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NEOMEDIA TECHNOLOGIES INC

Form 8-K/A

April 12, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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AMENDMENT NO. 1 TO 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): February 10, 2004

NEOMEDIA TECHNOLOGIES, INC.  
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	0-21743	36-3680347
(State or Other Jurisdiction Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2201 SECOND STREET, SUITE 402, FORT MYERS, FLORIDA	33901
(Address of Principal Executive Offices)	(Zip Code)

(239) - 337-3434

(Registrant's Telephone Number, including Area Code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On November 2, 2003, NeoMedia Technologies, Inc. ("NeoMedia") signed a non-binding letter of intent to acquire and merge with CSI International, Inc. ("CSI"), of Calgary, Alberta, Canada, a private technology products company in the micro paint repair industry. On February 6, 2004, NeoMedia and CSI signed a definitive merger document (see Exhibit 3.1). NeoMedia paid \$2,500,000 cash, plus 7,000,000 shares of NeoMedia common stock in exchange for all of the outstanding shares of CSI. The two companies will centralize administrative and management functions at NeoMedia's headquarters in Fort Myers, Florida. Sales and operations will be based out of Calgary, Alberta.

This Form 8-K/A is being filed as Amendment No. 1 to the Form 8-K of NeoMedia Technologies, Inc. filed with the Securities and Exchange Commission on February 10, 2004, to provide the financial statements required by Items 7(a)

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and (b) of Form 8-K.

### ITEM 7. FINANCIAL STATEMENTS, PRO FORMA INFORMATION AND EXHIBITS

(a) Financial Statements of Business Acquired - CSI International, Inc.  
Independent Auditors' Report

Balance sheets as of August 31, 2003 and 2002

Statements of income and comprehensive income for the years ended August 31, 2003 and 2002

Statements of changes in stockholders' equity for the years ended August 31, 2003 and 2002

Statements of cash flows for the years ended August 31, 2003 and 2002

Notes to financial statements as of August 31, 2003 and 2002

Interim balance sheet as of November 30, 2003 (unaudited)

Interim statements of income and comprehensive income for the three-month periods ended November 30, 2003 and 2002 (unaudited)

Interim statements of cash flows for the three-month periods ended November 30, 2003 and 2002 (unaudited)

Notes to interim financial statements as of November 30, 2003 (unaudited)

(b) Pro Forma Financial Information

Pro Forma Condensed Combined Financial Statements (unaudited) as of December 31, 2003 and for the twelve months ended December 31, 2003

Pro forma combined balance sheet as of December 31, 2003 (unaudited)

Pro forma combined statement of operations for the twelve months ended December 31, 2003 (unaudited)

(c) Exhibits

23.1 Consent of Eisner LLP, Independent Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
CSI International Inc.  
Calgary, Alberta Canada

We have audited the accompanying balance sheets of CSI International Inc. as of August 31, 2003 and 2002, and the related statements of income and comprehensive

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income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all respects, the financial position of CSI International Inc. as of August 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Eisner LLP

New York, New York  
January 23, 2004

CSI INTERNATIONAL INC.

BALANCE SHEETS  
(in U.S. dollars)

	AUGUST 31,	
	2003	2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 136,000	\$ 126,000
Accounts receivable, net of allowance for doubtful accounts of \$13,000 for 2003 and \$9,000 for 2002	60,000	38,000
Inventories	13,000	10,000
Other current assets	1,000	1,000
	210,000	175,000
Investments	51,000	
Property and equipment, net	7,000	2,000
	\$ 268,000	\$ 177,000
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 22,000	\$ 17,000
Accrued expenses	36,000	12,000
Income taxes payable	12,000	8,000

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Due to stockholder		14,000
	-----	-----
Total current liabilities	70,000	51,000
	-----	-----
Commitments (Note F)		
STOCKHOLDERS' EQUITY		
Common stock - no par value: 20,000 shares authorized; 100 shares issued and outstanding in 2003 and 2002, respectively		
Accumulated other comprehensive income (loss) - currency translation adjustment	7,000	(7,000)
Retained earnings	191,000	133,000
	-----	-----
	198,000	126,000
	-----	-----
	\$ 268,000	\$ 177,000
	=====	=====

See notes to financial statements

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CSI INTERNATIONAL INC.

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(in U.S. dollars)

	YEAR ENDED AUGUST 31,	
	2003	2002
	-----	-----
Revenue	\$ 544,000	\$ 438,000
Direct cost of revenue	338,000	283,000
	-----	-----
Gross profit	206,000	155,000
	-----	-----
Operating costs and expenses:		
Selling, general and administrative	148,000	122,000
Depreciation and amortization	2,000	1,000
	-----	-----
	150,000	123,000
	-----	-----
Income from operations	56,000	32,000
Gain on equity securities received in connection with advances (net)	13,000	
Interest expense		(4,000)
Loss on sale of assets		(19,000)
	-----	-----

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INCOME BEFORE PROVISION FOR INCOME TAXES	69,000	9,000
Provision for income taxes	(11,000)	(6,000)
	-----	-----
NET INCOME	58,000	3,000
OTHER COMPREHENSIVE INCOME:		
Foreign currency translation adjustment	14,000	6,000
	-----	-----
COMPREHENSIVE INCOME	\$ 72,000	\$ 9,000
	=====	=====

See notes to financial statements

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CSI INTERNATIONAL INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
(in U.S. dollars)

	COMMON STOCK			ACCUMULATED OTHER COMPREHENSIVE	
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS	(LOSS) INCOME	STOCKHOLDERS' EQUITY
	-----	-----	-----	-----	-----
BALANCE - SEPTEMBER 1, 2001	100	\$ --	\$130,000	\$ (13,000)	\$117,000
Net income		--	3,000		3,000
Translation adjustment		--		6,000	6,000
	-----	-----	-----	-----	-----
BALANCE - AUGUST 31, 2002	100	--	133,000	(7,000)	126,000
Net income		--	58,000		58,000
Translation adjustment		--		14,000	14,000
	-----	-----	-----	-----	-----
BALANCE - AUGUST 31, 2003	100	\$ --	\$191,000	\$ 7,000	\$198,000
	=====	=====	=====	=====	=====

See notes to financial statements

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CSI INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS  
(in U.S. dollars)

YEAR ENDED AUGUST 31,

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	----- 2003 -----	----- 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 58,000	\$ 3,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,000	1,000
Loss on disposal of assets		19,000
Gain on equity securities received in connection with advances	(13,000)	
Changes in:		
Accounts receivable	(22,000)	11,000
Inventories	(3,000)	2,000
Other current assets		(1,000)
Accounts payable and accrued expenses	29,000	12,000
Income taxes payable	4,000	8,000
	-----	-----
Net cash provided by operating activities	55,000	55,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(7,000)	
Investment in equity securities	(6,000)	
Proceeds from disposal of property		120,000
Advances to third party	(45,000)	
Repayments from third party	13,000	
	-----	-----
Net cash (used in) provided by investing activities	(45,000)	120,000
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable		(82,000)
Repayments of amounts due to stockholder	(14,000)	(72,000)
	-----	-----
Net cash used in financing activities	(14,000)	(154,000)
	-----	-----
Effect of exchange rate changes on cash	14,000	31,000
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,000	52,000
Cash and cash equivalents, beginning of year	126,000	74,000
	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 136,000	\$ 126,000
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Income taxes	\$ 7,000	
Interest		\$ 4,000
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING INFORMATION:		
Reduction in due to stockholder in lieu of payment from sale of building		\$ 41,000

See notes to financial statements

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CSI INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) COMPANY:

CSI International Inc. (the "Company") was incorporated in Calgary, Alberta Canada in 1992 under the name Chip Repair Systems of Canada, Inc. In 1993, the Company changed its name to Chip Repair Systems International Inc. and in 1996, the Company changed its name to CSI International Inc.

The Company licenses a technology developed by its founder and significant stockholder. The technology provides for a more efficient and economical method to repair paint related damage to vehicles.

The Company conducts its business primarily in the province of Alberta.

(2) FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS:

The financial position and results of operations of the Company are determined using local currency as the functional currency (Canadian dollar). Assets and liabilities are translated at the prevailing exchange rate in effect at each year end. Investments, property and equipment, due to stockholder and contributed capital accounts are translated using the historical rates of exchange when the transaction is completed. Income statement amounts are translated at the average exchange rate during the year. Translation adjustments arising from the use of different exchange rates from period to period are included in the cumulative translation adjustment account in stockholders equity under comprehensive income. Gains and losses resulting from foreign currency transactions are included in operations. There were no gains or losses from foreign currency transactions in 2003 or 2002.

(3) REVENUE RECOGNITION:

Revenue related to product sales is recognized when the products are shipped to customers and collection is reasonably assured. Revenue related to service repairs is recognized upon customer acceptance.

(4) CASH AND CASH EQUIVALENTS:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(5) INVENTORIES:

Inventories are valued at the lower of cost or market. Cost is determined on a first-in, first-out method.

(6) PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are amortized on a straight-line basis over the useful lives or the term of the related lease, whichever is shorter.

CSI INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) LONG-LIVED ASSETS:

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company records impairment losses on long-lived assets used in operations or expected to be disposed of when indicators of impairment exist and the cash flows expected to be derived from those assets are less than carrying amounts of those assets. No such indicators existed and the Company did not record any impairment charge for the years ended August 31, 2003 and 2002.

(8) INCOME TAXES:

Deferred income taxes are determined based upon enacted tax laws in Canada and rates applied to the differences between the financial statements and tax basis of assets and liabilities.

(9) USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews all significant estimates affecting the financial statements on a recurring basis and records the effect of any adjustments when necessary.

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amounts of cash, accounts receivable, investments, accounts payable and accrued expenses approximate fair value due to the short-term nature of those instruments.

(11) ADVERTISING COSTS:

Advertising costs incurred during the years ended August 31, 2003 and 2002 were \$5,000 and \$3,000, respectively

NOTE B - INVESTMENTS

In fiscal 2003, the Company invested \$6,000 in exchange for 4,257 shares of common stock of Triton Global Business Services, Inc. ("Triton"), an unrelated third party. These shares are restricted and are recorded at cost as of August 31, 2003. The Company's ownership percentage in Triton is de minimis.

During fiscal 2003, the Company advanced \$45,000 to Triton, a subsidiary of BSD Software, Inc. ("BSDS"), a public company. The general terms of the



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advances included repayment within 30 days with interest at a rate of 8% per annum. In connection with these advances, the Company received 61,684 restricted common shares of BSDS. In addition, the Company received an additional 48,160 shares of BSDS as consideration for extending the notes. As of the advance dates, the Company ascribed no value to the notes. The Company accreted the value of the notes as interest income over the repayment period (30 days). The Company received payment of \$13,000 during fiscal 2003 and wrote the remaining balance (\$32,000) off as noncollectible.

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CSI INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002

### NOTE B - INVESTMENTS (CONTINUED)

The Company ascribed a value of \$45,000 in connection with the advances based upon the share price at the date of each advance limited to the amounts advanced to the third party. In addition, the Company ascribed a value of \$53,000 and a corresponding increase to interest income for the additional shares received as consideration for extending the repayment date of the advances. As of August 31, 2003, the Company determined that a decline in the market value of such shares was other than temporary and recorded a loss of \$53,000 to reduce the recorded value to its then market value.

### NOTE C - PROPERTY AND EQUIPMENT

Major classes of property and equipment are as follows:

	AUGUST 31,	
	2003	2002
Computers	\$ 8,000	\$ 8,000
Equipment	33,000	33,000
Leasehold improvements	7,000	
	48,000	41,000
Less accumulated depreciation and amortization	41,000	39,000
	\$ 7,000	\$ 2,000

Depreciation and amortization expense for the years ended August 31, 2003 and 2002 was \$2,000 and \$1,000, respectively.

### NOTE D - RELATED PARTY

A stockholder and a founder had advanced funds to the Company prior to fiscal 2002 for working capital purposes. The advances were noninterest bearing and due on demand. The amount due to stockholder was repaid in fiscal 2003.

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The Company leases its facility from a stockholder and founder (see Note G).

### NOTE E - INCOME TAXES

Provision for income taxes for the years ended August 31, 2003 and 2002 consists of the following:

	YEAR ENDED AUGUST 31,	
	2003	2002
Current	\$ 11,000	\$ 6,000

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CSI INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2003 AND 2002

### NOTE F - COMMITMENTS

The Company leases premises under a long-term operating lease (as extended in September 2003) from a related party (see Note D) expiring August 31, 2008. Under this lease, the Company has the following obligations for annual rentals:

2004	\$ 21,000
2005	\$ 21,000
2006	\$ 21,000
2007	\$ 21,000
2008	\$ 21,000
	-----
	\$ 105,000
	=====

Rent expense for the years ended August 31, 2003 and 2002 amounted to approximately \$14,000 and \$4,000, respectively.

### NOTE G - LOSS ON DISPOSAL OF ASSETS

#### (1) BUILDING:

During fiscal 2002, the Company sold the building it occupied to a stockholder and founder. The sale price of the building was \$161,000. The sales price consisted of \$120,000 of cash and a reduction of \$41,000 in amount due to stockholder. The net book value of the building at the date of sale was \$139,000 resulting in a gain of \$22,000.

#### (2) MARKETABLE SECURITIES:

During fiscal 2002, the Company recorded a loss on marketable securities of \$41,000 as such securities expired worthless.

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### NOTE H - CONCENTRATION OF CREDIT RISK

As of August 31, 2003, two customers accounted for 24% and 12% of total accounts receivable.

As of August 31, 2003, one vendor accounted for 37% of accounts payable.

### NOTE I - SUBSEQUENT EVENTS

#### (1) LETTER OF INTENT:

The Company has entered into a letter of intent as of November 2, 2003 to enter into a merger agreement with Neomedia Technologies, Inc. ("Neomedia"), a public company, located in Florida, USA, in which the Company would become a wholly owned subsidiary of Neomedia. Consideration for this transaction will consist of \$2,500,000 in cash and 7 million newly issued shares of common stock of Neomedia.

#### (2) LEASE:

The Company leased a new automobile in December 2003. The lease is for a term of 4 years with a monthly rental of \$1,000

#### (3) INVESTMENTS:

As of January 23, 2004, the closing price of BSDS of common stock was \$.22 per share, resulting in a decrease in market value of such shares of \$21,000.

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### INTERIM FINANCIAL STATEMENTS OF CSI INTERNATIONAL, INC.

CSI INTERNATIONAL, INC.  
BALANCE SHEET  
(in U.S. dollars)

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	NOVEMBER 30, 2003 ----- (unaudited)
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 155,000
Accounts receivable, net of allowance for doubtful accounts of \$13,000	60,000
Loans receivable	14,000
Inventories	48,000
	-----
Total current assets	277,000
Investments	32,000
Property and equipment, net	9,000
	-----
	\$ 318,000 =====
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,000
Accrued expenses	53,000
Income taxes payable	23,000
	-----
Total current liabilities	78,000
Commitments	--
STOCKHOLDERS' EQUITY	
Common stock - no par value: 20,000 shares authorized; 100 shares issued and outstanding	
Accumulated other comprehensive income - currency translation adjustment	6,000
Retained earnings	234,000
	240,000
	-----
	\$ 318,000 =====

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

CSI INTERNATIONAL, INC.  
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(in U.S. dollars)

THREE MONTHS END  
NOVEMBER 30,  
-----  
2003  
-----  
(unaudited)

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Revenue	\$ 185,000	\$ 1
Direct cost of revenue	86,000	
	-----	---
Gross profit	99,000	
Operating costs and expenses:		
Selling, general and administrative	27,000	
	-----	---
Income from operations	72,000	
Loss on equity securities received in connection with advances (net)	(19,000)	
	-----	---
INCOME BEFORE PROVISION FOR INCOME TAXES	53,000	
Provision for income taxes	(10,000)	
	-----	---
NET INCOME	43,000	
Other comprehensive income:		
Foreign currency translation adjustment	(1,000)	
	-----	---
COMPREHENSIVE INCOME	\$ 42,000	\$
	=====	===

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

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CSI INTERNATIONAL, INC.  
STATEMENTS OF CASH FLOWS  
(in U.S. dollars)

	THREE MONTHS ENDED NOVEMBER 30,	
	2003	2002
	-----	-----
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 43,000	\$ 29,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,000	--
Loss on equity securities received in connection with advances	19,000	--
Changes in:		
Accounts receivable	--	(22,000)
Inventories	(35,000)	--
Other current assets	1,000	1,000
Accounts payable and accrued expenses	(3,000)	1,000
Income taxes payable	11,000	(8,000)
	-----	-----
Net cash provided by operating activities	37,000	1,000
	-----	-----

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CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(3,000)	--
Advances to third party	(14,000)	--
	-----	-----
Net cash used in investing activities	(17,000)	--
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITY:		
Repayment of mortgage payable	--	(14,000)
	-----	-----
Net cash used in financing activity	--	(14,000)
	-----	-----
Effect of exchange rates on cash	(1,000)	(29,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,000	(42,000)
Cash and cash equivalents, beginning of period	136,000	126,000
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 155,000	\$ 84,000
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Income taxes	\$ --	\$ --
Interest	--	--

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

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CSI INTERNATIONAL, INC.  
Notes to Financial Statements November 30,  
2003 and 2002 (Unaudited)

### 1. BASIS OF PRESENTATION AND NATURE OF BUSINESS OPERATIONS BASIS OF PRESENTATION

The accompanying unaudited interim financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements and related notes should be read in conjunction with the Company's audited financial statements for the fiscal year ended August 31, 2003. In the opinion of management, these condensed financial statements reflect all adjustments which are of a normal recurring nature and which are necessary to present fairly the financial position of CSI as of November 30, 2003, and the results of operations and cashflows for the three-month periods ended November 30, 2003 and 2002. The results of operations for the three-month period ended November 30, 2003 are not necessarily indicative of the results which may be expected for the entire fiscal year.

#### NATURE OF BUSINESS OPERATIONS

CSI International, Inc. ("CSI" or the "Company") was incorporated in Calgary, Alberta Canada in 1992 under the name Chip Repair Systems of Canada,

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Inc. In 1993, the Company changed its name to Chip Repair Systems International, Inc. and 1996, the Company changed its name to CSI International, Inc.

The Company licenses a technology developed by its founder and significant stockholder. The technology provides for a more efficient and economical method to repair paint related damage to vehicles.

The Company conducts its business primarily in the province of Alberta.

### RECENT ACCOUNTING PRONOUNCEMENTS

On December 24, 2003, the FASB issued FASB Interpretation No. 46 (Revised December 2003), "Consolidation of Variable Interest Entities," (FIN-46R) primarily to clarify the required accounting for interests in variable interest entities. FIN-46R supercedes FIN-46 that was issued in January 2003. FIN-46R exempts certain entities from its requirements and provides for special effective dates for entities that have fully or partially applied FIN-46 as of December 24, 2003. In certain situations, entities have the option of applying or continuing to apply FIN-46 for a short period of time before applying FIN-46R. While FIN-46R modifies or clarifies various provisions of FIN-46, it also incorporates many FASB Staff Positions previously issued by the FASB. Management does not believe there will be any material impact to the Company's financial position, results of operations or liquidity resulting from the adoption of this interpretation.

### INVESTMENT IN TRITON GLOBAL BUSINESS SERVICES, INC.

During the year ended August 31, 2003, the Company invested \$6,000 in exchange for 4,257 shares of common stock of Triton Global Business Services, Inc. ("Triton"), an unrelated third party. These shares are restricted and are recorded at cost as of November 30, 2003. The Company's ownership percentage in Triton is de minimis.

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CSI INTERNATIONAL, INC.  
Notes to Financial Statements November 30,  
2003 and 2002 (Unaudited)

During the year ended August 31, 2003, the Company advanced \$45,000 to Triton, a subsidiary of BSD Software, Inc. ("BSDS"), a public company. The general terms of the advances included repayment within 30 days with interest at a rate of 8% per annum. In connection with these advances, the Company received 61,684 restricted common shares of BSDS. In addition, the Company received an additional 48,160 shares of BSDS as consideration for extending the notes. As of the advance dates, the Company ascribed no value to the notes. The Company accreted the value of the notes as interest income over the repayment period (30 days). The Company received payment of \$13,000 during the year ended August 31, 2003, and wrote the remaining balance (\$32,000) off as noncollectible.

The Company ascribed a value of \$45,000 in connection with the advances based upon the share price at the date of each advance limited to the amounts advanced to BSDS. In addition, the Company ascribed a value of \$53,000 and a corresponding increase to interest income for the additional shares received as

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consideration for extending the repayment date of the advances. As of August 31, 2003, the Company determined that a decline in the market value of such shares was other than temporary and recorded a loss of \$53,000 to reduce the value to its then market value. Likewise, the Company recorded an additional loss of \$19,000 during the three months ended November 30, 2003, to reduce the value to its market value as of November 30, 2003.

### LETTER OF INTENT

On November 2, 2003, the Company entered into a letter of intent to be acquired by, and merge with, NeoMedia, a public company located in Ft. Myers, Florida, USA. Under the terms of the letter of intent, the Company would become a wholly-owned subsidiary of NeoMedia, with the sales and operations office remaining in Calgary. The transaction was completed on February 6, 2004.

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### ITEM 7(B). PRO FORMA FINANCIAL INFORMATION

#### NOTES TO PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)

##### 1. BASIS OF PRESENTATION

On November 2, 2003, NeoMedia Technologies, Inc. ("NeoMedia") signed a non-binding letter of intent to acquire and merge with CSI International, Inc. ("CSI"), of Calgary, Alberta, Canada, a private technology products company in the micro paint repair industry. On February 6, 2004, NeoMedia and CSI signed a definitive merger document (see Exhibit 3.1). NeoMedia paid \$2,500,000 cash, plus 7,000,000 shares of NeoMedia common stock in exchange for all of the outstanding shares of CSI. The two companies will centralize administrative and management functions at NeoMedia's headquarters in Fort Myers, Florida. Sales and operations will be based out of Calgary. The following unaudited pro forma condensed combined financial statements give effect to the acquisition by NeoMedia of CSI.

The pro forma condensed combined balance sheet gives effect to the acquisition of CSI as if it had occurred on December 31, 2003.

The pro forma condensed combined historical statement of operations gives effect to the acquisition of CSI International, Inc. as if it had occurred as of January 1, 2003, combining the historical results of NeoMedia for the year ended December 31, 2003 with the historical results of the same period for CSI.

The pro forma combined financial statements included in this Form 8-K/A have been prepared by the managements of NeoMedia and CSI without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, the managements of NeoMedia and CSI believe that the disclosures are adequate to make the information not misleading.

The pro forma adjustments are based on currently available information and upon estimates and assumptions that we believe are reasonable under the circumstances. A final determination of the allocation of the purchase price to the assets acquired and liabilities assumed has not been made, and the



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allocation reflected in the unaudited pro forma combined financial statements should be considered preliminary and is subject to the completion of a more comprehensive valuation of the assets acquired and liabilities assumed. The final allocation of purchase price could differ materially from the pro forma allocation included herein. The pro forma financial data do not purport to represent what NeoMedia's financial position or results of operations would actually have been if such transactions had occurred on those dates and are not necessarily representative of NeoMedia's financial position or results of operations for any future period. The pro forma financial statements should be read in conjunction with the separate historical financial statements and footnotes of NeoMedia included in Form 10-KSB for the year ended December 31, 2003, incorporated by reference herein, and CSI.

NEOMEDIA TECHNOLOGIES, INC.  
 PRO-FORMA COMBINED BALANCE SHEET  
 DECEMBER 31, 2003  
 (In thousands of US Dollars)  
 (Unaudited)

ASSETS	HISTORICAL		PRO ADJU
	NEOMEDIA	CSI INTERNATIONAL	
Current assets:			
Cash and cash equivalents	\$ 61	\$ 128	
Trade accounts receivable, net	133	96	
Inventories, net	3	57	
Loans receivable	--	16	
Prepaid expenses and other current assets	356	--	
Total current assets	553	297	
Property and equipment, net	61	9	
Capitalized patents, net	2,415	--	
Capitalized and purchased software costs, net	118	--	
Cost in excess of net book value of assets purchased	--	--	2
Investments	--	29	
Other long-term assets	729	--	
Total assets	\$ 3,876	\$ 335	\$ 2
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	\$ 2,327	\$ 2	
Amounts due under financing agreements	196	--	
Amounts payable under settlement agreements	772	--	
Liabilities in excess of assets of discontinued business unit	657	--	
Income taxes payable	--	14	
Sales taxes payable	137	--	

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Accrued expenses	1,743	107	
Deferred revenues and other	515	--	
Notes payable	732	--	2
	-----		
Total liabilities	7,079	123	2
	-----		
Shareholders' equity (deficit):			
Preferred stock	--	--	
Common stock (B)	2,440	--	
Additional paid-in capital	71,565	--	
Deferred stock-based compensation	(282)	--	
Accumulated other comprehensive income (loss) - currency translation adjustment	--	14	
Retained earnings (accumulated deficit)	(76,147)	198	
Treasury stock	(779)	--	
	-----		
Total shareholders' equity (deficit)	(3,203)	212	
	-----		
Total liabilities and shareholders' equity (deficit)	\$ 3,876	\$ 335	\$ 2
	=====		

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PRO-FORMA ADJUSTMENTS

(A) - Adjustment for stock and cash issued in purchase of CSI. NeoMedia paid \$2.5 million cash plus 7,000,000 shares of its common stock valued at \$0.10 per share (stock price at date of exchange) in exchange for all the outstanding shares of CSI. The combination is being accounted for as a purchase business combination as defined by Statement of Financial Accounting Standards No. 141, Business Combinations. The \$2.5 million cash was funded from an outside investor through a note payable. NeoMedia initially ascribed the purchase price in excess of CSI's net assets to "Cost in excess of net book value of assets purchased." As described in the "basis of presentation" the purchase price is subject to final allocation, and will be adjusted accordingly upon determination of the final purchase price.

(B) - NeoMedia's \$0.01 par value common stock consists of 1,000,000,000 authorized shares, 247,041,675 shares historical, 254,041,675 pro forma, issued and outstanding 243,991,257 historical and 250,991,257 pro forma.

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NEOMEDIA TECHNOLOGIES, INC.  
 PRO-FORMA COMBINED STATEMENT OF OPERATIONS  
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003  
 (In thousands of US Dollars, except per share  
 data) (Unaudited)

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	HISTORICAL	
	NEOMEDIA	CSI INT'L
NET SALES:		
License fees	\$ 414	\$ --
Resale of software and technology equipment and service fees	1,986	--
Micro paint revenue	--	588
Total net sales	2,400	588
COST OF SALES:		
License fees	300	--
Resale of software and technology equipment and service fees	1,829	--
Micro paint direct cost of revenue	--	353
Total cost of sales	2,129	353
GROSS PROFIT	271	235
Selling, general and administrative expenses	4,793	193
Research and development costs	332	--
Income (loss) from operations	(4,854)	42
Loss on extinguishment of debt, net	(152)	--
Loss on equity securities received in connection with advances (net)	--	(11)
Interest expense, net	(376)	--
INCOME BEFORE PROVISION FOR INCOME TAXES	(5,382)	31
Provision for income taxes	--	6
NET INCOME (LOSS)	\$ (5,382)	\$ 37
NET LOSS PER SHARE--BASIC AND DILUTED	\$ (0.04)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES-BASIC AND DILUTED	125,029,723	

PRO-FORMA ADJUSTMENT

(A) - Adjustment for 7,000,000 shares issued as portion of purchase price of CSI International, Inc., assuming shares were issued on January 1, 2003.

(B) - Pro forma basic and diluted net loss per share is calculated by dividing pro forma net loss by the pro forma outstanding common shares.

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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 hereunto duly authorized.

NeoMedia Technologies, Inc.  
(Registrant)

Date: April 12, 2004

By: /s/ Charles T. Jensen

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Charles T. Jensen, President, Chief  
Operating Officer, Acting Chief Executive  
Officer and Director