

NEOMEDIA TECHNOLOGIES INC
Form 10-Q/A
May 01, 2007

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10 - Q/A
Amendment No. 1

(Mark One)

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

For the Quarterly Period Ended June 30, 2006

OR

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

Commission File Number 0-21743

NEOMEDIA TECHNOLOGIES, INC.

(Exact Name of Issuer as Specified In Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

36-3680347

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

**2201 Second Street, Suite 600, Fort Myers,
Florida**

(Address of Principal
Executive Offices)

33901

(Zip Code)

239-337-3434 Issuer's Telephone Number (Including Area Code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

As of July 21, 2006, there were 638,307,278 outstanding shares of the issuer's Common Stock, and 22,000 outstanding shares of the issuer's Series C convertible preferred stock.

EXPLANATORY NOTE**Restatement of Prior Reported Amounts**

This form 10-Q/A is being filed to restate the revenue and cost of goods sold reported by NeoMedia filed on form 10-Q for the three and six months ended June 30, 2006 (the "Original Filing"). This amendment amends and restates the Original Filing solely as a result of, and to reflect, the restatement, and no other information in the Original Filing is amended hereby except for an update to NeoMedia's revenue recognition policy.

The restatement of revenue and cost of goods sold is required because while preparing NeoMedia's annual report for the year ended December 31, 2006, the Company became aware that it incorrectly applied the principles of EITF 99-19. The Company, in reviewing its accounting practices with respect to revenue recognition of its subsidiary NeoMedia Telecom Services, became aware that it incorrectly applied the principles of EITF 99-19, "Reporting Revenue Gross as a Principal vs. Net as an Agent." As a result, the Company had overstated its net sales and its cost of goods sold during the three and six months ended June 30, 2006. These amounts are reflected on the statement of operations. The adjustment does not affect net income (loss) during any period. The adjustment does not affect the statement of cash flows or balance sheet.

The NeoMedia Telecom Services business was acquired in March 2006 through the acquisition by the Company of BSD Software. Therefore the adjustment does not affect any results reported during the three and six months ended June 30, 2005.

As a result, the Company has restated certain financial information that was previously reported in its unaudited quarterly reports on Form 10-Q for the three and six month periods ended June 30, 2006. The following tables provide a reconciliation of amounts previously reported by the Company.

	Previously Reported	Restatement Adjustment	Restated Amount
<u>Three months ended June 30, 2006</u>			
Net sales	\$ 6,606	(\$2,422)	\$ 4,184
Cost of sales	4,517	(2,422)	2,095
<u>Six months ended June 30, 2006</u>			
Net sales	\$ 8,658	(\$2,627)	\$ 6,031
Cost of sales	5,763	(2,627)	3,136

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PART I — FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

NeoMedia Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In Thousands, Except Share Data)

	June 30	December 31
	2006	2005
	(unaudited)	*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,550	\$ 2,291
Trade accounts receivable, net of allowance for doubtful accounts of \$96 and \$203, respectively	6,376	341
Inventories, net of allowance for obsolete & slow-moving inventory of \$0	345	423
Investment in marketable securities	567	104
Prepaid expenses and other current assets	1,576	151
Total current assets	11,414	3,310
Leasehold improvements & property and equipment, net	781	236
Goodwill	50,943	1,099
Intangible assets, net	23,550	4,830
Cash surrender value of life insurance policy	778	769
Loan to Mobot (2005) and HipCricket (2006)	500	1,500
Other long-term assets	1,125	667
Total assets	\$ 89,091	\$ 12,411
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,695	\$ 1,574
Amounts payable under settlement agreements	97	97
Liabilities of discontinued business unit	676	676
Taxes payable	1,187	80
Accrued expenses	3,918	1,844
Deferred revenues and other	3,894	898
Notes payable	2,417	3,015
Derivative financial instruments	12,407	—
Total current liabilities	30,291	8,184
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, 22,000 issued and outstanding, liquidation value of \$22,000.	2,327	—
Shareholders' equity:		
Common stock, \$0.01 par value, 5,000,000,000 shares authorized, 637,708,704 and 475,387,910 shares issued and 636,107,278 and 467,601,717 outstanding, respectively	6,361	4,676
Additional paid-in capital	153,410	106,456

Deferred stock-based compensation

(98)

(169)