

INTERNATIONAL MICROCOMPUTER SOFTWARE INC /CA/  
Form 10QSB  
November 10, 2004

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

**FORM 10-QSB**

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

For the quarterly period ended **September 30, 2004**

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

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number            0-15949

**INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.**

(Exact name of Small business issuer in its charter)

**CALIFORNIA**

(State or other jurisdiction of incorporation or organization)

**94-2862863**

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

**100 ROWLAND WAY, NOVATO, CALIFORNIA**

(Address of principal executive offices)

**94945**

(Zip code)

**(415) 878-4000**

Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

As of **November 7, 2004**, **28,087,789** Shares of Issuer's common stock, no par value, were outstanding.

Transitional Small Business Disclosure Format:

YES  NO



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

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

(In thousands, except share amounts)

	September 30, 2004	June 30, 2004
	Unaudited	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,806	\$ 3,212
Investment in marketable securities	2,383	2,151
Receivables, less allowances for doubtful accounts, discounts and returns of \$935	2,594	2,522
Inventories, net of reserves for obsolescence of \$123	1,072	1,122
Receivables, other (related to discontinued operations)		1,000
Note receivable from related party	350	350
Other current assets	751	552
Assets related to discontinued operations	1,149	828
<b>Total current assets</b>	<b>12,105</b>	<b>11,737</b>
<b>Fixed assets, net</b>	<b>623</b>	<b>637</b>
<b>Intangible Assets</b>		
Capitalized software, net	2,604	2,748
Domain names, net	2,103	1,566
Trademarks	722	709
Distribution rights, net	569	594
Capitalized customer lists	1,008	843
Goodwill	8,759	7,559
<b>Total intangible assets</b>	<b>15,765</b>	<b>14,019</b>
<b>Other assets:</b>		
Prepaid expenses	86	99
Investment in securities		1,771
<b>Total other assets</b>	<b>86</b>	<b>1,870</b>
<b>TOTAL ASSETS</b>	<b>28,579</b>	<b>28,263</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Short term debt	2,601	3,557
Trade accounts payable	2,145	2,375
Accrued and other liabilities	2,555	1,751
<b>Total current liabilities</b>	<b>7,301</b>	<b>7,683</b>
Liabilities related to discontinued operations	42	397
Long-term debt and other obligations	2,052	2,318

<b>Total liabilities</b>	<b>9,395</b>	<b>10,398</b>
<b>Shareholders' Equity</b>		
Common stock, no par value; 300,000,000 authorized; 28,011,456 issued and outstanding on September 30, 2004 and 26,261,829 issued and outstanding on June 30, 2004.	43,116	41,512
Accumulated deficit	(23,852)	(23,577)
Accumulated other comprehensive loss	(80)	(70)
<b>Total shareholders' equity</b>	<b>19,184</b>	<b>17,865</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 28,579</b>	<b>\$ 28,263</b>

See Notes to Condensed Consolidated Financial Statements

**INTERNATIONAL MICROCOMPUTER SOFTWARE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three months ended</b>	
	<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>
Net revenues	\$ 5,694	\$ 1,621
Product costs	1,514	574
<b>Gross margin</b>	<b>4,180</b>	<b>1,047</b>
<b>Costs and expenses:</b>		
Sales and marketing	2,293	598
General and administrative	1,134	657
Research and development	1,039	408
<b>Total operating expenses</b>	<b>4,466</b>	<b>1,663</b>
<b>Operating loss</b>	<b>(286)</b>	<b>(616)</b>
<b>Other income and expense:</b>		
Interest and other, net	18	82
Realized / unrealized gain (loss) on marketable securities	(50)	130
Gain on extinguishment of debt	--	81
<b>Loss before income tax</b>	<b>(318)</b>	<b>(323)</b>
Income tax (expense) benefit	(5)	4
<b>Loss from Continuing Operations</b>	<b>(323)</b>	<b>(319)</b>
Loss from discontinued operations, net of income tax	(5)	(81)
Gain from the sale of discontinued operations, net of income tax	53	--
<b>Net Loss</b>	<b>(\$ 275)</b>	<b>(\$ 400)</b>
<b>Other comprehensive loss</b>		
Foreign currency translation adjustments	(10)	(4)