

INTERNATIONAL MICROCOMPUTER SOFTWARE INC /CA/
Form 8-K/A
September 14, 2005

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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 1, 2005

Commission File Number **0-15949**

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or organization)

94-2862863
(I.R.S. Employer identification No.)

100 Rowland Way, Suite 300, Novato, CA
(Address of principal executive offices)

94945
(Zip code)

(415) 878-4000
(Registrant's telephone number including area code)

This Form 8-K/A amends the current report on Form 8-K dated July 8, 2005 (filed July 7, 2005) to include Item 9.01-Financial Statements and Exhibits.

Item 9.01 Financial Statements and Exhibits

(b) *Pro Forma Financial Information.*

The unaudited pro forma condensed consolidated financial statements presented below are based on the historical financial statements of International Microcomputer Software, Inc. (the "Company") and give effect to the disposition of Allume Systems, Inc. The pro forma condensed consolidated balance sheet gives effect to the sale to Smith Micro Software, Inc. as if it occurred as of June 30, 2004. The unaudited pro forma condensed consolidated statements of operations eliminate the Allume operations of the business sold in order to reflect the operations of the Company, as if the business had been sold as of the date of original purchase of Allume by IMSI (April 19, 2004) for the year ended June 30, 2004 and the nine months ended March 31, 2005.

The unaudited pro forma condensed consolidated statements of operations for the year ended June 30, 2004 reflect the pro forma adjustments necessary to eliminate the results of the Allume operations, including revenue, cost of services and other costs and expenses related to Allume Systems, Inc. The pro-forma financial information purports to represent what the Company's results of operations would have been had the sale of Allume to Smith Micro Software, Inc. occurred on April 19, 2004.

The unaudited pro forma condensed consolidated balance sheet is presented for illustrative purposes only and is not necessarily indicative of the financial position that would have been achieved had the pro forma events described in the notes to the pro forma condensed consolidated balance sheet described below been completed as of April 19, 2004.

The following pro forma condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the accompanying notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2004, and Quarterly Reports on Form 10-QSB for the nine months ended March 31, 2005.

INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

Year Ended June 30, 2004

| | IMSI | Allume Systems, Inc. | Pro-forma Adjustments | Notes | Pro- forma IMSI |
|---------------------------------------------------------------|----------|----------------------------|--------------------------|-------|-----------------------|
| Revenue | \$11,985 | (\$1,968) | | | \$10,017 |
| Cost of revenue | 4,137 | (488) | | | 3,649 |
| Gross profit | 7,848 | (1,480) | | | 6,368 |
| Operating expenses: | | | | | |
| Sales and marketing | 5,190 | (763) | | | 4,427 |
| General and administrative | 3,910 | (233) | | | 3,677 |
| Research and development | 2,519 | (480) | | | 2,039 |
| Total operating expenses | 11,619 | (1,476) | | | 10,143 |
| Income (loss) from operations | (3,771) | (4) | | | (3,775) |
| Other income and expense | | | | | |
| Interest and other, net | 78 | (14) | 41 | (A) | 105 |
| Realized gain on marketable securities | 585 | | | | 585 |
| Unrealized gain on marketable securities | 1,982 | | | | 1,982 |
| Loss on disposal of fixed assets | (13) | | | | (13) |
| Gain (loss) on sale of product line | 59 | | | | 59 |
| Gain on extinguishment of debt | 76 | | | | 76 |
| Gain (loss) on sale of subsidiary | 0 | | (260) | (B) | (260) |
| Gain (loss) before income tax | (1,004) | (18) | (219) | | (1,241) |
| Provision for income taxes (benefit) | 38 | (45) | | | (7) |
| Loss from Continuing Operations | (1,042) | 27 | (219) | | (1,234) |
| Income (loss) from discontinued operations, net of tax | (312) | | | | (312) |
| Gain from the sale of discontinued operations, net of tax | 2,000 | | | | 2,000 |
| Net Income | \$646 | 27 | (219) | | \$454 |
| Other comprehensive income | | | | | |
| Foreign currency operations | (8) | | | | (8) |
| Comprehensive income | \$638 | 27 | (219) | | \$446 |
| Basic earnings (loss) per share | | | | | |
| Loss from continuing operations | (\$0.04) | | | | (\$0.05) |
| Income (loss) from discontinued operations, net of income tax | (\$0.01) | | | | (\$0.01) |

| | | |
|------------------------------------------------------------------|----------|----------|
| Gain from the sale of discontinued operations, net of income tax | \$0.08 | \$0.08 |
| Net income | \$0.03 | \$0.02 |
| Diluted earnings (loss) per share | | |
| Net income (loss) from continuing operations | (\$0.04) | (\$0.05) |
| Income from discontinued operations, net of income tax | (\$0.01) | (\$0.01) |
| Gain from the sale of discontinued operations, net of income tax | \$0.08 | \$0.08 |
| Net income | \$0.03 | \$0.02 |
| Shares used in computing basic earnings per share | 23,838 | 23,838 |
| Shares used in computing diluted earnings per share | 23,838 | 23,838 |

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INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share data)

Nine Months Ended
March 31, 2005

| | IMSI | Allume Systems, Inc. | Pro-forma Adjustments | Notes | Pro- forma IMSI |
|--------------------------------------------------------------|----------|----------------------------|--------------------------|-------|-----------------------|
| Revenue | \$18,054 | (\$7,641) | | | \$10,413 |
| Cost of revenue | 4,833 | (1,417) | | | 3,416 |
| Gross profit | 13,221 | (6,224) | | | 6,997 |
| Operating expenses: | | | | | |
| Sales and marketing | 7,259 | (2,736) | | | 4,523 |
| General and administrative | 3,590 | (817) | | | 2,773 |
| Research and development | 3,078 | (1,823) | | | 1,255 |
| Total operating expenses | 13,927 | (5,376) | | | 8,551 |
| Loss from operations | (706) | (848) | | | (1,554) |
| Other income and expense | | | | | |
| Interest and other, net | (42) | (12) | 246 | (A) | 192 |
| Realized/unrealized gain (loss) on marketable securities | 145 | | | | 145 |
| Loss on disposal of fixed assets | 0 | | | | 0 |
| Gain (loss) on sale of product line | 33 | | | | 33 |
| Gain on extinguishment of debt | 0 | | | | 0 |
| Gain on sale of subsidiary | 0 | | | | 0 |
| Gain (loss) before income tax | (570) | (860) | 246 | | (1,184) |
| Provision for income taxes | (10) | | | | (10) |
| Gain (loss) from Continuing Operations | (580) | (860) | 246 | | (1,194) |
| Income (loss) from discontinued operations, net of tax | (5) | | | | (5) |
| Gain from the sale of discontinued operations, net of tax | 53 | | | | 53 |
| Net Income (Loss) | (532) | (860) | 246 | | (1,146) |
| Other comprehensive income | | | | | |
| Foreign currency operations | (39) | | | | (39) |
| Comprehensive income | (\$570) | \$(860) | \$246 | | (\$1,184) |
| Basic earnings (loss) per share | | | | | |
| Loss from continuing operations | (\$0.02) | | | | (\$0.04) |

| | | |
|---------------------------------------------------------------------|----------|----------|
| Income (loss) from discontinued operations, net of income tax | (\$0.00) | (\$0.00) |
| Gain from the sale of discontinued operations, net of income tax | \$0.00 | \$0.00 |
| Net income | (\$0.02) | (\$0.04) |
| Diluted earnings (loss) per share | | |
| Net income (loss) from continuing operations | (\$0.02) | (\$0.04) |
| Income from discontinued operations, net of income tax | (\$0.00) | (\$0.00) |
| Gain from the sale of discontinued operations, net of income tax | \$0.00 | \$0.00 |
| Net income | (\$0.02) | (\$0.04) |
| Shares used in computing basic earnings per share | 27,623 | 27,623 |
| Shares used in computing diluted earnings per share | 27,623 | 27,623 |

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INTERNATIONAL MICROCOMPUTER SOFTWARE, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands, except per share data)

Year Ended June 30, 2004

| | IMSI | Allume Systems, Inc. | Pro-forma Adjustments | Notes | Pro- forma IMSI |
|-------------------------------------------------------|----------|----------------------------|--------------------------|-------|-----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$3,212 | (\$472) | \$9,745 | (C) | \$12,485 |
| Restricted cash and cash equivalents | 0 | | 126 | (C) | 126 |
| Investment in marketable securities | 2,151 | | 1,000 | (C) | 3,151 |
| Receivables, less allowances for doubtful accounts | 2,522 | (950) | | | 1,572 |
| Inventories, net of reserves for obsolescence | 1,122 | (539) | | | 583 |
| Receivable, other (related to discontinue operations) | 1,000 | | | | 1,000 |
| Notes receivable from related party | 350 | | | | 350 |
| Other current assets | 552 | (132) | | | 420 |
| Assets related to discontinued operations | 828 | (692) | | | 136 |
| Total current assets | 11,737 | (2,785) | 10,871 | | 19,823 |
| Fixed assets, net | 637 | (217) | | | 420 |
| Intangible Assets | | | | | |
| Capitalized software, net | 2,748 | (1,933) | | | 815 |
| Domain names, net and trademarks, net | 2,275 | (1,003) | | | 1,272 |
| Distribution rights, net | 594 | (389) | | | 205 |
| Capitalized customer lists | 843 | (605) | | | 238 |
| Goodwill | 7,559 | (6,810) | | | 749 |
| Total Intangible Assets | 14,019 | (10,740) | | | 3,279 |
| Other assets: | | | | | |
| Prepaid expense | 99 | (99) | | | 0 |
| Investment in securities | 1,771 | | | | 1,771 |
| Total other assets | 1,870 | (99) | | | 1,771 |
| Total assets | \$28,263 | (\$13,841) | \$10,871 | | \$25,293 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short term debt | \$3,557 | (\$182) | 88 | (D) | \$3,463 |
| Trade accounts payable | 2,375 | (956) | | | 1,419 |
| Accrued and other liabilities | 1,751 | (392) | 581 | (E) | 1,940 |
| Total current liabilities | 7,683 | (1,530) | 669 | | 6,822 |

| | | | | |
|------------------------------------------------|--------|---------|-----|-------|
| Liabilities related to discontinued operations | 397 | | | 397 |
| Long-term debt and other obligations | 2,318 | (1,376) | | 942 |
| Total liabilities | 10,398 | (2,906) | 669 | 8,161 |

Shareholders' Equity

| | | | | |
|----------------------------------------------------------------------------------------------------------|----------|------------|----------|----------|
| Common stock, no par value; 300,000,000 shares authorized; 6,261,829 shares issued and outstanding | 41,512 | (47) | | 41,465 |
| Accumulated deficit | (23,577) | (10,888) | 10,202 | (24,263) |
| Accumulated other comprehensive income | (70) | | | (70) |
| Total shareholders' equity | 17,865 | (10,935) | 10,202 | 17,132 |
| Total liabilities and shareholders' equity | \$28,263 | (\$13,841) | \$10,871 | \$25,293 |

See accompanying notes to pro forma condensed consolidated financial statements.

Notes to Pro Forma Information

Unaudited Pro Forma Condensed Consolidated Statement of Operations

(A) Deemed interest of \$41,000 and \$246,000 earned on sales proceeds during the fiscal years 2004 and 2005, respectively.

(B) The pro forma loss on sale of Allume Systems, Inc. of \$260,000 is calculated as: the total consideration received of \$10.7 million less: (x) the Company's net investment in Allume Systems, Inc. of \$10.4 million and (y) estimated liabilities for sales expenses of \$581,000. Within this consideration received is \$126,000 of escrowed funds and currently excluded from this calculation is \$1.9 million in escrowed cash and Smith Micro Software, Inc. common stock consideration. Release of the \$1.9 million in cash and stock would change the calculated gain (loss) on sale. Changes to the estimated preliminary working capital guarantee adjustment would change the calculated gain (loss) on sale.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

(C) The pro forma activity proceeds of the sale of Allume Systems, Inc. At the closing on July 1, 2005, the Company received cash proceeds of \$9.7 million and marketable securities of \$1.0 million. Escrow amounts included \$1,250,000 in cash and Smith Micro Software, Inc. common stock valued at \$750,000 and \$126,000 of the escrowed amounts are currently shown as consideration. The market value of the common stock is based on the average of the closing price of the Purchaser's stock on the ten (10) trading days ended June 29, 2005.

(D) The pro forma adjustment to short term debt and other obligations of \$88,000 is an estimated preliminary working capital guarantee adjustment.

(E) The pro forma adjustment to accrued and other liabilities includes pro forma sale expenses of \$581,000 for severance, accounting, legal and escrow fees.

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 hereunto duly authorized.

**INTERNATIONAL MICROCOMPUTER SOFTWARE,
INC.**

Dated: September 14, 2005

By: /s/ MARTIN WADE, III

Name: Martin Wade, III
Title: Chief Executive Officer