended September 30, 2004 (Unaudited):					
Net income (loss)	-	-	-	-	(296)
Foreign currency translation adjustment	-	-	-	-	-
BALANCES, SEPTEMBER 30, 2004 (Unaudited)	7,686	\$ 8	\$ 269	\$ 285,071	\$(282,529)

ACCUMULATED

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-CONTINUED-

	COMPREHENSIVE INCOME	OTHER COMPREHENSIVE INCOME
	-----	-----
BALANCES, JUNE 30, 2004	\$ -	\$ 89
Three months ended September 30, 2004 (Unaudited):		
Net income (loss)	(296)	-
Foreign currency translation adjustment	(54)	(54)
	-----	-----
BALANCES, SEPTEMBER 30, 2004 (Unaudited)	\$ (350) =====	\$ 35 =====

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

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

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (296)	\$ (258)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	337	356
Minority interest	41	58
Income from unconsolidated subsidiary	4	-
Change in assets and liabilities which increase (decrease) cash:		
Accounts receivable	(328)	(1,806)
Inventory	(1,077)	(376)
Prepaid expenses & other current assets	65	(83)
Accounts payable & accrued liabilities	2,609	1,581
Deferred revenue	94	(50)
	-----	-----
Net cash provided by (used in) operating activities	1,449	(578)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in long-lived assets	(205)	(425)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	250	95

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Repayment of capital lease obligations	(16)	-
Net cash provided by financing activities	234	95
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-
NET CHANGE IN CASH AND EQUIVALENTS	1,478	(908)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	857	2,143
CASH AND EQUIVALENTS, END OF PERIOD	\$ 2,335	\$ 1,235

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period:

Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

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.

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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.

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

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 September 30, 2004 and 2003 are referred to as Fiscal 1Q05 and Fiscal 1Q04, respectively.

DataWave System's Inc. has a March 31 fiscal year end and the Company has adopted the policy to consolidate the March 31 financial statements of DataWave in its June 30 financial statements. Therefore, because of the three-month lag, the September 30, 2004 financial statements of the Company include the balance sheet of DataWave as of June 30, 2004. The results of operations of DataWave for the three months ended June 30, 2004 are included in the statement of operations of the Company for the three months ended September 30, 2004.

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

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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

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, collectability 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. At June 30, 2004 and 2003, the top ten customers accounted for 63% 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 its sales denominated in foreign currency.

Inventory

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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.

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INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 AND 2003

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 to 10 years straight-line

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

INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 AND 2003

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. No such impairment losses were identified at September 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.

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 was recorded during the three month ended September 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.

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.

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 1Q05 and Fiscal 1Q04 were the same because the effect of using the treasury stock method would be antidilutive.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements

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.

Reclassifications

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

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INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 AND 2003

NOTE 4 - PROPOSED MERGER

On April 22, 2004, the Company publicly announced a proposed merger with DataWave and on June 2, 2004, the Company entered into a merger agreement to

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purchase the remaining 49.9% interest in DataWave through an exchange of stock. On November 9, 2004 the Company publicly announced the termination of the merger agreement and cancellation of the merger. Various delays pushed the projected merger completion date past December 31, 2004, and IDC was not prepared to continue to expend more funds on a merger transaction with no definitive completion date.

NOTE 5 - ACCOUNTS RECEIVABLE

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

	Fiscal 1Q05 -----	Fiscal 2004 -----
Trade accounts receivable (net of allowance for doubtful accounts of \$13 and \$13)	\$ 3,863	\$ 3,590
Input tax credits receivable	620	558
Tenant incentive	178	166
Other receivables	17	36
	-----	-----
	\$ 4,678	\$ 4,350
	=====	=====

NOTE 6 - INVENTORY

Inventory consists of the following (in thousands):

	Fiscal 1Q05 -----	Fiscal 2004 -----
DataWave Telecard parts and supplies	\$ 148	\$ 139
PINs and cellular time	2,841	1,778
Cards and long distance phone time	323	318
	-----	-----
	\$ 3,312	\$ 2,235
	=====	=====

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INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 AND 2003

NOTE 7 - PROPERTY AND EQUIPMENT

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

	Fiscal 1Q05 -----	Fiscal 2004 -----
--	-------------------------	-------------------------

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Computer equipment and software	\$ 2,458	\$ 2,447
Office equipment and furniture	203	193
Office machinery and equipment	31	31
Parts, supplies and components	332	332
Vending machines in assembly	29	29
Vending equipment	3,308	3,321
Leasehold improvements	301	325
POSA equipment	1,137	1,001
	-----	-----
Total Cost	\$ 7,799	\$ 7,679
Less accumulated depreciation	(5,411)	(5,243)
	-----	-----
	\$ 2,388	\$ 2,436
	=====	=====

Depreciation expense was \$248,000 and \$171,000 for Fiscal 1Q05 and Fiscal 1Q04.

Internal use software costs capitalized as computer software totaled \$10,799 in Fiscal 1Q05 and \$-0- in Fiscal 1Q04.

Computing equipment and software with a net book value of \$295,707 in Fiscal 1Q05 and \$-0- in Fiscal 1Q04 that was acquired under capital lease.

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INTEGRATED DATA CORP. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2004 AND 2003

NOTE 8 - INTANGIBLE ASSETS

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

	Fiscal 1Q05 -----	Fiscal 2004 -----
DataWave International License, net of impairment adjustment	\$ 2,356	\$ 2,356
Customer lists	632	657
Patents and technology	450	450
	-----	-----
	\$ 3,438	\$ 3,463

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Less accumulated amortization	(1,722)	(1,634)
	-----	-----
	\$ 1,716	\$ 1,829
	=====	=====

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

Amortization expense was \$89,000 and \$185,000 for Fiscal 1Q05 and Fiscal 1Q04.

NOTE 9 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Fiscal 1Q05	Fiscal 2004
	-----	-----
Trade accounts payable	\$ 7,973	\$ 5,456
Accrued compensation and benefits	74	94
Co-op and rebate accruals	304	256
Long-distance time accruals	652	700
Other accrued liabilities	753	495
State, local, GST and other taxes payable	651	797
	-----	-----
	\$10,407	\$ 7,798
	=====	=====

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

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 with a maximum funding of \$1,000,000 during the period July 1, 2004 through June 30, 2005. 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 September 30, 2004 and June 30, 2004 was \$1,137,000 and \$887,000.

NOTE 11 - INCOME TAXES

There is no income tax benefit for operating losses for Fiscal 1Q05 and Fiscal 1Q04 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

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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 1Q05	Fiscal 1Q04
	-----	-----
Statutory provision (benefit)	\$ (101)	\$ (88)
Tax benefit not recognized on current year loss	101	88
	-----	-----
	\$ -	\$ -
	=====	=====

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

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 1Q05	Fiscal 1Q04
	-----	-----
Intangible assets	\$ 708	\$ 722
Property and equipment	140	215
Net operating loss carryforwards	85,042	84,699
Valuation allowance	(85,890)	(85,636)
	-----	-----
	\$ -	\$ -
	=====	=====

The deferred tax liability of \$277,000 and \$268,000 at Fiscal 1Q05 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

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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 September 30, 2004 the Company had net operating loss carryforwards for US Income Tax purposes of approximately \$245,922,000 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 \$4,000,000 and \$1,000,000, respectively. The net operating loss carryforwards commenced expiring in 2003 and capital loss carryforwards expire in fiscal year 2005.

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

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 June 30, 2004 are as follows:

2005	\$ 78,259
2006	78,259
2007	36,610

Total minimum lease payments	193,128
Less: amount representing interest	(19,112)

	174,016
Less: current portion	(65,707)

Balance of obligation	\$108,309

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

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The Company has the following future minimum payments with respect to leases for office space, computer and office equipment at September 30, 2004.

YEARS ENDING JUNE 30, -----	
2005	\$ 430,585
2006	415,873
2007	330,525
2008	285,781
2009	332,998
Thereafter	1,101,545

	\$2,897,307

Rent expense for operating leases in Fiscal 1Q05 and 1Q04 was \$94,057 and \$72,507 respectively (net of \$3,000 and \$-0- of sublease income.)

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INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 AND 2003

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

The above rental expenses will be offset by \$36,000 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. The agreement included cash inducements for leasehold improvements of \$289,194, of which \$178,329 is recorded as a current receivable and \$110,865 is recorded as a long-term receivable. Also included were inducements for free rent. At June 30, 2004, the deferred rent inducement was \$339,939 less the current portion of \$27,584 (2003 - \$-0-).

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 1Q05:

Shares (000)	Exercise Price Per Share	Weighted Average Exercise Price Per Share
-----	-----	-----

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Warrants outstanding, 6/30/04 and 9/30/04	2 =====	\$5.00 - \$975.00 =====	\$185.00 =====
--	------------	----------------------------	-------------------

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 warrants issued during Fiscal 1Q05.

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INTEGRATED DATA CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004 AND 2003

NOTE 14 - STOCKHOLDERS' EQUITY (Continued)

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.

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 Fiscal 1Q05:

	Shares (000)	Exercise Price Per Share	Weighted Average Exercise Price Per Share
	-----	-----	-----
Options outstanding, 6/30/04 and 9/30/04	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 1Q05.

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INTEGRATED DATA CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2004 AND 2003

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 1Q05	Fiscal 1Q04
	-----	-----
Gross proceeds received on agency sales	\$20,093	\$12,203
Less payments to suppliers	(18,321)	(10,486)
	-----	-----
Net agency sales	\$ 1,772	\$ 1,717
	=====	=====

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 \$3,071,000 in the US and \$2,572,000 in Canada at September 30, 2004 and \$5,575,000 in the US and \$2,325,000 in Canada at September 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 \$1,866,000 in the US, \$2,650,000 in Canada, \$19,000 in Mexico, and \$33,000 in the United Kingdom for Fiscal 1Q05 and approximately \$1,521,000 in the US and \$2,615,000 in Canada and \$8,000 in the United Kingdom, for Fiscal 1Q04. During Fiscal 1Q05, the top ten customers

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comprised approximately 52% 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 September 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%

Descriptions of each of these interests and operations can be found in our Annual Report on Form 10-K for Fiscal 2003.

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 quarter, DataWave's operating results, by far, have the most influence on our consolidated financial statements.

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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 first quarter of 2005, the three months ended September 30, 2004, DataWave's financial statements for the three months ended June 30, 2004 are being consolidated.

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. 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.

Three Months Ended September 30, 2004 ("Fiscal 1Q05")
vs. Three Months Ended September 30, 2003 ("Fiscal 1Q04")

For Fiscal 1Q05, we incurred a net loss of \$296,000, or \$(0.04) per share, on \$4,568,000 in revenue as compared to a net loss of \$258,000, or \$(0.03) per share, on \$4,136,000 in revenue in Fiscal 1Q04. Cost of revenue as a percentage of revenue decreased slightly from approximately 59% in Fiscal 1Q04 to approximately 58% in Fiscal 1Q05. Though revenues increased, losses increased as well primarily due to the extraordinary costs of the ongoing DataWave merger process. As reported elsewhere, the DataWave merger has now been cancelled. For Fiscal 1Q05 and Fiscal 1Q04, 99% and close to 100%, respectively, of our revenue was attributable to DataWave.

Marketing expenses increased from \$411,000 in Fiscal 1Q04 to \$427,000 in Fiscal 1Q05, not a significant increase given the increase in revenue. Research and development expenses decreased from \$375,000 in Fiscal 1Q04 to \$290,000 in Fiscal 1Q05. 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 \$356,000 in Fiscal 1Q04 to \$337,000 in Fiscal 1Q05, not a significant decrease. General and administrative expenses were \$766,000 in Fiscal 1Q04 and \$926,000 in Fiscal 1Q05, an increase of \$160,000. As stated above, DataWave allocated some of its formerly research and development salary costs to general and administrative. Also accounting and audit costs increase in the quarter compared with the same period last year.

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In Fiscal 1Q05 we experienced merger costs associated with the proposed

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merger with DataWave of \$188,000, where there were no merger costs in Fiscal 1Q04. The minority interest expense represents the 49.9% of DataWave not held by us. Income from unconsolidated subsidiary, other expense, and loss on foreign exchange are all attributable to DataWave operations.

Liquidity and Capital Resources

At September 30, 2004, the Company had a working capital deficit of \$1,048,000 (including a cash balance of \$2,335,000) 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 \$1,449,000 during Fiscal 1Q05 compared to a decrease in cash of \$578,000 during Fiscal 1Q04. The increase in cash provided by operating activities is primarily due to an increase in accounts payable of \$2,609,000 offset by an increase in accounts receivable of \$328,000 and an increase in inventory of \$1,077,000 during Fiscal 1Q05. The accounts receivable increase, accounts payable increase, and inventory increase are primarily a result of the growth in sales of prepaid cellular products. Inventory levels represent approximately ten days sales.

Integrated Technologies & Systems Ltd ("IT&S") and/or its affiliates have agreed to provide funding for our working capital requirements through June 30, 2005. Such working capital requirements are forecasted to be approximately \$50,000 per month, principally to cover the compensation and related costs of its two engineering employees and general and administrative expenses. This funding is in the form of a non-interest bearing, unsecured loan. 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.

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.

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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.

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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 September 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 September 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.

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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 significant changes in our company's internal controls or in

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

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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

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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

The Company did not file any current reports on Form 8-K during the quarter ended September 30, 2004. Subsequent to the current reporting period, the Company did file the following Form 8-K reports:

A current report on Form 8-K dated November 9, 2004 was filed announcing the cancellation of the proposed merger with DataWave Systems Inc.

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SIGNATURES

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

INTEGRATED DATA CORP.

By: /s/David C. Bryan

David C. Bryan
President & Chief Executive Officer

Dated: November 12, 2004

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