

LIBERATE TECHNOLOGIES
Form 10-Q
January 10, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended November 30, 2004

OR

**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 000-26565

LIBERATE TECHNOLOGIES

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation)

2655 Campus Drive, Suite 250

San Mateo, California

(Address of principal executive office)

94-3245315

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

94403

(Zip Code)

(650) 645-4000

(Registrant's telephone number, including area code)

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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

105,752,099 shares of the Registrant's common stock were outstanding as of December 31, 2004.

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For The Quarterly Period Ended November 30, 2004

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Part I. Financial Information**Item 1. Financial Statements****LIBERATE TECHNOLOGIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)****Unaudited**

	November 30, 2004	May 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 207,987	\$ 215,877
Accounts receivable, net	3,561	3,143
Prepaid expenses and other current assets	1,552	1,817
Total current assets	213,100	220,837
Property and equipment, net	1,775	1,851
Deferred costs related to warrants	1,791	3,583
Restricted cash	10,741	10,869
Other assets	36	268
Total assets	\$ 227,443	\$ 237,408
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 2,996	\$ 3,102
Accrued liabilities	18,967	16,384
Accrued payroll and related expenses	958	685
Short-term borrowing from bank		608
Deferred revenues	4,391	6,137
Total current liabilities	27,312	26,916
Long-term excess facilities charges	20,022	19,140
Long-term deferred revenues	8,114	
Other long-term liabilities	2,416	2,416
Total liabilities	57,864	48,472
Commitments and contingencies (Note 5) Stockholders equity:		
Common stock	1,057	1,055
Contributed and paid-in-capital	1,502,994	1,503,113
Deferred stock-based compensation	(7,384)	(8,453)
Accumulated other comprehensive loss	(1,960)	(2,112)
Accumulated deficit	(1,325,128)	(1,304,667)
Total stockholders equity	169,579	188,936
Total liabilities and stockholders equity	\$ 227,443	\$ 237,408

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

LIBERATE TECHNOLOGIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

(In thousands, except per share data)

Unaudited

	Three months ended		Six months ended	
	November 30, 2004	November 30, 2003	November 30, 2004	November 30, 2003
Revenues:				
License and royalty	\$ (490)	\$ (697)	\$ (271)	\$ (1,621)
Service	1,122	1,885	2,051	4,354
Total revenues	632	1,188	1,780	2,733
Cost of revenues:				
License and royalty	18	208	34	359
Service	893	1,368	2,272	2,811
Total cost of revenues	911	1,576	2,306	3,170
Gross loss	(279)	(388)	(526)	(437)
Operating expenses:				
Research and development	3,757	3,647	7,599	7,314
Sales and marketing	703	1,004	1,304	2,433
General and administrative	3,057			