

IBS Group Holding Limited
Consolidated Balance Sheets

	March 31,	
	2003	2002 (Restated)
	<i>(In thousands of US Dollars, except share amounts)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,939	\$ 9,229
Restricted cash	2,967	–
Short-term investments	102	1,543
Trade accounts receivable and accrued revenue, net of allowance for doubtful accounts of \$ 456 in 2003 and \$ 315 in 2002	19,562	10,338
Inventory	22,927	24,014
Due from related parties	359	1,057
Other current assets	5,704	6,240
Total current assets	60,560	52,421
Property and equipment, net	13,188	15,931
Intangible assets, net	1,995	994
Due from related parties	1,159	1,139
Other non-current assets	1,122	433
Total assets	\$ 78,024	\$ 70,918
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	\$ 6,498	\$ 9,677
Long-term debt, current portion	531	536
Accounts payable	12,538	10,268
Advances received	7,032	9,015
Accrued liabilities	8,833	8,250
Deferred revenue	2,661	2,074
Due to related parties	2,164	1,906
Capital lease obligation, current portion	505	696
Other current liabilities	6,338	5,440
Total current liabilities	47,100	47,862
Due to related parties – long-term	–	1,898
Long-term loan, non-current	7,295	937
Deferred income taxes, non-current	525	701
Capital lease obligation, less current portion	89	599
Total liabilities	55,009	51,997
Minority interest	27	1,097
Shareholders' equity:		
Share capital (GBP 1 per share 2,250 and 2,250 shares authorized, 2,151 and 2,151 issued and outstanding as at March 31, 2003 and 2002, respectively)	4	4
Additional paid-in capital	27,977	26,847
Accumulated deficit	(4,993)	(9,027)
Total shareholders' equity	22,988	17,824
Total liabilities and shareholders' equity	\$ 78,024	\$ 70,918

IBS Group Holding Limited
Consolidated Statements of Operations

	Years ended March 31,	
	2003	2002
	(Restated)	
	<i>(In thousands of US Dollars)</i>	
Operating revenues:		
Sales of goods	\$ 193,748	\$ 164,746
Service revenues	39,711	32,408
Total operating revenues	233,459	197,154
Cost of revenues:		
Cost of goods sold	163,458	139,742
Cost of services	17,915	16,294
Total cost of revenues	181,373	156,036
Gross margin	52,086	41,118
Operating expenses		
Selling expenses	2,301	3,465
General and administrative expenses	43,483	36,394
Depreciation and amortization	3,764	3,745
Operating income (loss)	2,538	(2,486)
Other income and expenses:		
Interest income	165	91
Interest expense	(2,762)	(3,223)
Other gains and losses, net	3,915	772
Minority interest in net losses of subsidiaries	1,223	1,097
Net foreign exchange loss	(649)	(145)
Income (loss) before income taxes	4,430	(3,894)
Income tax (expense) benefit	(396)	313
Net income (loss)	\$ 4,034	\$ (3,581)

IBS Group Holding Limited
Consolidated Statements of Shareholders' Equity

	<u>Common stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balances at March 31, 2001	2,000	\$ 4	\$ 14,339	\$ (5,446)	\$ 8,897
Issuance of shares	151	–	9,938	–	9,938
Issuance of warrants	–	–	885	–	885
Effect of issuance of shares by a subsidiary	–	–	1,685	–	1,685
Net loss for the year (restated)	–	–	–	(3,581)	(3,581)
Balances at March 31, 2002 (restated)	2,151	4	26,847	(9,027)	17,824
Effect of issuance of shares by a subsidiary	–	–	143	–	143
Issuance of warrants	–	–	987	–	987
Net income for the year	–	–	–	4,034	4,034
Balances at March 31, 2003	2,151	\$ 4	\$ 27,977	\$ (4,993)	\$ 22,988

IBS Group Holding Limited
Consolidated Statements of Cash Flows

	Years ended March 31,	2003	2002
			(Restated)
	<i>(In thousands of US Dollars)</i>		
Operating activities			
Net income (loss)	\$	4,034	\$ (3,581)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation		3,534	3,694
Amortization		230	51
Provision for (benefit from) deferred taxes		(176)	(749)
Loss on foreign exchange		649	145
Provision for doubtful accounts		469	249
Minority interest in net losses of Subsidiaries		(1,223)	(1,097)
Other		(7)	26
Changes in operating assets and liabilities:			
Trade accounts receivable		(9,693)	3,251
Inventory and costs related to long-term contracts		1,087	7,117
Due to and from related parties		967	290
Accounts payable		2,270	(5,916)
Advances received		(1,983)	(640)
Accrued liabilities		583	946
Deferred revenue		587	(6,497)
Changes in other assets and liabilities		(2,810)	2,566
Net cash used in operating activities		(1,482)	(145)
Investing activities			
Purchases of property and equipment		(1,937)	(3,908)
Proceeds from disposal of property and equipment		630	678
Purchase of intangible assets and other assets		(692)	(449)
Short-term investments		1,441	(1,543)
Proceeds from issuance of common stock by a subsidiary		280	3,456
Net cash used in investing activities		(278)	(1,766)
Financing activities			
Proceeds from bank loans and promissory notes		3,980	8,057
Repayment of bank loans and promissory notes		(7,117)	(8,410)
Proceeds from long-term debt		–	1,727
Repayment of long-term debt		(544)	(254)
Proceeds from related party debt		7,804	2,578
Repayment of related party debt		(1,850)	–
Cash from sale-leaseback transactions		–	1,404
Repayment of obligation under capital leases		(701)	(1,182)
Proceeds from (repayments of) overdraft facility, net		(42)	(92)
Other financing		–	(487)
Net cash provided by financing activities		1,530	3,341
Effect of exchange rate changes on cash and cash equivalents		(60)	(40)
Net increase (decrease) in cash		(290)	1,390
Cash and cash equivalents at beginning of year		9,229	7,839
Cash and cash equivalents at end of year	\$	8,939	\$ 9,229